Personal TV: The future
of broadcasting

IBM

Contents

Overview

In response to the wide choices now available, TV viewing habits are changing radically. The demand for on-demand is clear and many consumers are looking for much more choice and flexibility in how TV is delivered. The industry is going through massive disruption from both traditional and new competitors, which is rewriting the rules of the game and introducing a wide variety of new services. The broadcast industry needs to respond with strategies for personalisation. A rethink of current business models and a new set of skills, capabilities and partnerships will be required to succeed. There are three key imperatives for broadcasters: address the growing demand for non-linear, reinvent the customer experience, and transform the broadcast business.

Executive summary

Television audiences now have an unprecedented choice of programmes and ways to watch them. Today's connected consumers demand instant access to personalised content, wherever they are, on any device. The demand for a different TV experience appears to be accelerating rapidly.

According to a survey of TV audiences we conducted, around two-thirds of consumers are looking for changes to make the whole experience of TV better and 79% expect to watch more downloaded content within the next 12 months. This dramatic shift to downloads applies almost as much to genres considered to be the preserve of live TV, such as sport and news, as it does to more established non-linear and over-the-top (OTT) services for films and other long-form scripted content.

Heightened competition is putting extra pressure on the existing broadcast business model and the broadcast value chain is becoming more complex. New competitors, such as large global Internet companies, large global telecom operators and specialist over-the-top providers, are now broadly considered to be the industry's strongest competitors and are now taking a meaningful share of consumers' attention and wallets. The impact of this competitive pressure on the relative share price performance of media companies has been negative and investors expect leading broadcast companies to respond strongly and swiftly to this shift.

Whilst content remains fundamental, broadcasters need to engage viewers through an immersive and compelling experience or risk losing their attention. This means personalised content delivered on demand across multiple distribution channels and devices.

Broadcasters recognize the need to focus on OTT distribution as well as content and customer experience, and plan to employ a variety of strategic responses to address capability gaps. The most popular by far is partnering. Whilst OTT distribution and content are clearly identified as important areas for investment, customer experience and data capabilities are lower down the industry's priority list for investment. These investment priorities do not fully match either the broadcast industry's stated strategic objectives or the audience's stated desire and indications of latent demand. OTT distribution is about more than pushing content through a different channel; broadcasters need to deliver a user experience that is more compelling than the many other options available, on the devices that have redefined people's general expectations of a customer experience.

These consumer and business trends suggest that in the new media world, successful broadcasters will need to deliver a distinctive, personalised experience at scale – as well as continuing to make and distribute the very best and most creative programmes. This has profound implications for business and operational models and implies accessing and leveraging data throughout the organisation.

Audiences demand choice and flexibility

Advances in mobile devices, faster broadband, 4G, catch-up TV and video-on-demand have helped the vision of "TV Everywhere" become a reality. Audiences already have a wide choice of programmes that they can watch wherever they are, whenever they want, on their preferred device – although the signs are that many want even more choice in the future.

