

Bringing TV to Life (Issue IV):

The Disrupted Strike Back

New rules and capabilities to survive



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After years of radical fluctuation, the media and entertainment market is finally reaching a more stable pattern. It's no longer a question of 'if' digital transformation will happen; the question is how companies will respond. Leveraging the opportunities presented by digital video, new players are entering the market, capturing consumers' imaginations – and their wallets. Across the content value chain, aggressive commercial bets are being placed on new business models, acquisitions, partnerships and services. The window of opportunity for the leading players to secure their position is narrowing and decisions need to be made rapidly. To compete in this new ecosystem, new digital-based business strategies and associated capabilities are essential. Companies that hesitate now may spend years trying to catch up.

Many of these themes and trends are being discussed online. If you would like to contribute to the discussion, please join us online at [Pulse of Media](#) or follow [#pulseofmedia](#) on Twitter.





A call to action

Current market trends are fundamentally changing the industry. The growth of traditional revenue streams is declining as new revenue models emerge. Individual business models are being replaced by a complex ecosystem of industry participants from new startups to superplatforms. Digital brands are gaining prominence, powered by an ability to deliver an engaging multi-channel customer experience. These three key trends are a call to action for companies disrupted by the media and entertainment industry's digital transformation.

Revenue vs growth: approaching the tipping point

While traditional broadcast models are still reaping the largest share of industry revenues, the most rapid growth is now in newer digital channels (Figure 1). As video increasingly becomes a digital product and new distribution strategies continue to emerge, the relevance of old business and delivery models will continue to decline.

Internet protocol (IP) networks are enabling businesses to 'own' the entire value chain from content creation to end-user and allowing new entrants to participate in a digital ecosystem where the valuable assets extend beyond infrastructure and content. Well-funded players from outside the traditional content industry are using video to drive other revenue streams –from devices (Apple), from retailing (Amazon), and from broadband (see BT Sport). These new strategies are commoditizing video content and resetting consumers' expectations about price and value.

For traditional content providers, these trends make it exceedingly challenging to achieve a return on video services and content, especially when operating in a traditional business model. Digital transformation is imperative.

Figure 1: Growth in Digital Services

Pay TV vs. Online Video (OTT)

2013 – 2017, Subscribers in Millions

		2013	2017	CAGR
Users	Online Video	507	823	13%
	Cable TV	541	568	1%
Subscribers	Satellite TV	244	306	6%
	IPTV	134	191	9%
	FTTx	88	130	10%

Source: Ovum, Pay-TV Subscriptions and Revenues Forecast: 2012–17, April 2013

Barriers fall, new players enter

Few other industries have seen the barriers to entry fall so rapidly and witnessed the emergence of so many highly disruptive threats as the communications industry. Today each business is part of a complex ecosystem involving multiple players (Figure 2), including:

- **Web-based content distributors (e.g., Netflix)** – having the content, data and scale to become a provider on their own terms at the right price point, while relying on other players to provide the Internet access on which their services ride
- **Superplatforms (e.g., Google)** – using their web-scale platforms and their global user base to offer services across a number of ecosystems, including video, leveraging insights driven from significant data collection and analysis, without having to rely on monthly subscription fees to fuel their business model
- **Communication service providers (e.g., BT)** – using video to drive up subscriptions to communications services and building large digital footprints through acquisition

- **Device manufacturers (e.g., Apple, Samsung)** – focused on devices, but using content and services to increase device sales, positioning them as the 'entertainment hub' across all screens, including fighting cable companies for ownership of the customer experience on the television

- **Traditional content distributors (e.g., FTA broadcasters and Pay TV)** – providing subscription or ad-funded content over linear channels and on-demand

- **Retailers (e.g. Amazon)** – using video content to drive sales of core offers (e.g. Amazon Prime includes access to a library of on-demand digital video)

- **Rights owners (e.g., NFL, NBA)** – experimenting with distributing certain digital online content directly to the consumer and not relying solely on the traditional sale of distribution rights

