IBM Institute for Business Value

Beyond digital

Connecting media and entertainment to the future

IBM Institute for Business Value

By Saul Berman and Lynn Kesterson-Townes

The much heralded "connected consumer era" is no longer on the way; it has arrived. Today's connected consumers are empowered, demanding instant access to personalized content on their own terms. To satisfy connected consumers, as well as ecosystem partners, Media and Entertainment (M&E) providers must move "beyond digital" to deliver individualized experiences on demand, at any time. For those in the M&E industry, digitizing content and digitally distributing it is no longer enough. Success in the connected landscape will require: a business-to-consumer (B2C) mindset; insight into consumers' digital personalities; the delivery of relevant, enhanced experiences; and the ability to find new ways to monetize content successfully.

Connectedness is pervading consumers' daily lives, and they continue to crave even more. A recent journal reported that people check their smart phones an average of 34 times per day.[1] More video is updated to YouTube in one month than the three major U.S. networks created in 60 years.[2] And 61 percent of Americans said it would be easier to live without air travel than the Internet.[3]

The new behaviors of connected consumers – which include social viewing, distracted viewing and viewing on demand – have greatly impacted M&E providers. Content cannibalization is reducing demand for certain traditional types of content and mass audiences are shattering. What's more, digital revenue streams have proven weaker than traditional revenue streams as consumer expectations move from content ownership models to content accessibility models.

To continue our understanding of changing content consumption and digital adoption behaviors, the IBM Institute for Business Value conducted its fourth annual Digital Consumer Survey in 2011. The survey includes more than 3,800 consumers in six countries: China, France, Germany, Japan, the United Kingdom (UK) and the United States (U.S.).

The 2011 survey shows that across all of these markets, it's no longer just a minority of young early adopters who are digitally connected. So are today's mainstream consumers, a group that cuts across age boundaries and consists of those who characterize themselves as buying electronic devices at about the same time as others.

In today's connected consumer landscape, how can M&E providers offer consumers entertainment experiences that are more relevant, and therefore perceived as more valuable? In short, they must move beyond merely distributing digital content.

Today, M&E providers first need to think and act like B2C companies, no matter where they sit in the industry value chain. Second, they should target consumers' specific digital personalities. Third, they must learn to deliver holistic, relevant content experiences – not just content alone. And finally, they must create new flexibly integrated, cross-channel digital revenue models that can deliver value comparable to traditional models.

Global digital behavioral trends of consumers

### Greater digital connectedness is here to stay

Seemingly every public and private setting showcases the rampant adoption of digital devices, accompanied by the intense desire to stay engaged by keeping those devices turned on. Worldwide, consumers increasingly expect content on demand wherever they are – all the time.

Digital adoption is making the world flatter, and our study found similar consumption behaviors around the world. In our global sample, 78 percent of respondents identified themselves as digital device adopters; of these, more than half report reading newspapers online.

"Connected living" is impacting almost every aspect of our daily lives, including health, travel, home and work. Google search trends, for example, are good indicators for predicting the spread of infectious disease.[4] In July 2011, the research firm Intersperience reported on "people's emotional dependency on technology," noting that 53 percent of its UK respondents feel "upset" when denied Internet connectivity and 40 percent feel "lonely" if they can't get online.[5]

With this ongoing consumer desire to stay connected in new ways, M&E providers have begun to understand that digitizing content is no longer enough. The industry must evolve beyond the digital era and engage in the connected consumer era (see Figure 1). One way the connected consumer era takes the industry "beyond digital" is by challenging the industry to provide tailored, seamless experiences that are highly relevant to individual consumers.

Media and Entertainment's evolutionary eras
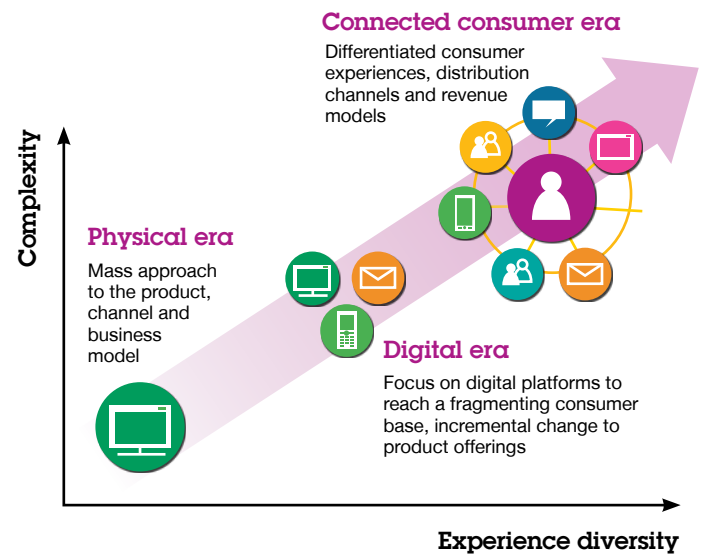
Source: IBM Institute for Business Value.