Audiences are taking advantage of the choice available, leading to fragmented viewing patterns. Whilst terrestrial TV remains the leading service in Europe's major markets at 57% penetration; that means 43% of viewers don't watch terrestrial directly because they access the terrestrial channels via a satellite, cable or Internet platform. Pay TV reaches 41% of the audience, 55% watch free TV via the Internet and 22% pay for online TV services such as Netflix. Moreover, 56% of consumers are watching TV on tablets, 83% on computers and 68% on smartphones.[1]
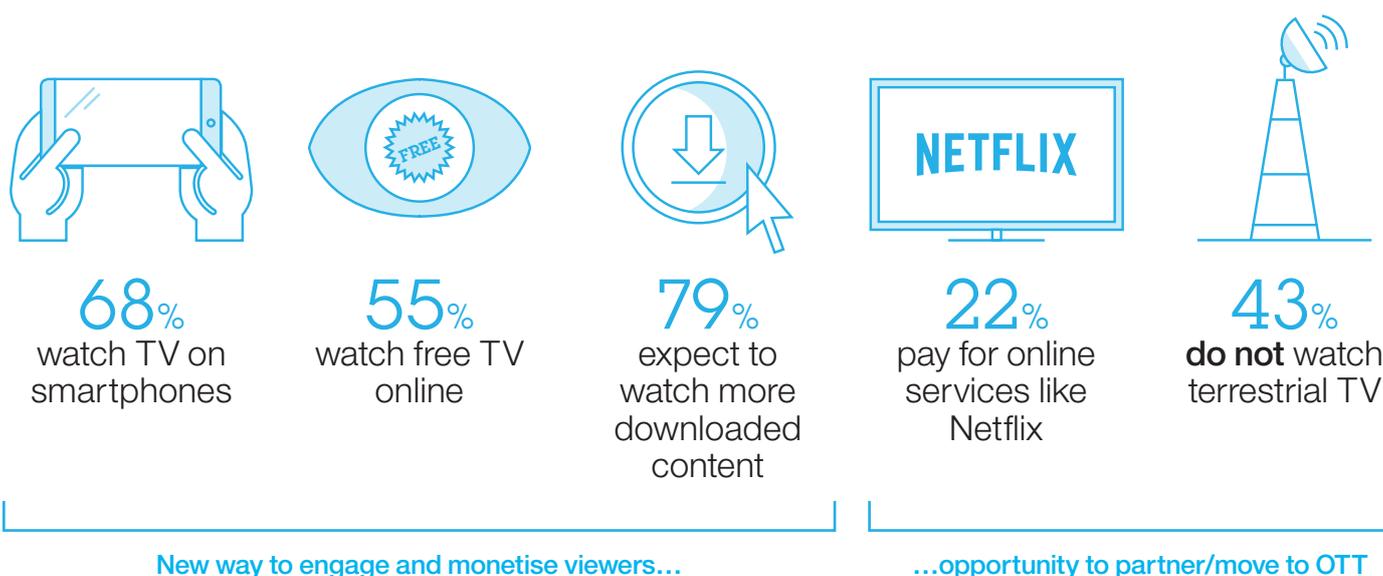

68% watch TV on smartphones

55% watch free TV online

79% expect to watch more downloaded content

22% pay for online services like Netflix

43% **do not** watch terrestrial TV

New way to engage and monetise viewers…

…opportunity to partner/move to OTT

Figure 1: Viewing habits and attention spans are changing

Source: Online survey of 2,542 consumers in France, Germany, Italy, Spain and UK conducted in July 2015

At the same time, the television companies have to work harder to keep their audience's attention. More than half of viewers spend at least half of their viewing time multi-tasking with another device. Some of this is research or social media related to the programme they are watching, perhaps representing a deeper level of engagement where the second screen is enhancing the viewing experience. However, there is a higher incidence of multi-tasking that is unrelated to the programme – email, social, Web surfing or games – in which case the viewers are at best only partially engaged in the programme they are watching.

The TV industry is in a position of relatively high levels of customer satisfaction. Around 50% of viewers of terrestrial TV say they are satisfied with their provider and only 11% express dissatisfaction; the results are somewhat better both for pay TV and for TV delivered over the Internet. However, when asked what would make the whole experience of TV better, around two-thirds of consumers invited to make open-ended comments in our survey want to see changes.

Many are looking for lower prices and more programming that addresses their personal tastes; around a third are looking for more choice and flexibility in the way in which TV is delivered. Representative examples of write-in comments include:

"An easier way to search for programmes similar to ones you like that actually brings up sensible suggestions."

"Everybody can choose what he is interested in."

"No channel bundles. Pay for what you watch."

"Possibility to choose the content (for the whole family) at any time of day at low costs."

"Better connectivity for a better experience."