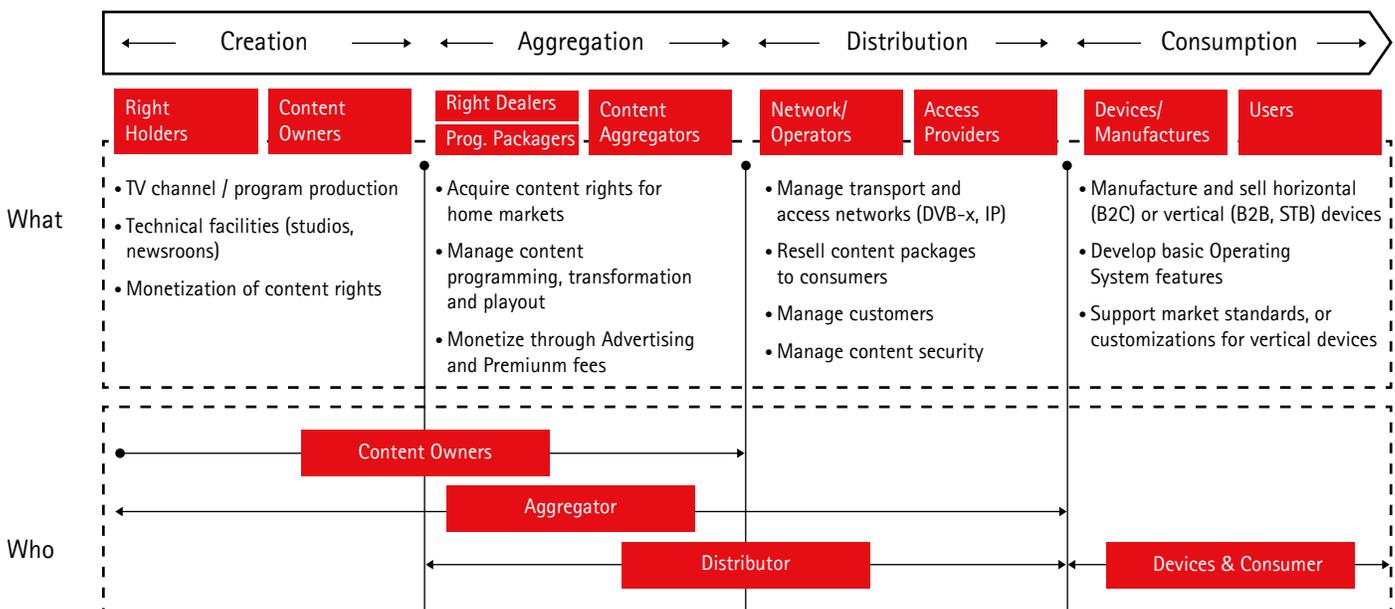
- **Software development community (e.g., mobile and other Connected Apps)** – creating apps and APIs to drive more interactivity and pervasiveness around video content and/or metadata

- **Gaming platforms (e.g., Xbox, PS4)** – similarly to device manufacturers, targeting a role as the digital entertainment hub for the home and bringing video offerings onto their platform

It is likely that the debate about winners and losers will continue unabated with no clear outcomes in sight. But one thing is clear: The game is being played in a completely different league. Newer entrants are willing to change the status quo; they have the DNA to innovate constantly and unprecedented financial power to acquire and invest as desired. Figure 3 clearly highlights the purchasing power at risk—showing how many days of cash flow it takes the giants to cover either the annual losses, or the annual rights investments, of the 3-4 leading European broadcasters.

Thriving in this highly complex and evolving eco-system requires traditional video businesses to determine the assets, capabilities, and skills to add or develop in order to be relevant in the new digital market place.

Figure 2: Actors in today's digital video industry



BT Sport: Investing in premium video content that is free to BT broadband subscribers

On August 1, 2013, one of the most anticipated broadcasting ventures in the world of sport was launched by a telecoms company—BT. BT's new offering is a full multiplatform, premium, broadband-based TV channel available on a wide range of devices—from set top boxes to smartphones—free for BT broadband subscribers. TV is now as much about broadband as it is about TV, and what were once localized experiments have given way to large-scale disruption. BT Sport is leading the way.

Footnote: [BT Sport: Digital Game Changers](#)

Figure 3: New media players listed have a sizable financial advantage over European broadcasters

Reported cash from operations (CFO) for major listed new media players, namely Apple, Amazon and Google, could readily cover losses previously incurred by European broadcasters as well as some of their major cost items for recent years.

Apple CFO (\$m)	Google CFO (\$m)	Amazon CFO (\$m)	Apple CFO (\$m)	Google CFO (\$m)	Amazon CFO (\$m)
37,529	14,565	3,903	37,529	14,565	3,903

Broadcasters' Metrics

	LCU m	\$ m	Cover ratios (x)			Days of CFO Required		
Losses								
BSkyBB: Net Loss, 99-02 (€)	2,404	3,773	9.9x	3.9x	1.0x	37	95	353
MS: MS Premium Op. Loss, 05-11 (€)	272	336	111.8x	43.4x	11.6x	4	9	32
Broadcasting Rights								
BSkyB: 2010-13, Premier League (€)	1,623	2,547	14.7x	5.7x	1.5x	25	64	239
BSkyB: 2013-16, Premier League (€)	2,280	3,578	10.5x	4.1x	1.1x	35	90	335
ITV: 2011, all broadcasting (€)	1,004	1,576	23.8x	9.2x	2.5x	16	40	148
M6: 2011, all broadcasting (€)	334	412	91.1x	35.4x	9.5x	5	11	39
TF1: 2011, all broadcasting (€)	881	1,087	34.5x	13.4x	3.6x	11	28	102
MS: 2011, all broadcasting (€)	1,651	2,036	18.4x	7.2x	1.9x	20	52	191

Source: Bernstein Research 'European Media: A TV Survival Guide', November 5, 2012

Note: CFO is taken directly from the FY2011 cash flow statement for each "attacker" company. Losses at BSkyB are the losses in net income between 1999 and 2002. Mediaset losses are those suffered running its Pay TV platform, Mediaset Premium, since its launch in 2005. The figures for Premier League rights are (a) the amount paid by BSkyB for 5 out of 6 packages for the 2010-13 seasons; (b) the amount agreed to for 5 out of 7 packages for the 2013-2016 seasons. Exchange rates used (as of August 20, 2012) are £:\$ 1.570; €:\$ 1.233.