Figure 1: **The connected consumer era has arrived.**

To better understand the connected consumer phenomenon, we asked respondents which of the following terms best matches their own approach to digital device adoption:

- *Early adopter* (*12 percent of global sample*) – I adopt the latest and greatest devices as soon as they are available

- *Mainstream consumer* (*35 percent of global sample*) – I purchase at about the same time when many others seem to be purchasing

- *Late adopter* (*32 percent of global sample*) – I am typically one of the last to purchase

- *Straggler* (*21 percent of global sample*) – I don't typically purchase new devices, I am happy with the technology I have.

Survey methodology

In our fourth annual digital consumer survey, we questioned over 3,800 consumers in six countries – China, France, Germany, Japan, the United Kingdom and the United States – to evaluate current and future digital content consumption behaviors. The IBM Institute for Business Value conducted an online survey during the second quarter of 2011.

In addition to our consumer survey, one-on-one sessions were conducted with global participants across the media and entertainment industry. These participants represent the following types of organizations:

• Content owners, including broadcasters, cable networks, publishers and online media companies

• Media distributors, including cable/satellite operators, telecommunications providers and new media entrants

• Agencies, including creative services, media services and direct marketing

• Research organizations/analysts, including industry research analysts and representatives from industry associations.

Increasingly, business customers are bringing consumer-learned behaviors into the work environment and acting similarly to the consumers we surveyed. Thus, these lessons apply to a B2B world as well as a B2C world.

Our survey found that a "critical mass" of mainstream consumers is now consuming digital content, as opposed to only early adopters.[6] So, while in the past M&E providers could concentrate attention on what younger consumers expect and thus reach the majority of connected consumers, this generalization no longer holds true. While age remains an important factor, it's not sufficient to determine what consumers want.

Indeed, over 50 percent of global mainstream consumers have adopted a wide range of digital consumption behaviors: from checking news and watching video online, to accessing mobile services, participating in social networking and visiting user-generated content sites (see Figure 2).

"One way the connected consumer era takes the industry "beyond digital" is by challenging the industry to provide tailored, seamless experiences that are highly relevant to individual consumers."

Digital content service adoption

<div style="text-align:right">■ *Early adopters*
■ *Mainstream consumers*</div>

	Early adopters	Mainstream consumers
User generated content	90%	71%
Social networking sites	88%	73%
Mobile information services	88%	57%
Music on phone	86%	58%
Online newspaper	85%	68%
Mobile data plan	84%	63%
Portable/online music	82%	56%
Online video on PC	80%	53%

Source: IBM's 2011 Digital Consumer Survey, US, UK, Germany, Japan, and France, Q6: How often do you use the following digital content services? Early Adopters – I adopt the latest and greatest devices as soon as they are available, Mainstream Consumers – I purchase at about the same time when many others seem to be purchasing

Figure 2: **Globally, a majority of mainstream consumers are now "living connected."**

How connected consumers want to consume content

The rampant adoption of digital devices has fueled the growth of digital content consumption globally. Our study found that digital device adopters commonly exhibit four types of content consumption behaviors: viewing on demand, non-linear viewing, mobile viewing and social consumption.

- *Viewing on demand*: *"I'll catch you later."* Also known as "time-shifting," digital viewing on demand is now the norm. Our 2011 survey found that already in China, the UK and the U.S., over half of early adopters and mainstream consumers consume online video such as Hulu and Netflix on their PCs and video on demand on their home TVs.

In terms of bandwidth, this type of online viewing option has already eclipsed every other form of Internet use since 2010.[7] As of May 2011, the Pew Research Center found that 71 percent of U.S. adults use video on demand sites.[8] Parents are the largest user group – not just young adults – with 81 percent reporting in 2011 that they visit sites like YouTube.[9]

- *Non-linear viewing*: *"THIS I have to check out right now."* In a profound shift from the linear nature of traditional content consumption, global consumers are distracted, decreasingly giving TV their undivided attention. Across our global sample, three-fourths of adults reported surfing the web while watching TV. In the U.S., the figure rises to 90 percent of mainstream consumers who split their attention in this way.

Rather than "leaning back" to focus passively and exclusively on a TV program, consumers today are likely to also be interacting with content in at least one other way – often distracted by content unrelated to what is on TV – and perhaps also chatting with friends. In five of the six countries we surveyed, at least 46 percent of adults, even including the stragglers, surf the web at least sometimes while watching TV (see Figure 3).