"Larger VoD libraries and advertising bundled in larger blocks instead of every 5 minutes."
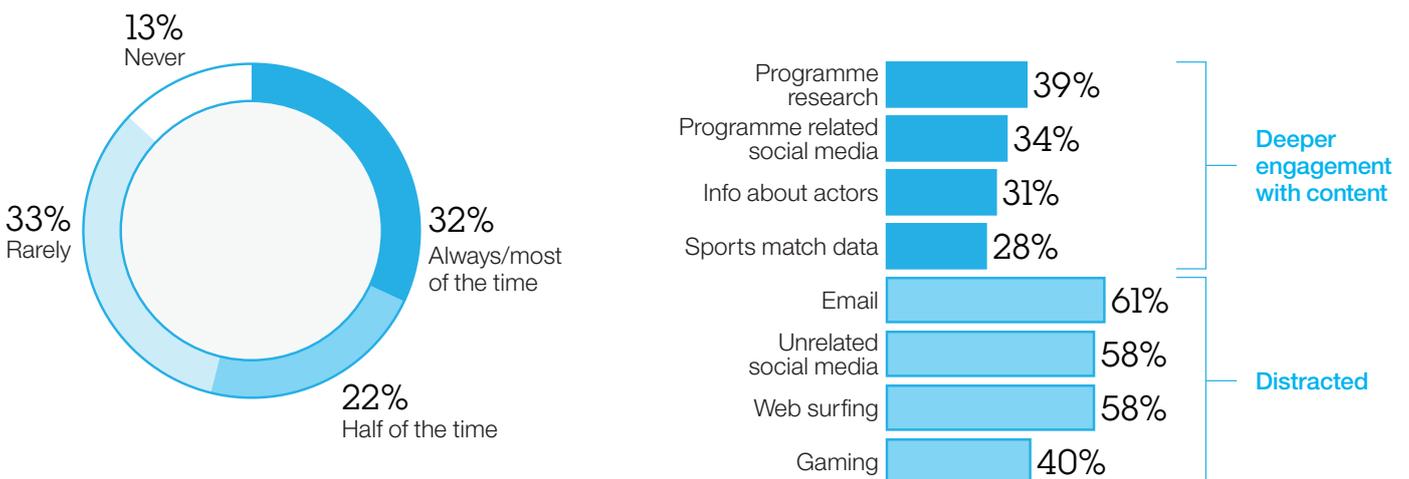
"Keep it cheap and on demand."

13% Never
33% Rarely
32% Always/most of the time
22% Half of the time

Programme research — 39%
Programme related social media — 34%
Info about actors — 31%
Sports match data — 28%
Deeper engagement with content

Email — 61%
Unrelated social media — 58%
Web surfing — 58%
Gaming — 40%
Distracted

Figure 2: 50% of viewers multitask online while watching TV
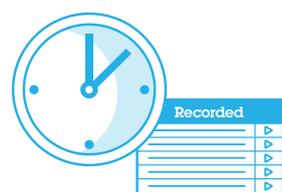
Source: Online survey of 2,542 consumers in France, Germany, Italy, Spain and UK conducted in July 2015

As part of their desire for a more personalised viewing experience, 32% of viewers say they prefer to watch programmes when it suits them, rather than live or when scheduled. However on demand is set to become a much bigger phenomenon; 79% of TV viewers we surveyed expect to watch more downloaded content within the next 12 months across all the top programme categories – including Sports and News, the mainstays of live television. Indeed, 25% of our consumer survey participants see no barriers at all to viewing TV on the Internet. As we will see, these findings contrast with the industry's view. In another nod to personalisation, 42% of viewers prefer more targeted advertising.

In short, many of today's connected consumers are demanding instant access to whatever content they want, wherever they are, on any device, and they may or may not be paying full attention to it. Content remains fundamental, but we appear to be seeing a shift from a pure content-led "push" model to a hybrid model combining content "push" with audience-driven "pull".

As a result, broadcasters need to deepen engagement with the viewer through an immersive experience or risk losing their attention. This means seamless and continuous engagement across multiple devices, 'On Demand' content and personalised services. At the same time, they must continue to satisfy the substantial minority of viewers who are happy with the current TV experience and may be reluctant to accept change.

It's therefore no surprise that the broadcast industry anticipates a shift to non-linear viewing in all its forms, including downloads and streaming on personal video recorders or via the Internet. Some 67% of the industry professionals we consulted expect non-linear and over-the-top (OTT) viewing times to surpass those of linear TV in the next five years; 57% believe non-linear revenues will surpass linear in that timescale.[2]

32% prefer to watch programmes when it suits them

79% expect to watch more downloadable content within the next 12 months – including sport and news

42% prefer targeted advertisements

Figure 3: Viewers want a more tailored, personal experience

Source: Online survey of 2,542 consumers in France, Germany, Italy, Spain and UK conducted in July 2015