The rise of digital brands

Accenture research shows that the viewing of digital video on multiple IP connected devices is proliferating and moving rapidly into the mainstream (Figure 4). For example, Netflix is creating a strong digital brand as it offers a seamless experience across devices, enabling account holders to start watching video on their smart TV, stop, and pick up where they left off on another device.

As leading providers build a more engaging digital video experience and continually refine their offers in response to consumer behavior and preferences, their brands will grow stronger and stronger. It is no coincidence that the BBC's iPlayer on the iPad is now the most popular way to engage with the BBC's catch-up and on-demand digital service, with iPlayer in the process emerging as a leading digital brand¹. Both Netflix

and iPlayer are very simple to access and operate and are fundamentally changing consumer expectations.

The winning digital content providers will be those that achieve ubiquity, and are perceived as brands that are constantly connected and 'plugged in' to their consumers' digital lifestyles. As software makes access to content simpler, it will drive adoption of these digital video brands as the 'new normal' into the mass market.

The time is now to build capabilities for the digital age

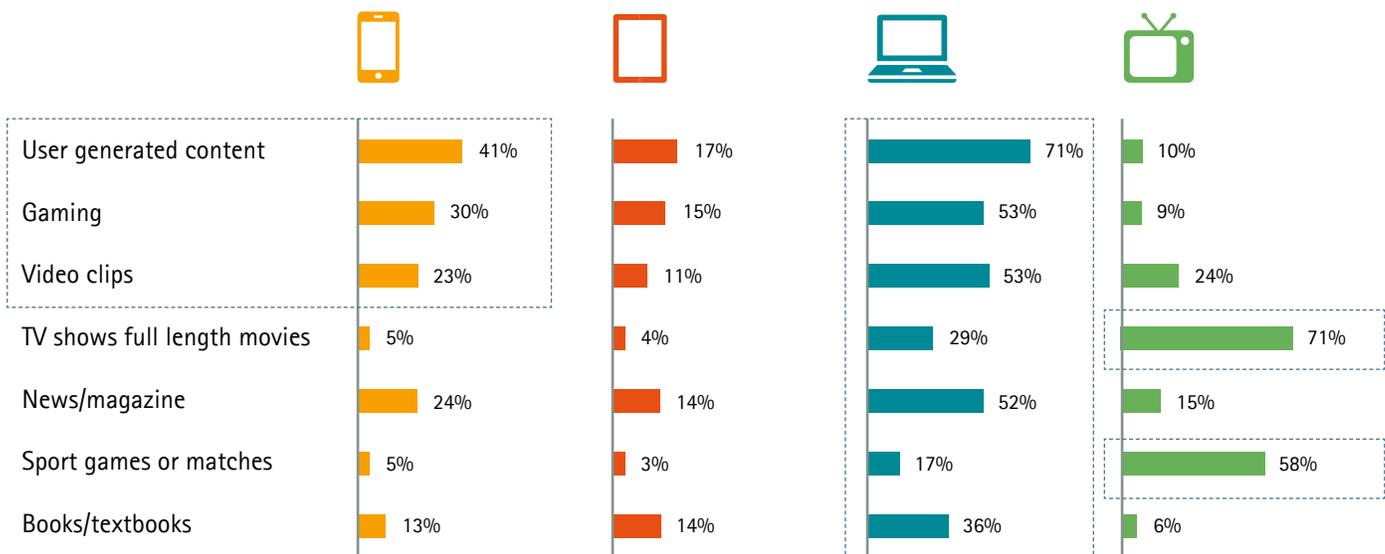
The development of powerful digital brands and the incursion of nimble and well-resourced new players in the digital video space pose real threats to traditional content providers' business models. The response of many to date has been to launch video over IP services that

have been defensive or 'me too' plays, with only limited integration or ability to exploit synergies with existing video delivery platforms.

But as we've already seen, future success requires much more than integrating the traditional content supply chain into various digital channels. To go further, traditional providers must develop new –and very different –digital capabilities. Failing to do so will seriously undermine a business's ability to move forward quickly as the market changes decisively to digital video.

Figure 4: Device Usage

Which types of device(s) do you prefer to use when accessing different types of content?



Sample base: N=23000

Source: 2014 Accenture Digital Consumer Survey

¹"BBC iPlayer topples Marks & Spencer as digital brands dominate UK's top three", cityam.com, July, 2012





Cable: Moving from the old to the new and taking charge of set-top box evolution

Cable operators have enjoyed a relatively favorable position for years, thanks to superior technology, a stable video ecosystem, and favorable regulatory conditions. Their infrastructure has enabled them to offer customers very high bandwidth compared to traditional operators that relied on a DSL line that, in the best cases, could offer bandwidth in the region of 10-15 Mbps. Cable operators, able to scale up to 100Mbps or more, were also able to serve multiple TV screens in the household as a result of the broadband infrastructure that they built.