- **Mobile access**: *"Do you want that to go?"* The "place-shifting" capability made possible by mobile devices is closely related to the content consumption behaviors of time-shifting and distracted viewing. More than 50 percent of early adopter and mainstream consumer respondents in Japan, the UK and the U.S. regularly access content on their smart phones or other portable devices. Popular activities they cited include listening to music, searching the Internet, receiving and sending emails, and using local maps or navigation services.

This trend will only accelerate. Internet-enabled mobile devices – including tablets, video-game systems, TVs and Blu-ray players – are expected to outpace PC shipments worldwide in 2013. Market research firm iSuppli estimates that in 2013, these devices will tally 503.6 million units, surpassing total PC shipments of 433.7 million.[10] In 2015, it predicts

a far larger gap, estimating 780.8 million mobile device shipments versus 479.1 million PCs.[11]

- **Social consumption**: *"How are YOU doin'?"* This aspect of connected consumer behavior is not just about connecting with content everywhere; it's about connecting with people everywhere, too. Across the global sample, 46 percent of all surveyed consumers report connecting with friends on social networking sites. In the U.S., 58 percent of early adopters and 59 percent of mainstream users are already doing so.

In our global sample, other forms of social content consumption have also reached a critical mass. Worldwide, 41 percent of respondents said they upload photos, 44 percent post messages, 52 percent engage in social networking while watching TV and 64 percent text friends while watching TV.

Surfing the web while watching TV
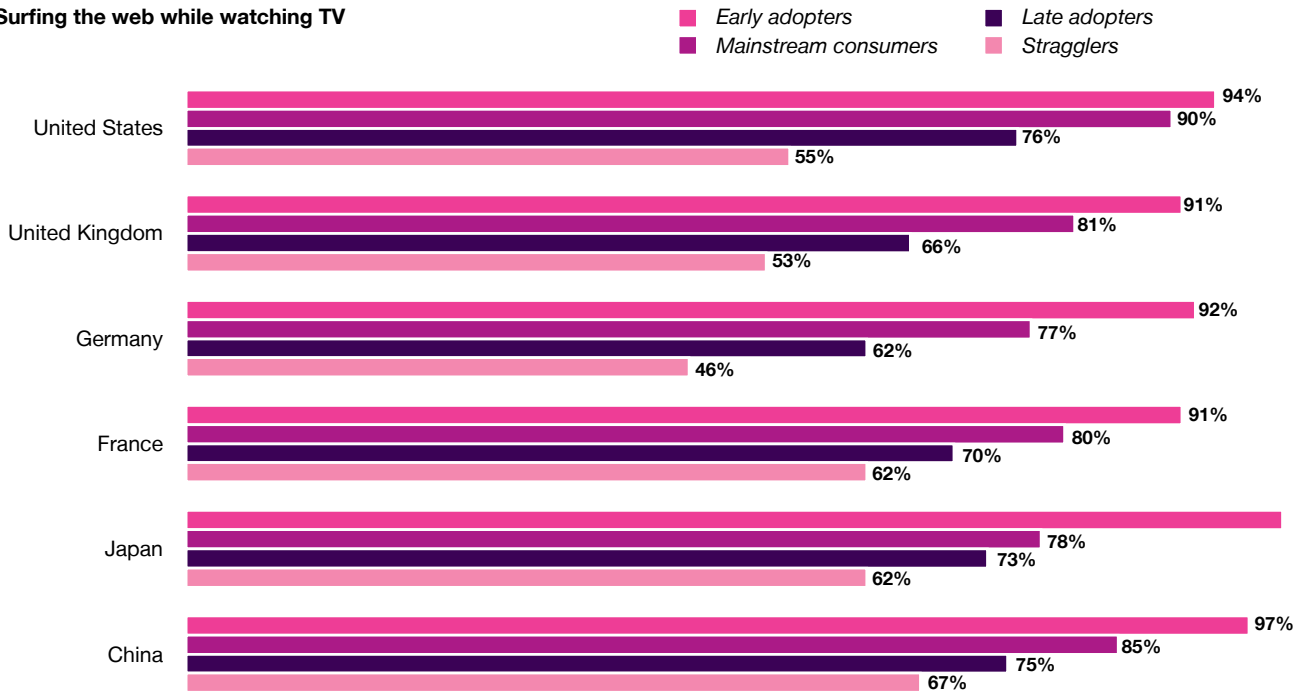
Source: IBM's 2011 Digital Consumer Survey, Q7: How often do you do the following activities while watching a show or sporting event on TV?

Figure 3: **Viewing goes nonlinear – global consumers no longer give TV their undivided attention.**

Challenges presented by the changing media landscape

The availability of connected content has empowered consumers to expect instant access to desired content, including advertising. It is changing how traditional media is paid for and consumed. Meeting demand for connected content is the key to growth – and even profitability – for every M&E segment. To do this, it is critical to understand three key challenges in the changing media landscape: addressing content cannibalization, serving a splintered mass audience and finding new digital revenue models.