What are the barriers to progressing personalized, OTT and on demand video services? The clear and strong signals from consumers wanting a more tailored viewing experience, the overwhelming majority of whom expect to be downloading more content within the next 12 months, is in direct contract to the prevailing industry view that consumer behaviour and preference is the greatest barrier to non-linear adoption.
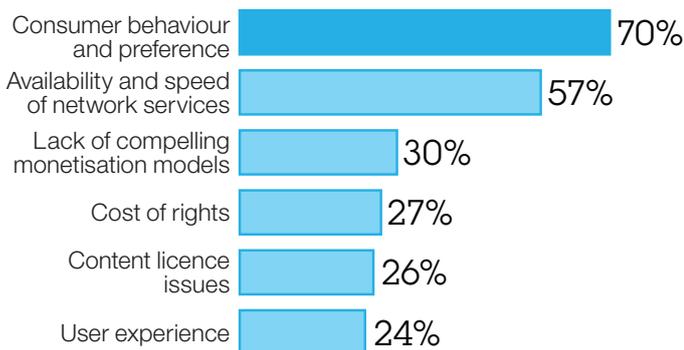
Both industry leaders and consumers cite the availability and speed of network services as a constraint. The industry also considers monetisation, cost of rights, content licence issues and quality of user experience to be material constraints. Consumers also mention high costs, and the need to pay multiple service providers for different content. With 79% of viewers expecting to watch more downloaded content across all genres in the next 12 months, 25% of our consumer survey participants see no barriers at all to viewing TV on the Internet. This suggests that the consumer preference barrier the industry sees is no longer relevant for a substantial proportion of viewers.

The broadcast value chain is in flux

In addition to changing consumer trends, increasing and new competitive pressure is transforming the broadcast industry's value chain. Broadcasters now see the top sources of significant threat as being the specialist OTT providers, the large global Internet companies, and telecom operators (see figure 7).

The broadcast value chain is also being restructured through mergers and acquisitions as well as new ventures, at both small and massive scale, which are disrupting existing technology and business models.[3] For example, Netflix and Amazon have created TV platforms at a scale comparable to some of the World's largest cable companies. Some telecoms firms such as Vodafone have acquired cable companies. Others have either launched TV channels (such as BT and Orange) or acquired them (such as Telefonica). Content creators have acquired broadcasters (for instance, Disney and ABC and ESPN; Viacom and CBS), and distributors have bought broadcasters and content creators (recent examples being Charter and Time Warner, and Verizon and AOL) (see figure 8).

Broadcast industry perception of biggest barriers to non-linear adoption

Consumer behaviour and preference	70%
Availability and speed of network services	57%
Lack of compelling monetisation models	30%
Cost of rights	27%
Content licence issues	26%
User experience	24%

79% of consumers expect to watch more downloaded content within 12 months

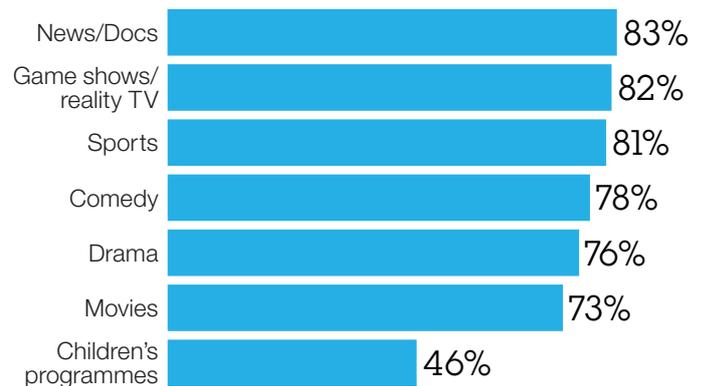|	
News/Docs	83%
Game shows/reality TV	82%
Sports	81%
Comedy	78%
Drama	76%
Movies	73%
Children's programmes	46%

Figure 4: Is consumer preference really a barrier to adoption?