However, the same infrastructure that provided competitive advantage is now also creating a challenge for cable companies. Their video on demand (VoD) and linear content architectures were built some 10 years ago, and set top boxes are now aging. Cable operators face major competition now that traditional operators are starting to roll out fast fiber to the cabinet or to the home. In response, cable companies have been evolving their legacy platforms to an Internet protocol (IP)-based infrastructure or hybrid QAM and IP. To achieve that, they are gradually reducing the spectrum on their cable dedicated to broadcast and moving more towards IP traffic, in the process reducing the spectrum available to linear channels. This implies gradual adoption of an IP-based framework on the back end of the network in order to compete by delivering interactive services – an area in which cable operators have historically been slow to innovate.

To succeed in both IP and linear worlds, cable operators need to take control of the evolution of the set top box. Emerging standards such as the reference design kit (RDK), offer an integration layer for cable operators to build their own set-top box interfaces. Doing so will make it possible for them to achieve the flexibility they need to tune the right blend of services that they offer between broadcast and interactive IP-based services. We're already seeing this happen with Liberty Global's Horizon TV. More are sure to follow.

Building new capabilities for the digital video world

Accenture believes that there are four critical capabilities underpinning a content provider's successful digital evolution: Balancing cost with revenue, building business-to-consumer (B2C) relationships across channels, positioning IT to take a stronger role in the digital journey and operating with both broadcast availability and broadband flexibility.

1. Balancing cost with revenues in a more value-for-money conscious world

Producing and selling video content profitably is becoming more and more difficult. An increasing number of content offerings such as streaming, subscription video on demand, and peer-to-peer (P2P) are contributing to this challenge. Consumer reluctance to pay for video content, and the diversion of advertising budgets to additional services (e.g., social and online) are also impacting profitability by diminishing the value both users and advertisers attribute to video content.

Accenture's research highlights these trends. Our digital consumer survey shows that while more than 30% of consumers say that they will increase spending on smart devices, only 12% of them plan to spend more on video content (Figure 5). This trend will persist and exert greater pressure on companies seeking a presence in the digital video market. Operating profitably will require some radical changes.

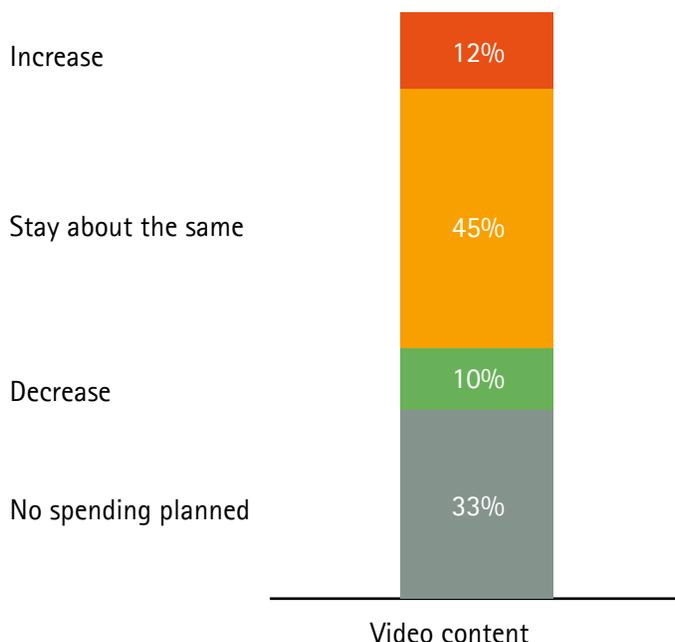
Managing the cost of technology with a horizontal architecture

For a typical content aggregator profitability requires a technology spend (including operations and distribution) at or below 10% of total revenues. This is a threshold that in nearly all cases cannot be reached solely by optimizing costs. Instead it requires deep transformation of the whole technology architecture and process landscape. That means moving from a vertical approach (characterized by silos) to a horizontal architecture supported by common services and infrastructure.

Implementing lean operations

The introduction of new technologies, content types and associated distribution channels and patterns of user interaction require a significant change in customer and service operations. Simply adapting operations to support each additional development with another silo will only serve to multiply effort and complexity. Content providers need to look at other industries in which web and new technologies have already had an impact on services and operations. Businesses in these industries have implemented radical change (i.e., moving from technology domain-based to user service-based) enabling them to achieve higher quality service and lower costs.

Figure 5: Spend on video content in the next 12 months



* Sample base: N=21883, excludes 14-17 year olds.

Source: 2014 CMT Digital Consumer Survey

Integrating failure into innovation

Most established providers use a waterfall model to design and build new services. Typically, this means developing a business case, building a service architecture, executing a pilot in order to fine tune aspects of the service and then, finally, full deployment. While an unsuccessful service will generate significant losses, frequently a service is launched (or not abandoned as early as it should be) because of the major investments the company has already incurred.