Content cannibalization is real

Traditional media and devices are in decline, including newspapers, DVDs and portable game players. Clearly, printed newspapers feel the impact: breaking news is widely available on their own sites, on social networking sites and other media channels. In China, France and the U.S., our 2011 survey found that more than twice as many respondents use online sources for breaking news than printed newspapers.

And despite pay TV's hopes to the contrary, consumers are already showing signs of "cord shaving" – reducing their existing level of pay TV service – and even "cord cutting" – canceling it entirely. Respondents in China, Japan and the U.S. watch substantially less regular TV as their use of mobile video increases. This trend is expected to accelerate in the other three surveyed countries as well (see Figure 4).

Mass audiences are shattering

From 2000 to 2009, the primetime TV audience has declined steadily for network, independent, public and pay cable TV.[12] Declining viewership of broadcast networks exemplifies that mass audiences are splintering into behavioral micro-segments. Age-based micro-segments may well hold true in some cases, but they cannot be relied upon solely in order to serve consumers well.

Mobile video use
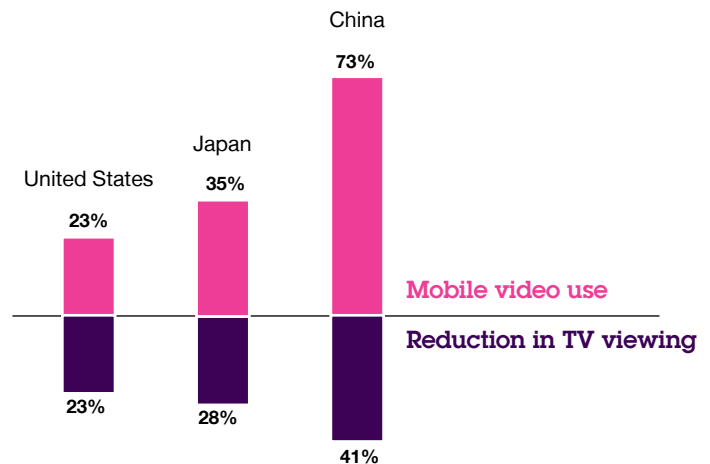
Source: IBM 2011 Digital Consumer Survey; Q6: How often do you use the following content services?, Q13: Please indicate how watching television shows through online or mobile/portable devices has impacted your "regular" television consumption (watching on your television set at the regularly scheduled time).

Figure 4: **As mobile video use rises, regular TV viewing is declining.**

Our 2011 survey reveals that age is far less meaningful than before in differentiating micro-segments. Contrary to popular belief, not all early digital adopters are college age. And distracted viewing and social networking are practiced widely across all age groups. Sixty-five percent of all respondents aged 55 to 64 report surfing the Web and texting with friends while watching TV. Of those over age 65 watching TV, 49 percent surf the Web and 30 percent text their friends. Clearly, age is not the only distinguishing characteristic for today's connected consumers' digital behaviors.

In fact, 82 percent of surveyed global consumers aged 18 to 64 embrace connected digital devices. Across age groups, between 52 and 75 percent of this group reports using all of the following digital content services: Internet on their mobile phones, music on their mobile phones, mobile information services, online

video on their PCs, video on demand on their home TVs, music services, online video games, user-generated content web sites, social networking, online newspapers and online magazines.

That said, age can still be an indicator of how consumers interact with a particular digital experience. For example, digging deeper into a social networking site's member behaviors would likely show that many teenagers are using the site to replace email, phone calls and snail mail while most older adults are using it to augment more traditional communication methods. However, increasingly, not everyone will be "acting their age." Therefore, M&E providers need to go beyond traditional age segmentation to become masters at understanding their customers' digital behaviors in order to successfully attract them in the first place and retain them longer-term.

Digital revenue models generate less revenue

For M&E providers, the shift to digital is problematic because digital revenue streams have yet to deliver value that is comparable to traditional models. Before now, the primary means for generating online revenues has been ad-supported models which have yielded a substantially lower return than broadcast TV, for example.

Our 2011 survey shows that more than two-thirds of early adopters are willing to pay for content. As a result, M&E providers need innovative pricing and payment models to maximize revenues.

Unfortunately, digital content distribution thus far returns lower revenues than traditional distribution. In a 2010 article, CNN Money refers to the first 10 years of this century as "music's lost decade," and a Forrester Research forecast revealed "almost US$14.6 billion in total retail music sales in 1999, down to US$6.6 billion in 2009."[13] Yet, more people are listening to music than ever and the total value of music has actually increased. The challenge is that the value has shifted away from the traditional music labels.[14]

Go beyond digital to deliver customized experiences

As the M&E industry evolves beyond the digital era to the connected consumer era, providers need to act differently. The 2010 IBM Global Chief Executive Officer Study found that "CEOs are making 'getting connected' to customers their highest priority to better predict and provide customers with what they really want."[15] Yet many M&E providers are not sufficiently in touch to provide the relevant, tailored digital content experiences that consumers now desire.