Source: Online surveys of 70 executives and professionals in the broadcast industry, and of 2,542 consumers in France, Germany, Italy, Spain and UK, conducted in July 2015

Startups are also redefining how media content is delivered. In the music industry, for instance, the Spotify music streaming service now has over 20 million subscribers and 75 million active users Worldwide and pays $3 billion to rights holders.[4] Decibel Music Systems provides in-depth knowledge that allows app developers to craft powerful and insightful forms of music discovery.[5]

Investors are expecting broadcasters to react to this shift – a mindset reflected in the stock performance of major media and broadcast companies.In general, the stocks of "new media" companies like Netflix and Amazon have been outperforming those of quoted traditional media companies.[6] "You have both legs of the media stool being kicked," Rich Greenfield, media and tech analyst with BTIG Research, told The New York Times.[7] "The consumer is shifting, and these media companies are not built to take advantage of technological disruption."
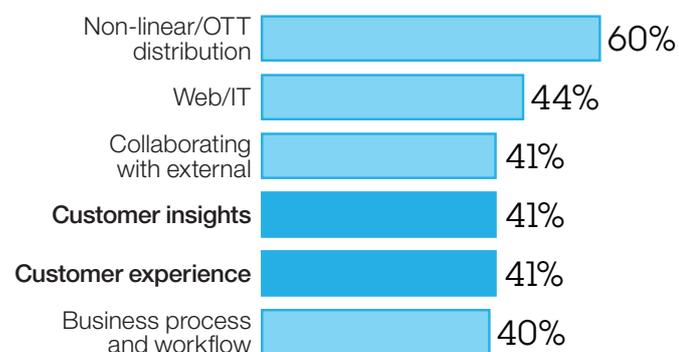
Tim Davie, CEO of BBC Worldwide, acknowledged these pressures at an industry roundtable: "We've got very significant pressures now with Netflix, with Amazon Prime… like many businesses, we're having to change quite rapidly to deliver."[8]

These developments are creating new pressures for the industry. There is an escalation in the cost of rights, most noticeably in sports as the industry monetises the high value to broadcasters of its live content and new players like BT and Telefonica have entered the market.[9] OTT and network PVRs are challenging both the subscription and advertisement funded models,[10] and make it easier for audiences to satisfy their niche interests – and to demand lower prices.

Other examples of restructuring have led to battles over re-transmission fees. In the US, Aereo tried to disrupt the industry by pioneering technology for over-the-air internet TV broadcast without paying retransmission fees, but suspended the service after legal action.[11] More recently, a US federal judge ruled that video-streaming service FilmOn should be treated like a cable company and is entitled to the same compulsory copyright license that cable systems get. If upheld, this would open a route to legal TV-over-Internet businesses in the US.[12] Meanwhile, some networks have begun live online streaming of their programming.[13]

Beyond broader distribution, one of the opportunities afforded by the proliferation of OTT and similar distribution mechanisms is the ability to gather insights about audience behaviour and preferences that can be used to provide a more personalised customer experience and, potentially, a more profitable business model.

Top areas that need to change to succeed

Non-linear/OTT distribution	60%
Web/IT	44%
Collaborating with external	41%
Customer insights	41%
Customer experience	41%
Business process and workflow	40%

Top investment areas for the next 3 years

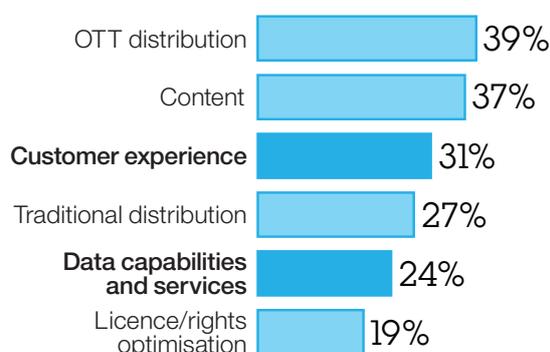|	
OTT distribution	39%
Content	37%
Customer experience	31%
Traditional distribution	27%
Data capabilities and services	24%
Licence/rights optimisation	19%

Figure 5: Customer experience and data capabilities are key

Source: Online survey of 70 executives and professionals in the broadcast industry conducted in July 2015

Some of the business opportunities derived from deep insight into viewers' behaviours and preferences include optimizing content investment decisions, creating ever more creative content recommendations, and delivering more targeted advertising and data services.