New entrants, in contrast, do not work this way. They leverage two fundamental sources of competitive advantage. First, they have a lean service creation capability that requires much smaller investments given their horizontal architectural approach. Second, they leverage customer feedback continuously in service creation and their delivery processes in order to adapt to evolving customer needs. This approach makes 'failure' a natural part of how a service evolves, embedding the potential to respond, adapt and change with innovations that audiences will value.

Testing brave new business models

As others are using video content as a commodity or loss leader to drive revenue through other channels, content distributors need to begin thinking about how they too can leverage their content and editorial resources to drive new profitable engagement models with consumers. For example, the explosion in the popularity of live online events could create the potential to drive other monetary transactions given the concentration of digital attention on one event. While these types of models often are counterintuitive to traditional content monetization, consumers on digital platforms have different expectations of how they will pay for content

(e.g., 'skippable' advertising, low-cost subscriptions, purchase behavior based on show loyalty versus channel loyalty) and additional services will be required to fill the gap. Finding the right mix of services that complement or augment the viewing experience will be one of the main strategies that should help both drive consumer engagement and increase the chances of profitability for digital channels.

2. Building B2C relationships across all digital channels

As consumers begin interacting with content across a number of different devices and associated interfaces, content companies need to be present and fully engaging on them all. While this is a challenge for some, it also presents a significant opportunity. Digital channels offer a unique ability to capture data and accelerate product development that enables content distributors to create deeper and more personal connections with consumers.

Addressing cultural challenges

Becoming both a data-driven and digital product organization necessitates a significant change in culture. While it is understood that the wealth of data available through digital channels can enable more personal connections through deeper relationships, many companies have been providing access to content without requiring user registration. They believe that making that demand of consumers will cause usage and engagement –which have culturally been the drivers of success –to drop off. Even companies that have successfully managed to collect a material volume of data still need to make sense of it so they can respond appropriately, whether through collecting and responding to sentiment, or targeting consumers with effective marketing and sales messages or, of course, content. This is a demanding task.

The true value of this data comes from cross-property views of consumers, which may be counter-intuitive to siloed organizations. Furthermore, using data to help drive creative decisions has generally been problematic as it depends on a significant amount of collaboration and experimentation between technology and business stakeholders – something that many content organizations have found hard to promote.

Creating clear engagement strategies to promote data collection

Unless a provider has a compelling digital subscription or retail offering, driving registrations will require content providers to create the right incentives and, most likely, achieve internal strategic agreement, to be able to capture user data. Pay walls and similar mechanisms have been employed in the past with varying degrees of success, usually in line with the strength of the content and sometimes the brand. Providers that are unsure whether such strategies will drive high uptake will need to create a highly engaging–and perhaps even urgent–reason to engage in order to create the critical initial phase of data capture. Incentives could be in the form of interactions with live event shows (e.g., voting for a winner) or could be through special offers (e.g., temporary access to free premium content). Such strategies will require traditional content functions and their digital counterparts to align– allowing the popularity of the former to drive traffic to the latter – perhaps in the form of, for example, on-air promotions. Yet registrations are only the beginning. Benefits will not be achieved unless the digital channels continue to give consumers reasons to return and to interact often to capture both explicit and implicit usage data that can be leveraged for better targeting.

Driving value from data

While this is very similar to any web strategy, the important point is that content providers should be leveraging their distinct advantages (e.g., content, editorial) not only to drive usage but also to respond to related feedback from consumers.

It can be challenging for creative or content operations departments, used to working in traditional models, to take advantage of consumer engagement data. It is relatively simple, for example, to identify the most popular content on a digital channel. Yet this data is hard to act on without enriching it with

additional information about context, user segments, location, time of day or additional channel interactions. Also, it is not enough to enrich data in a vacuum. Coming up with the appropriate hypotheses of consumer behavior also requires close collaboration between business, creative, and technical functions. But if executed appropriately these approaches can provide value to both traditional and digital parts of the business (Figure 6). If content providers are not investing in these abilities and supporting technological platforms, the web superplatforms (e.g., Google, Facebook, Netflix) certainly are and will soon be positioned to provide such 'digital' services to upstream content providers.

3. Positioning IT to take charge of the digital journey

As media businesses adapt to changing consumer needs, they must also re-imagine how they operate and approach technology. The digitization of distribution networks, production processes and devices is driving a profound and pervasive change across all elements of the media company operating model. This includes the technology platforms, the management and monetization of content assets, the definition of services and the consumer fruition models. The challenge of multiple file formats on multiple distribution networks, delivered to an ever-expanding