Four major steps can help them move digital M&E offerings far beyond traditional mass media approaches: act like a business-to-consumer (B2C) company; target consumers based on their digital personalities; deliver individualized experiences, not content; and monetize content successfully.

Act like a B2C company

To deliver tailored experiences that match consumers' digital personalities, M&E providers will need to interact directly with them. Regardless of where they sit in the M&E value chain – create/manage, distribute, exhibit/consume or service/ support – companies need to solicit and incorporate consumer input to be successful.

"Age-based micro-segments may hold true in some cases, but M&E providers cannot serve consumers well by relying solely upon them."

To engage more directly and meaningfully with consumers, M&E providers should:

- *Build direct consumer interactions*, where feasible. For example, set up and use company websites to make the most of customer feedback on the entire content experience (from sampling to purchase to ownership/"rented" access)

- *Access and aggregate* any direct consumer information you can, partnering with others as necessary to obtain the data you need. Deep consumer understanding will illuminate the levels of interactivity required with both content and fellow audience members to satisfy key consumer constituencies.

- *Wring out compelling consumer insights* down to relevant micro-behavioral segmentation levels. In the future, such consumer insights will drive, for example, story branching with tailored endings being delivered to individual consumers via different devices.

- *Use deep consumer understanding to tightly pull together the players in your industry value chain* – producers, distributors, advertisers and your company – to work together toward more effective monetizing of each consumer with your content experiences.

Target consumers based on their "digital personalities"

Since age-based segmentation schemes no longer suffice in the connected consumer era, M&E provides are finding that behavior-based segmentation is now essential. Our 2011 survey revealed four prominent types of digital personalities that are not age-based, but instead are based on the combination of degree of access to content and intensity of content interaction (see Figure 5).

Digital consumer segmentation analysis
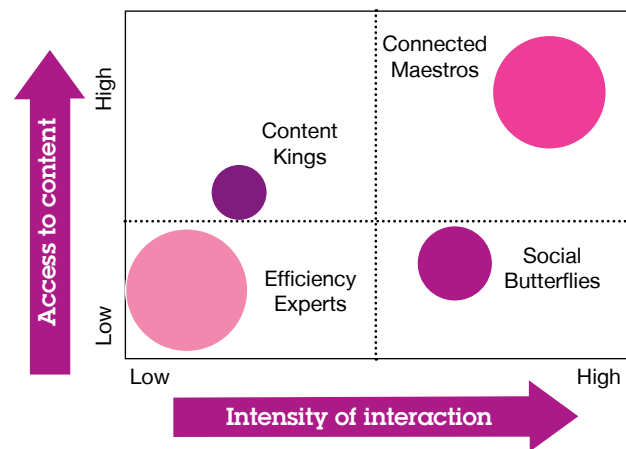
Source: IBM 2011 Digital Consumer Survey; IBM Institute for Business Value analysis.
Note: Area of circles reflects percentage of respondents.

Figure 5: Behavior-based segmentation is now essential to delivering compelling consumer experiences.

- *Efficiency Experts.* This largest group represents 41 percent of our global sample and has a very slight female skew (52 percent). These consumers see the adoption of digital devices and services as a way to make life easier.

  Even aging traditionalists fall into this category as they adopt behaviors like: sending email instead of letters; accessing video on demand on their home TVs; accessing news, magazines and video content online, primarily via their PCs; creating a profile on a social networking site (like Facebook); accessing the Internet via mobile phone to browse the web or use mobile navigation services; and substituting in-store experiences with shopping online as they follow the "path of least resistance."

- **Content Kings.** This digital personality represents just 9 percent of our global sample and has a slight male skew (55 percent). It includes dedicated gamers, newshounds, movie buffs, music lovers and TV fans.

  They often watch TV shows and movies online, frequently download music or listen to streaming music online, and regularly play online games alone and/or with others. Content Kings want an "all-access pass" to content.

- **Social Butterflies.** Consumers with this digital personality represent 15 percent of our global sample and the group has a very slight female skew (51 percent). Social Butterflies cannot imagine not being able to instantly access any of their friends, regardless of time or place.

  They use mobile phones primarily to call and IM others, maintain/update a profile on a social networking site (like Facebook) regularly, visit social networking sites religiously, frequently add labels or "tags" to online photos and web pages, and often view videos from other users (on YouTube, for example).