A few early leading examples hint at the potential of personalised consumption data. Netflix offers customer choice and engagement through a relevant, customized and convenient brand experience. Netflix uses consumer data to drive the business, including using behavioural data, such as when users watch, pause, fast-forward, rewind, and replay shows, to drive the business. Consumer insights drive programming, licensing and production choices as well as individual recommendations; niche marketing uses deep integration of internal and external data.[14]

Another example is Amazon Studios, which develops comics, movies, and television shows for in-house for distribution on Amazon Instant Video and YouTube. Amazon Studios crowdsources new concepts for development of new programming, enabling people to share ideas and scripts online, and leverages analysis of Amazon Prime subscribers to drive customer experience.[15]

Yahoo! Smart TV is an example of the shift towards Personal TV. It provides personalized recommendations based on viewing habits, automatically surfaces additional content related to the show you are watching, and includes hyper-contextualized, interactive advertising based on "audio triggers".[16]

Creating Personal TV

We believe that the future of broadcasting will be Personal TV. The viewing experience will be both immersive and simple, and the predictive nature of the technology behind the scenes will deliver truly personalized "cognitive content".

Being able to gather customer insight will be a critical element to delivering Personal TV. A real-time engine is likely to be needed to gather insights and build customer profiles both from direct sources, such as usage of a TV app or Web streaming service, and indirect sources, such as social media or purchased consumer data. There is potential for a value exchange for this data between the platform providers and the traditional networks. Delivering Personal TV requires the acquisition of new capabilities. Large data handling and interpretive and cognitive technologies will be required for the best implementations of Personal TV.
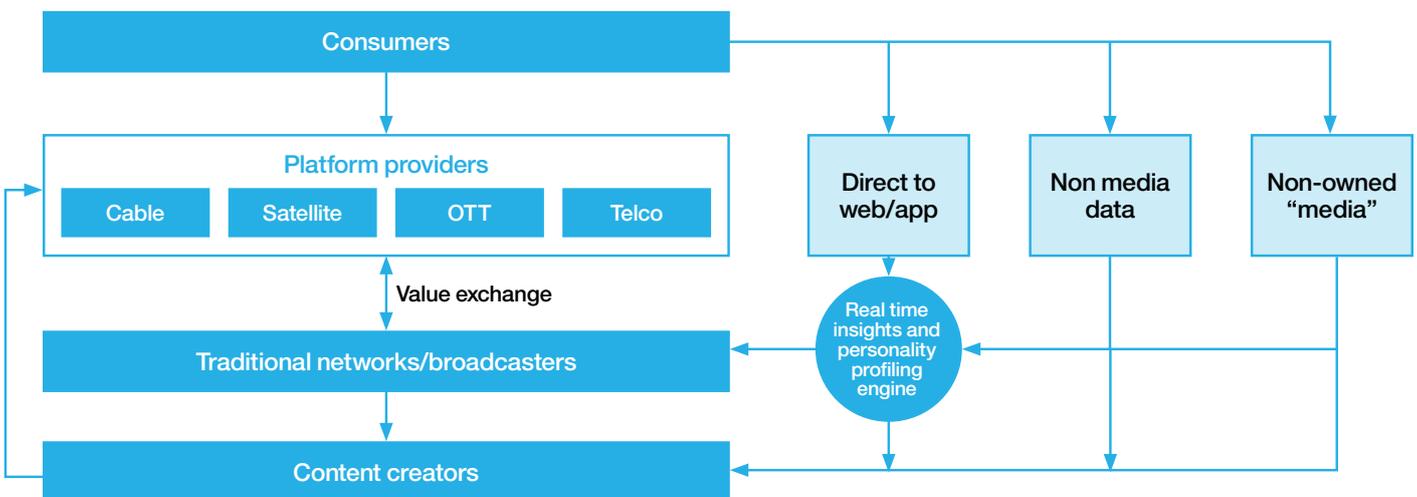

Figure 6: Personal TV = data, changing the industry dynamic

Source: IBM Analysis

Broadcasters – transforming for the future

There is a recognition in the industry that changes are needed in many areas to be successful, with 60% of industry professionals we surveyed planning to invest in non-linear and OTT distribution.[17] Other key areas mentioned by at least 40% include Web/IT, collaborating with external partners, customer insights, customer experience, and business process and workflow (see figure 5).