Figure 6: Ways Content Providers can Drive Value from Data

- **Marketing and Promotions** – While content companies have traditionally allowed downstream organizations to provide direct 'call to action' marketing to consumers, the advent of digital interactions provides an opportunity, and in some cases a responsibility, to use these nascent channels to increase uptake, engagement and loyalty or 'stickiness'. An improved ability to segment a consumer base gives marketing the ability to leverage internal creative capabilities (such as content curation/editorial) tied to more sophisticated targeting tools to not only create effective marketing messages but also generate feedback on what works. With the right execution this can create a test-and-learn culture that delivers a smarter organization, able to optimize its marketing spend and react quickly to changing consumer sentiment. While this would require an investment in a platform (or a partnership) to support these capabilities, the return on investment should be measurable in marketing ROI and in increased consumer engagement to drive other revenue models on digital channels (e.g., advertising).
- **Product Definition** – For digital-only products, or traditional products that are distributed across a number of channels, the insights collected from digital interactions can be extremely valuable. Given the end result is a more engaged audience, any information about current engagement, segmented by content or demographic, can support decision making as products are designed. This works very well in 'test and learn' scenarios in which functions and features may be difficult to prioritize without data to show what works best with the target consumer.
- **Content Pricing** – As is the case with high-performing online retailers, finding the optimal price-point to enhance returns is driven by the ability to segment and test different content pricing models and messages across various digital channels. As content catalogs become larger, the ability to understand the likely yield based on the characteristics of both the consumers as well as the audience can help support more predictable pricing.
- **Ad Sales and Operations** – While the value of digitally-collected data has been understood to support online ad sales, more innovative players in the industry are developing the ability to use the same data to better understand the value of traditional advertising. Given most consumer devices can handle OTT distribution of video, as well as collect data across both linear and OTT, the use of correlation as well as segmentation techniques can improve understanding of whether a household is more responsive to certain types of advertising, independent of pure programming considerations. The insights here can be used in a number of ways from enriching traditional advertising footprints, which may have STB devices that can provide targeted linear advertising, to creating an option for traditional advertising to use OTT as a 'make good' channel.
- **Rights Acquisition** – More insight into consumer engagement across digital channels helps rights negotiations as innovative content and consumer segmentation can help better package or consolidate rights across numerous windows and enhance the return on spend. For instance, being able to cluster the consumer base across a number of content segments that have been calculated through usage or interaction enables connections around content usage (or recommendation effectiveness) that can support decisions about expected return for particular mixes of content rights packages.
- **Content Commissioning** – Better understanding of core digital audience behavior enhances the content commissioning process by providing insight into the types of content segments that are most effective with the footprint reached through those channels. Again, content segments do not necessarily need to be specifically based around genre or talent. Appropriate, fine-tuned algorithms around correlation and predictive modeling can create new types of segments. These can be used to support and test curation and editorial recommendation processes, and then help predict whether commissioned content would have similar 'hit' rates. Netflix has demonstrated the success of this approach numerous times, harnessing their usage data to help green-light relatively pricey productions more confidently.

range of devices, will drive media companies to reconsider the role of their technology departments and the role of technology operations.

In a modern media company, IT is more pervasive across core business processes than ever before. It is now so bundled with a company's media products that the associated supply chain (from creation to distribution) needs to fully embrace the supporting technology. In this context, media companies must be tech-savvy to remain competitive. Old models of R&D-based innovation will not provide the strategic flexibility and speed required to meet rapidly evolving consumer demands for content. Nor will they provide the means to compete with younger businesses that are unencumbered by legacy systems, thrive off operational change, are able to learn from other companies' innovation and are designed to achieve success through much quicker experimentation cycles of test and trial.

Synchronizing technology and business models will therefore be a key success factor for leading media companies. The established and relatively, to date, unchanged world of separate IT, engineering and R&D organizations lacks the agility for today's digital economy. IP-based delivery and the cloud are forcing media companies to become more web-like, with an ability to continuously and rapidly prototype and execute data-driven experimentation.

A new set of IT/web-based skills and capabilities are required to maintain pace and compete with web and mobile disruptors such as YouTube, Netflix and Amazon. Taking charge of the digital journey and accelerating the pace required to meet the new industry context therefore requires change in IT architecture, skills and organization.

