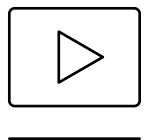


# Media and Entertainment Incumbents Strike Back

Global C-suite Study  
19th edition

IBM Institute for  
Business Value



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## Which way to the future?

The signals are utterly bewildering. As digital technologies transform the world, monopolies are winning big-time. Yet collaborative systems are also flourishing, and even in industries where the competition is shrinking there's still plenty of creativity. Little wonder top executives are puzzled.

Media and Entertainment (M&E) CxOs are no exception. They're divided as to whether the focus will be on new or established markets (44 versus 43 percent). And where, previously, they thought that open innovation would predominate, a growing number now anticipate more internal innovation. But there are two points on which they broadly agree: how both value propositions and value chains are altering. A full 68 percent of M&E CxOs expect more emphasis on customer experiences than products over the next few years and more than half (55 percent) expect to expand their network of partners.

M&E CxOs also say there's been a slight shift in the external factors most likely to affect their organizations in the near future. Market forces narrowly edged ahead of technological factors (68 percent compared to 67 percent). People skills remained a close third: 63 percent of respondents report that talent will heavily influence their enterprises in the next few years. Further, macro-economic factors leapt into fourth place – which is not surprising, given that M&E CxOs are undergoing a particularly challenging period with a wave of mergers and acquisitions reshaping their industry.

The IBM Institute for Business Value, in cooperation with Oxford Economics, interviewed 578 CxOs from the Media and Entertainment industry. These conversations included both quantitative and qualitative responses. The analytical basis for this Media and Entertainment industry report uses 566 valid responses from the total data sample collected.

More than 12,800 CxOs, representing six C-suite roles, 20 industries and 112 countries, contributed to our latest research. We used the IBM Watson Natural Language Classifier to analyze their contextual responses and ascertain overarching themes. We also used various statistical methods, including cluster analysis and discriminant analysis, to scrutinize the millions of data points we collected.

## Reinventors race ahead

In the course of our research, we identified three distinct organizational “archetypes,” each at a different stage on the road to Digital Reinvention™ (see Figure 1).

Reinventors focus on developing breakthrough products, services and business models; excel at extracting value from their ecosystems; and actively experiment. Their IT strategies are aligned with their commercial goals, and they’re superb at managing change – all of which helps them stand out both financially and as innovators.

Practitioners are ambitious but haven’t yet acquired the capabilities required to realize their ambitions. They’re neither as focused nor as agile as Reinventors.

Aspirationals have even further to travel. They still need to devise a clear strategy, put the right processes and resources in place, and develop the agility to seize new opportunities.

## Reading the road signs

So what’s actually going on? Four topics stand out from our conversations with CxOs and our work with academics:

Dancing with disruption

The path to personalization

The pull of platforms

Innovation in motion.

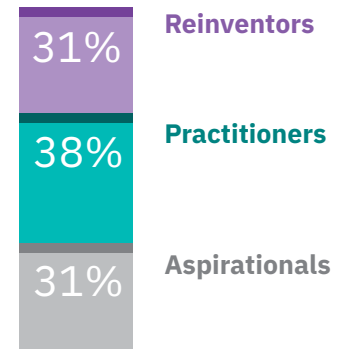
“We conduct differentiated competition with a totally new angle. You should not wait for others to disrupt you. You should disrupt yourself first.”

Chief Executive Officer, Media and Entertainment, China

Figure 1

## Media and Entertainment split

Industry archetypes have distinct characteristics that lead to differing vantage points



## Dancing with disruption

Two years ago, CxOs told us they were deeply worried about digital giants and small startups from other industries invading their territory. Now, they're somewhat more relaxed. Only 32 percent of M&E CxOs say their sector is experiencing huge upheavals, and only 22 percent feel an urgent need to transform their enterprises in response. And they're no longer as concerned about outsiders. While 66 percent expected new competitors would flood the landscape in our 2015 study, just 27 percent report the same today. M&E CxOs are still wary of digital giants, who continue to make inroads into their traditional territory. But a full 65 percent say that the *real* disruption is coming from innovative industry peers – in particular those M&E companies that are reinventing themselves to thrive in a digital era.

M&E CxOs are responding to this reinvigorated competition by offering innovative new services and increasing their investment in artificial intelligence (AI), cloud platforms and blockchain to deepen their understanding of content and customers, and better manage their enormous media throughput. The M&E Reinventors in our sample are ahead of the curve. They're better prepared for disruption: 79 percent have a strategy in place to fend off disruptive forces (versus 54 percent of Practitioners and 29 percent of Aspirationalists). And they're much more willing to embrace change and adjust course quickly, with cultures that reward both fast failure and successful innovation.

## The path to personalization

Connecting with the customer on a personal level is essential these days, but designing compelling personalized experiences is extremely difficult; it takes a profound understanding of what makes different people tick. With fragmented audiences, massive amounts of content and rapidly evolving delivery formats, M&E CxOs have a sharp focus on the customer experience. Two-thirds of them state that gaining customer or audience insights is very or extremely important. They also see feedback as one of the best ways to improve the customer experience.

M&E Reinventors lead the way once again. They approach problems like design thinkers – by engaging directly with customers, consulting their partners to get a better picture of the customer experience and incorporating feedback into planning. They're also more tuned into the potential of artificial intelligence (AI) as a means of improving their product and service delivery models (45 percent versus 31 percent of Practitioners and 5 percent of Aspirationalists, respectively). The result? M&E Reinventors are much more effective than their industry counterparts at creating personalized customer experiences (see Figure 2).