However, when it comes to planned investments the most popular areas are OTT distribution and content. Customer experience and data capabilities are lower down the industry's priority list for investment. This is perhaps surprising given the consumer demand for a different TV experience. OTT distribution is about more than pushing content through a different channel. In the OTT world, broadcasters are operating in a two-way and social environment, and need to deliver a user experience that is more compelling than the many other options available via their device.
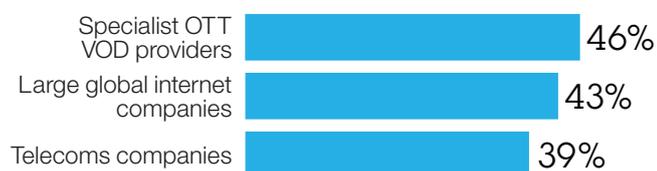
Broadcasters say they plan to employ a variety of strategic responses of which the most popular by far is partnering, mentioned by 69% of our survey respondents. In addition, more than half talk about building internal skills and capabilities, as well as internal reorganisation. Strategic investments and acquisitions are also a focus for a significant number (35 – 40%).

Recommendations for broadcasters

The consumer and business trends we are seeing suggest that in the new media world, successful broadcasters will need to deliver a distinctive, personalised experience at scale – as well as continuing to make and distribute the very best and most creative programmes. This has profound implications for business and operational models and implies accessing and leveraging data throughout the organisation.

The critical question for those in the traditional broadcast industry value chain is how to respond? Our analysis of industry trends and discussions with clients leads us to three imperatives which we believe will be critical to success in a customer centric TV world.

Top three sources of significant or transformational threat to the broadcast business model

Specialist OTT VOD providers	46%
Large global internet companies	43%
Telecoms companies	39%

Full range of strategic options is being considered; partnerships are the most common strategy

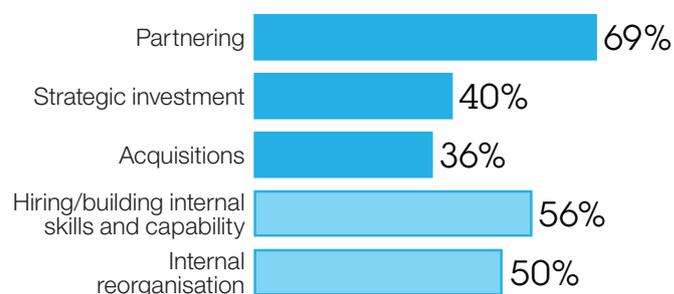|	
Partnering	69%
Strategic investment	40%
Acquisitions	36%
Hiring/building internal skills and capability	56%
Internal reorganisation	50%

Figure 7: New competitors: is partnering the answer?

Source: Online survey of 70 executives and professionals in the broadcast industry, conducted in July 2015

Address the growing demand for non-linear

OTT is clearly here to stay, and the established media companies need to embrace it in order to avoid losing audiences and benefit from the opportunity for innovation. Possible approaches might be to make more of their own channels and content available via the Internet, perhaps by developing partnerships and alliances with OTT providers. They could make catch-up TV available for longer time periods. Whatever their strategy may be, a carefully thought-out strategy and management system for rights and royalties will be essential.

Reinvent the customer experience

The personalized mobile experience that most consumers are used to today is driving high expectations. People now expect a high quality of user experience and a high degree of personalization for all forms of content consumption. Television is not immune to this pressure. The latent demand is for a truly compelling and personalized experience that is insight driven at the individual level, in real time, and aware of sentiment and emotive responses not just trends.

Effective personalisation depends upon deep audience insights. Broadcasters will need to get as close as possible to understanding individual, real-time behaviours, preferences and sentiment. Some of the cable and OTT companies we have talked to are developing these capabilities quickly. It's a much bigger challenge for traditional broadcasters, who will need to develop innovative means to capture these insights. Broadcasters will need to engineer either direct access to consumer information and insight, or else trade for it in a new set of industry economic models.

All operators can take advantage of social media analytics to augment their direct sources of data and drive customer engagement and experience. Social analytics could be used to provide input into programming decisions, and social integration provides a way of encouraging additional interaction via a second screen. Furthermore, the social data can be mined afterwards to discover new trends, attitudes or behaviours.