Building agile and integrated architectures

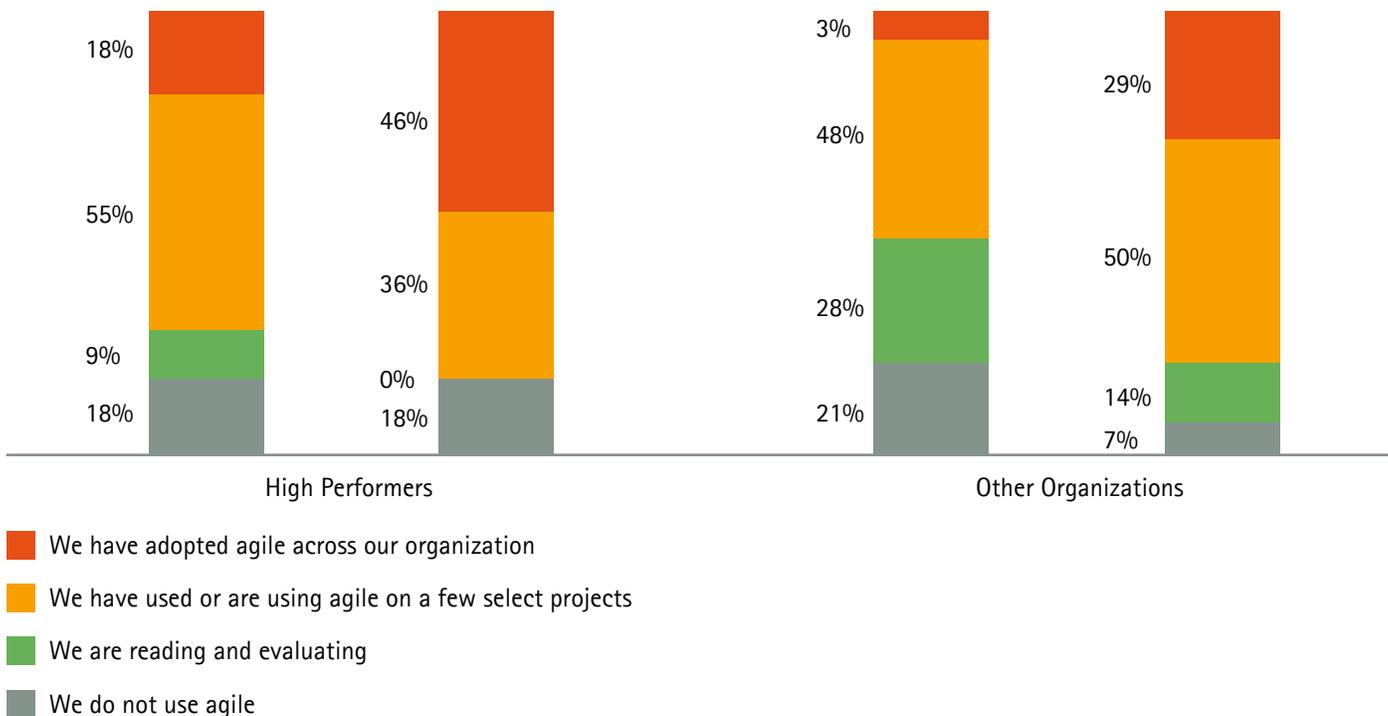
Adapting to a fast-changing world is a critical success factor. Agile systems and operations enable organizations to adapt more quickly, respond faster to changes in their business and have a nimbler approach to opportunities as they arise (Figure 7).

In a world that has evolved from one type of content, one network and one device to everything existing in multiple forms, new IT service oriented architectures are required to orchestrate complex workflows and consumer services across devices to overcome traditionally siloed content delivery architectures. Architectures need to change, but legacy applications must also evolve to adapt and integrate with new business models.

New IT components are taking the lead. This is true not only for what were traditionally hardware-centric environments such as content

Figure 7: One in five high performers has adopted agile methods across its organization

To what extent has your organization adopted agile methods as an approach to delivering applications? "Today" compared with "Target"



Source: "High Performers in IT: Defined by Digital", Accenture, 2014.

production, content management, asset management and digital supply chain. It's also happening in completely uncharted territories such as recommendation engines, front-end applications, user experience and digital advertising.

Successful media companies will be those that can modernize through available packages, while reducing the number of applications they need to support in their portfolios and developing new ones with more flexible architectures.

Investing in, and nurturing, IT skills

IT skills have traditionally centered on monolithic packaged products. Today, the need to introduce new features in a less risky way requires a more modular and integrated multi-component model to better maintain next generation digital platforms and the systems on which they depend. This approach enables more parallel work to be performed while controlling risk, but it also requires the current IT organization to develop a number of different skills:

- **Software developers and architects** will need to develop stronger system integration and modular development skills, providing services in a loosely coupled way that enables them to be nimbler in updating components. This is not necessarily dependent on service-oriented architecture skills, as development processes and open source tools have been simplified in order to reduce the need for bulky architectures.
- Additionally, **the testing organization** (not only software developers) will need development skills to support automated testing in order to reduce risk when putting all the pieces together.
- Furthermore, these capabilities will depend on having a **continuous development** (CD) structure for packaging, deployment, validating and reporting of

software health in a streamlined and cost effective way. While organizations such as Facebook and Google have invested heavily in these capabilities, the open source market is beginning to catch up and help companies whose core business model is not software platforms to achieve similar benefits.

- Finally, **management teams** will require technical talent. They will need to understand not only how to set up such a functioning 'factory' model but also how to use the data provided by the CD framework to make data-driven decisions to resolve code health or development velocity issues.

The good news is that next generation engineering methodologies can be applied to both IT and product development organizations. Not only is the technology converging but also the same model serves both of these functions traditionally disparate goals. For IT, this reduces the risk of operating critical components by isolating functionality and providing detailed health reports. For product development, this allows for speed to market by combining the best of agile development while creating automation for efficient deployments as well as predictability based on velocity projections.