- **Connected Maestros.** These consumers represent 35 percent of our global sample and the group has a slight male skew (55 percent). Connected Maestros combine the behaviors common to Content Kings and Social Butterflies with even more sophisticated behaviors. These advanced activities include talking using voice IM; regularly consuming media content (like games, music or video) via mobile devices (such as phones and tablets); frequently accessing multiple apps via mobile devices; and regularly checking news, weather, sports scores and information searches via mobile devices.
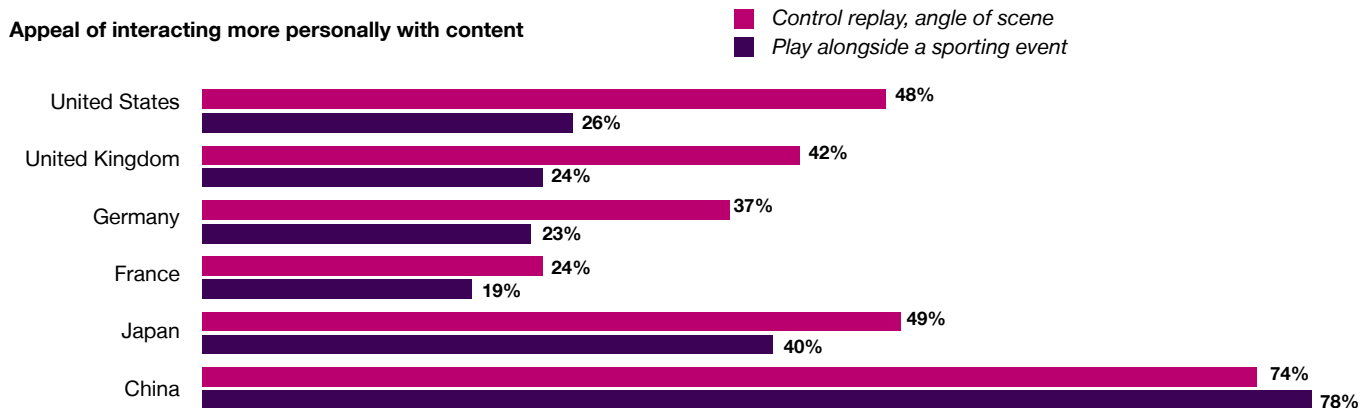
  Connected Maestros, with their "always on" behaviors, are a window into the future. In fact, 32 percent of Connected Maestros report they are early adopters, compared to less than 5 percent of the other digital personalities we studied.

"Our 2011 survey revealed four prominent types of "digital personalities" that are not age-based, but instead are based on the combination of degree of access to content and intensity of content interaction."

While further segmentation is necessary for specific M&E content providers within their unique industry ecosystems, this segmentation based on digital personalities serves as a starting point for further analysis. Because two very different digital personalities – Efficiency Experts and Connected Maestros – represent more than three-fourths of global digital consumers, each M&E provider will need to better understand its own customer behavioral segmentation and what that means for its business.

Providing tailored customer experiences will require M&E providers to build insightful consumer profiles that include digital behavioral personas. They will need to continuously update consumer profiles as quickly as consumers evolve their digital content consumption behaviors, such as:

- Profiling consumers not only based on their age, but also on their willingness and capability to access content and their behaviors in interacting with and immersing in it

- Allowing for consumers to exhibit different behavioral profiles (such as facets of their digital personalities) based on type of content experienced

- Using historical "structured" behavioral selections as well as real-time "unstructured" data to complete the picture.

Appeal of interacting more personally with content

■ *Control replay, angle of scene*
■ *Play alongside a sporting event*

United States   48%
                 26%
United Kingdom   42%
                 24%
Germany   37%
                 23%
France   24%
                 19%
Japan   49%
                 40%
China   74%
                 78%

Source: IBM 2011 Digital Consumer Survey, Q18: As content becomes more digital, we as consumers will have the opportunity to experience various forms of content in new ways. Please rank on a scale of 1-5 (5 being very appealing) how appealing the following types of experiences would be for you.

Figure 6: **Surveyed consumers find appeal in the ability to engage with digital content more deeply in the future.**

Deliver relevant, enhanced experiences

Today's connected consumer era marks the end of the digital era, where it may have been sufficient merely to deliver content using digital channels. To target consumers based on their digital personalities requires a new set of capabilities in addition to changes in how M&E providers deal with and provide content to customers.

To be relevant, differentiated customer experiences have enhanced characteristics. These characteristics include: seamless integration across devices; "smart," which entails being personal, insightful, relevant and contextual; immersive, with lines blurred between being a spectator and being a participant; and socially embedded into the content.

A critical mass of global consumers say they look forward to interacting more personally with digital content (see Figure 6). Many consumers, for example, would like to control sports replays or the angle of a movie scene as viewers. Others want to take virtual turns at bat between the professional players at a baseball game, or to try their luck playing a hole of golf at Pebble Beach.

To deliver the desired experiences, content cannot stand alone. Appealing content has to reach the right consumers (by using analytics), when and where they desire (using a smart, integrated infrastructure), with the right features (such as social).