“Artificial intelligence will generate insights that help the industry predict customers’ choices more accurately.”

Chief Marketing Officer, Media and Entertainment, United States

## The pull of platforms

One of the most exciting recent trends is the emergence of the platform business model, which connects producers directly with consumers, enabling organizations to grow faster and deliver higher profits. As a platform orchestrator, YouTube, for example, controls the means of communication and generates ad revenue from its platform, but doesn't own the means of production.

While only 5 percent of M&E CxOs already have platforms, 45 percent are actively experimenting with or considering the concept. So what makes a platform work? We identified three

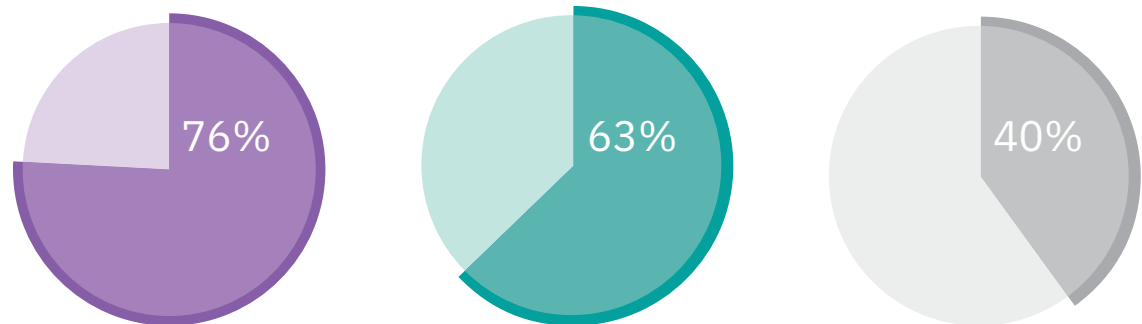
“rules” for success: creating value from reciprocity, capitalizing on data and committing to innovation. M&E Reinventors fit this profile. They're more convinced of the merits of partnering than organizations that are only considering the platform option. And they're much more willing to invest in technology to achieve their goals: 66 percent of M&E Reinventors expect to increase cloud computing investments (versus 47 percent of Practitioners and 39 percent of Aspirationals). And almost a third (30 percent) of M&E Reinventors expect blockchain to reduce transaction costs – for example, micropayments for buying content – by eliminating intermediaries.

Figure 2

### Up close and personal

M&E Reinventors excel at creating personalized customer experiences

**Reinventors**  
**Practitioners**  
**Aspirationals**



*How effective is your enterprise at creating personalized customer experiences? (Percentage of respondents selecting “effective” or “highly effective.”)*

## Innovation in motion

The organization of work is altering dramatically as enterprises collaborate to innovate, and ecosystems replace go-it-alone entities. The smartest C-suites are preparing for the future by creating teams that learn on the fly. With the landscape shifting around them daily, M&E CxOs are particularly focused on organizational agility and new ways of working. Almost half (46 percent) of those M&E CxOs who plan to invest in AI in the next few years see it as a means of optimizing and automating business processes, although most are still in the early stages of identifying processes that could benefit from automation.

Most of the Reinventors and Practitioners in our M&E sample already support organizational agility and foster collaboration. But the Reinventors have gone much further. They place more emphasis on accelerating innovation and look to their teams to jumpstart it: 72 percent actively solicit employee input to stimulate innovation (versus 54 percent of Practitioners and 35 percent of Aspirationalists). M&E Reinventors also have C-suites that are consistently better than those heading Practitioners and Aspirationalists at empowering their teams to decide on the best path forward.

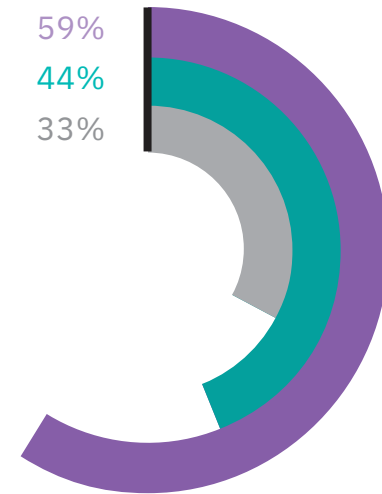
There's more. M&E Reinventors create the right network of partners, suppliers and distributors. They realize the importance of integrating operations across the content value chains (see Figure 3). And they put in place the right resources, including people with the right skills, to execute their strategies. In other words, they combine a dynamic vision with an open culture and agile operations – and these, as our research shows, are the three stepping stones to organizational dexterity.

Figure 3

**Reinventors**  
**Practitioners**  
**Aspirationalists**

### Mix it up

Reinventors place more importance on integrated operations



*Q: How important is it to achieve horizontal integration across operations that have historically not worked in an integrated way? (Percentage of respondents choosing "important" or "extremely important.")*

## Strengthening advantage: Actions to take now

*Seize the reins.* Transform into a customer-focused, insight-driven organization capable of matching content to audiences. Use cognitive capabilities to unlock and interpret previously inaccessible data. Combine audience, content and contextual insights to deliver compelling, personalized experiences.

*Revamp your infrastructure.* Invest in hyperscalable platforms – using cloud, AI and blockchain – to cope with increasing volume and fluctuating throughput. Find new ways to efficiently manage the ever-increasing media processing that is necessary to deliver targeted video content to your audiences.

*Reengineer business models.* Create a more open and collaborative culture to profit from the new media landscape. Invest in emerging technologies to optimize advertising yield and revenue from rights and royalties. Eliminate non-core activities and redirect funds to content and technology investments to aim for further growth and success.

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### **For more information**

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