Reshaping the technology organization and delivery models

In most cases, technological convergence has not led to the convergence of organization and delivery. This has led to multiple organizations having separate, well-defined technology responsibilities: Engineering for content production, IT for back-end corporate systems and new media for web and mobile delivery channels. However, the effectiveness and efficiency of these models is being challenged. IT is now pervasive throughout the traditional production world and web and online

channels have matured to complement traditional broadcast channels, particularly in project delivery and service operations. In the face of these changes, the traditional siloed structure is a key reason for the often suboptimal approach that media companies take to defining their end-to-end enterprise IT architectures.

4. Operating with broadcast availability and broadband flexibility

While the appeal of legacy video services will dwindle over time, there's no doubt they are currently, and will continue to be in the long term, the major source of revenue for all incumbent players. Companies with a strong foundation in the video business face a challenging problem: They must change the engine while in motion, with a customer who is not willing to compromise on quality. To meet that challenge, successful broadcasters seeking to build a solid IP framework must address two important operational considerations.

Operating and transforming the legacy video platforms, constantly improving the total cost of ownership (TCO) in order to match costs with decreasing revenues

Legacy video platforms (programming, advertising, playout) were not built with today's proliferation of screens in mind. In addition, most of these platforms are designed as silos that do not easily integrate with each other (for example, most broadcasters did not integrate web applications to the traditional linear channels, but as another vertical stack purchased and implemented by a separate box vendor, or built in-house). However, it is inconceivable today to launch a video program without considering a 360-degree approach,

including social, web and multiscreen interaction with the user. This—together with the need for cost rationalization in supporting traditional content and channels—is driving the need to make legacy platforms and associated support services 'horizontal' while reducing TCO. For example, metadata management is a difficult process for most broadcasters due to its lack of clear standards and its multiple uses. Legacy operating models have forced this capability to be built in silos, supporting only the distribution channels that the metadata is describing. Given the importance of this data to connecting both traditional and non-traditional lines of business, metadata management should be a centralized service that could be leveraged across all departments, creating a tighter integration between consumer products and offerings, and streamlining the operations that support them.

Operating IP-based video services in a context where delivery is the result of a patchwork of architectures, platforms and networks

Contrary to popular opinion, IP is making operations much more, rather than much less, complex. While the traditional model allocated resources to video distribution in a predictable way (SDH, DVB-x), delivering content via IP is extremely unpredictable. It requires: management of several networks, each with its own ratio of delays and packet losses; the user's home network (that up to now was a co-ax and a dedicated device like a tuner or a set-top box) with Wi-Fi interference; interfaces that could fail in a number of different scenarios; and user appliances with highly varied software and hardware configurations. All these make the job of the operations engineer a continuous

challenge. Interestingly enough, many of these problems have been solved, but with traditional IT methodologies, developed over many years of integrating disparate systems, that could be highly beneficial when applied to media distribution.

A holistic approach—with the appropriate level of technology to support operations and troubleshooting—is needed to address this challenge, transforming operations from a model based on domains (content processing, playout, distribution, devices) to one based on the end-to-end customer experience (VoD operations, Live operations). The change requires a deep review of skills, operational processes and platforms, but such operating model change has already been adopted by the front-runners in the digital transformation journey.



Conclusion

The speed and magnitude of disruptive change that digital video is generating is resulting in the need for broadcasters, telcos and cable companies to evolve their business models rapidly and at scale. In order to successfully compete in the new ecosystem, each should consider a number of changes:

- Moving from a silo-based architecture and process landscape to a horizontal approach supported by common services and infrastructure will help organizations to balance costs with revenues. In these times where content costs continue to increase, the benefits of implementing lean operations, leveraging customer feedback continuously in service creation, and being prepared to experiment with new business models, can all pay dividends.
- Collecting data and leveraging analytics can empower organizations to build B2C relationships across all digital channels. A clear engagement strategy – aligned with traditional content functions – is required to benefit from this data, which can in turn support more sophisticated segmentation, price optimization and targeted advertising and even increase the success of content commissioning.
- As IT becomes more pervasive across core business processes than ever before there are clear benefits of positioning IT to take charge of the digital journey.

Adapting to a fast-changing world by embracing the use of developers with stronger system integration skills, automated testing, continuous development, and management teams accustomed to making data-driven decisions, can reduce operational risk and increase speed to market.

- In a hybrid world where legacy video services coexist with IP-based video services, companies must operate with broadcast availability and broadband flexibility. To optimize costs with decreasing revenues, legacy video platforms should be operated and transformed whilst constantly looking for ways to decrease TCO—which is a challenge as the proliferation of IP-based video services at scale actually makes operations more complex.

Digital transformation is happening and competition is increasing. Broadcasters, telcos and cable companies need digital-based business strategies and associated capabilities. The time to start is now. Standing on the sidelines is not an option.





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Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 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\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com

Bringing TV to Life Series

Accenture's Point of View series "Bringing TV to Life" aims to build an understanding of the technology and business trends and market drivers that are radically reshaping the video industry. Our perspective reflects our experience with established and emerging players across the ecosystem. We also make use of Accenture's primary industry surveys that offer vital insights into fast-changing consumer wants, preferences, and behaviors. Our series aims to help all the players in this rapidly evolving space to accelerate their journey as high performance businesses.

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