Analytics

With the wealth of real-time data available, new smarter analytics has to be part of delighting customers and sustaining profitability. Customer analytics is vital to selling more content properties and better monetizing each sold property.

Analytics can help M&E providers with many of their most pressing challenges, such as anticipating and shaping consumer relationships and interactions, as well as identifying new markets and developing new products and services. Another potential benefit is the ability to confidently predict and identify risk events while building resiliency and agility to respond and act quickly.

In addition, analytics can guide the allocation and deployment of resources and capital to create efficiency, effectively improve performance, and manage costs and related benefits. Analytical tools can also help M&E providers manage information more effectively to make better predictions and prioritize alternatives when making decisions, setting strategy and developing content.

More specifically, M&E providers should use customer analytics to:

- Aggregate a total picture of a consumer's digital personality, habits and priorities across various content distributors and platforms of both partners and non-partners in the industry ecosystem

- Integrate past and current data to optimize the use of customer analytics

- Correlate and contextualize customer data, and become masters of the tool sets that perform these tasks

- Link to advertising based on customer analytics in real time

- Drive personalized marketing campaigns tailored to a diverse array of channels, devices and platforms.

Integrated infrastructure
M&E providers today must have the capability to deliver personalized customer experiences across multiple devices and the platforms that connect them – a smarter media infrastructure is essential.

Distribution challenges include making consumers the center of the product innovation, sales and service process. To enable efficient workflow, M&E providers need to create, manage and distribute integrated digital assets dynamically. Doing this will require the ability to connect the enterprise and partner ecosystems' fragmented functions.

Improved distribution can help M&E providers respond to rapidly changing business conditions and customer needs; share data, information and knowledge more readily across lines of business and partners; support a security-enhanced environment and identity management processes; and gain greater visibility into the different aspects of their media business.

To meet such challenges, M&E providers should build integrated digital workflows so they can:

- Enter new, emerging and yet-to-be-identified markets faster than the competition, and provide the agility to support new business models

- Shorten the content creation and distribution cycle, and lower the costs of content acquisition

- Enhance profitability by reducing the cost of preparing and provisioning content across multiple distribution platforms; and by optimizing asset use/reuse, such as reducing editing and reviewing time, and increasing programming output

- Deliver a seamless, integrated consumer experience across distribution platforms and consumer devices

- Enable dynamic, near-real-time visibility into the end-to-end content value chain.

"To enable efficient workflows, M&E providers need to create, manage and distribute integrated digital assets dynamically. Social media facilitates unique, emotion-producing immersion into content experiences."
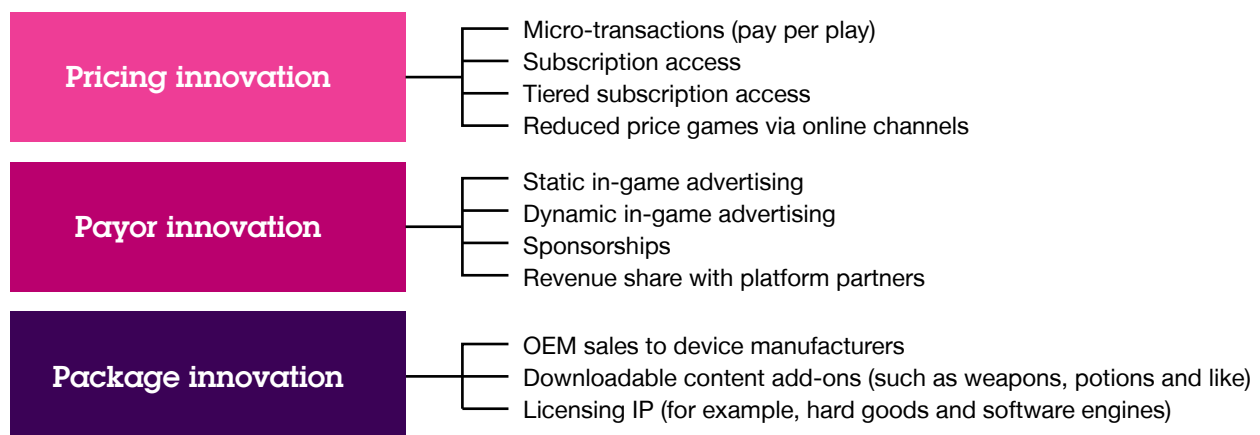
Social

Making content more social entails social media, but it also includes finding smarter ways to connect to customers, connect the ecosystem and build content. Social media facilitates unique, emotion-producing immersion into content experiences.

Important challenges face those looking to add social attributes to digital content. One is identifying content that is attractive to targeted customer segments and engages them in real time. Another challenge is providing instantaneous access to a shared experience with others in the throes of the same content/experience. What's more, the development of both digital content and the digital experience will require changes to integrate with social media. Another key challenge is identifying and targeting the social networks that can turn social content into sales.

To meet these challenges, M&E providers can use social media to:

- Create social networks based on common interests and tailor marketing messages for "viral" travel along pre-existing social networks

- Replace linear lead-ins to create an "event," shifting the pendulum away from time-shifting of content to real-time watching

- Create and cultivate brand ambassadors to enhance ratings

- Develop special/exclusive content for social media users as a customer retention strategy

- Craft storylines and marketing campaigns based on social media feedback.

Illustrative game developer: Revenue model innovation

Pricing innovation	Micro-transactions (pay per play)
	Subscription access
	Tiered subscription access
	Reduced price games via online channels

Payor innovation	Static in-game advertising
	Dynamic in-game advertising
	Sponsorships
	Revenue share with platform partners

Package innovation	OEM sales to device manufacturers
	Downloadable content add-ons (such as weapons, potions and like)
	Licensing IP (for example, hard goods and software engines)

Source: IBM Institute for Business Value analysis; Berman, Dr. Saul J. *Not for Free: Revenue Strategies for a New World.* Harvard Business Review Press. 2011.

Figure 7: **Expansion of a game developer's revenue model could add many more revenue streams than what was historically available.**

Connect consumers, content and monetization

Even with tailored, captivating content for their customers, M&E content providers need to address the element of monetization by expanding revenue models to better benefit from digital offerings. Our research indicates that consumers today want relevant messaging, pricing models that provide choice and flexibility, and a seamless experience across their devices.

As a result, new revenue models need to evolve beyond a "one size fits all" mold and offer the relevancy, choice, integration and packaging options consumers demand. As digital content proliferates, the potential revenue streams need to multiply beyond what was historically available (see Figure 7). New analytics can help companies innovate revenue models by providing insight about preferences, behaviors and buying patterns.

"Making content more social entails social media, but it also includes finding smarter ways to connect to customers, connect the ecosystem and build content."

Encouragingly, some M&E providers are finding success in reaping digital revenues. In 2010, for the first time in history, newspaper revenue from online advertising surpassed revenue from print advertising.[16] In 2011, magazine publisher Future posted its first-ever digital profit as consumers embraced tablets.[17] However, even with the development of new revenue streams, so far the digital sources are nowhere close to replacing traditional sources of revenue.

Globally, payment infrastructures need to be flexible and scalable to enable a variety of innovative pricing approaches to attract consumers with different preferences to their content. The need for payment option flexibility, even for the same set of consumers, is apparent by device adoption leaders in the U.S. This group's preferred mode of payment to watch a movie on a website is by viewing advertising (39 percent of this segment chose this payment option), while they prefer to see movies on a tablet by purchasing a subscription (chosen by 36 percent). But to watch movies on a smart phone, they prefer to pay per use (the payment choice of 36 percent).

M&E providers still have a long way to go to improve the revenue streams associated with digital content experiences. While digital revenues are indeed gaining traction among consumers, the big challenge for M&E companies is to get the business model right. It's not just about shifts in the value chain, but shifts in the overall commerce model that extend to different industries, products and services. Thus, content is creating new value for its developers, but also for many partners throughout its ecosystem.

Looking ahead

For M&E providers, going beyond providing analog content to digital channels offers an opportunity to develop more strategic and tailored relationships with consumers. Beyond just staying connected to media, connected consumers want their content to provide experiences that are tailored to their particular contexts – both geographic and social – as well as their own preferences, such as sports, food, movies and the like.

But for the past few years, M&E providers have focused on digital distribution in an effort to reach fragmented consumer bases. Little has been done to differentiate "the product" itself to accommodate the new micro-segments that have replaced legacy mass audiences. And with weaker revenue streams, digital revenue models have yet to deliver value comparable to traditional models.

Now is the time to develop more strategic and tailored relationships with consumers by focusing on the overall consumer experience, embracing new distribution platforms and expanding revenue models. These questions can help you identify useful next steps toward meeting those goals:

- What actions are you taking to build consumer and consumer-style interactions and insights even if you are a B2B business?
- How will you identify the digital personalities of your most important and valuable consumers?

- In what ways can your content be transformed into experiences that leverage analytics, integrated infrastructure and social media?
- What sorts of revenue streams are possible and which payment models should you offer?

Getting the required multiple business models right will be the ultimate challenge as the expanded ability to create relevant, enhanced consumer experiences moves M&E providers beyond digital and creates new value throughout the M&E ecosystem.

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Related publications

Berman, Dr. Saul J. *Not for Free: Revenue Strategies for a New World*. Harvard Business Review Press. 2011.

"Digital Consumer Survey 2011." September 2011. IBM Institute for Business Value. http://public.dhe.ibm.com/common/ssi/ecm/en/gbf03032usen/GBF03032USEN.PDF

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