Given privacy concerns, it is essential that the industry defines, delivers and communicates the value given back to consumers in exchange for building that personal view.
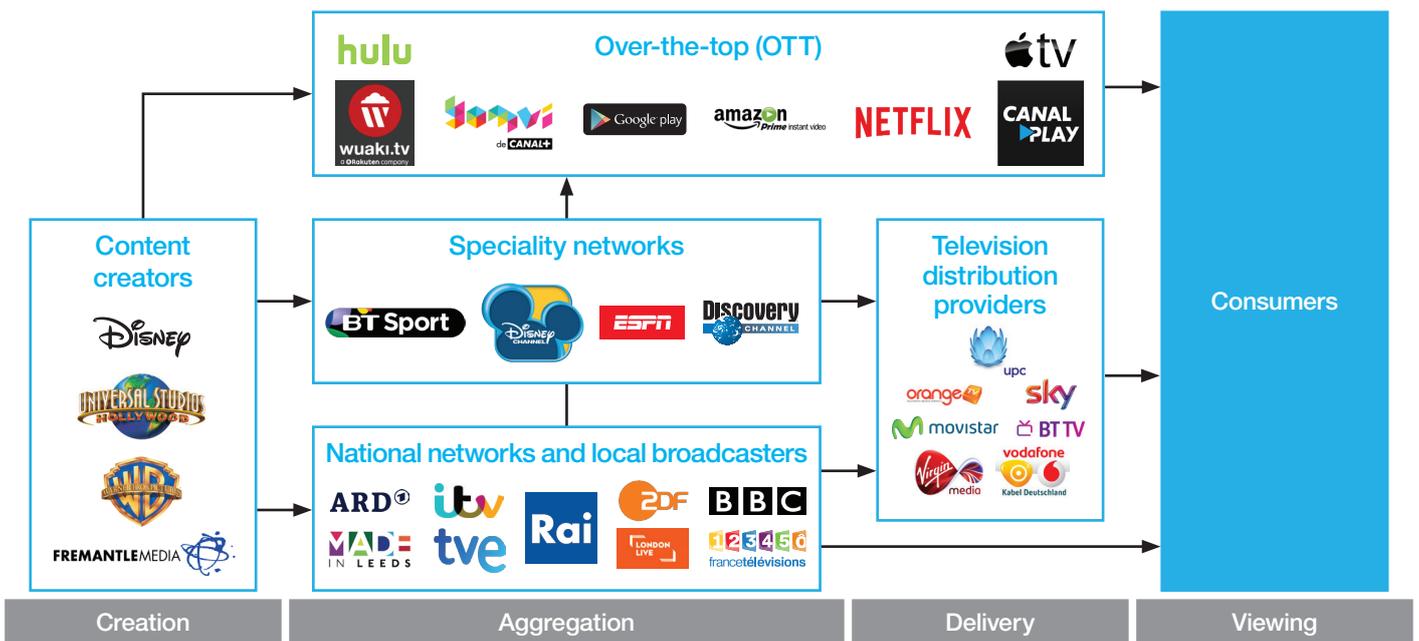

Figure 8: The broadcast industry value chain is shifting

Source: IBM Analysis, TV 2020, The Future of Television, z_punkt, The Foresight Company.
The examples are shown only to illustrate each part of the value chain and are not exhaustive.

Transform the broadcast business

Changes in technology and user expectations mean that broadcasters must transform across multiple dimensions. They need to develop a broader portfolio of offerings and experiences to address a fragmented and demanding customer base. It will be of critical importance to be able to experiment and adapt faster to a continuously evolving market. Their innovation focus will need to expand beyond driving new content and formats to encompass driving new user experiences. This means that they will need production and distribution platforms that allow for agility and innovation, and management of rights and royalties to enable multi-platform, multi-channel and personalized packaging of content.

The ability to build partnerships and gain value from them will be critical. The industry already thrives on partnership approaches, but future partner strategies may go beyond traditional relationships between broadcasters, production companies and distributors.

All this needs to be driven by insights. However mature an organisation is in relation to capturing insight, the business value will only emerge from using this insight to provide input to drive innovation, creativity and monetisation. Every broadcaster therefore needs to become a master at accessing multiple channels and sources of data, and using that data to inform decision making throughout the organisation, including programme commissioning, acquisition and production; user experience; generation of revenue from users and advertisers; and the core functions of finance and HR. This focus on insight will help the broadcaster to approach everything they do from the point of view of the consumer, and to engage customers throughout.

Are you ready for the era of Personal TV?

Driven by increasing consumer expectations and heightened competition, we believe that the world of Personal TV is around the corner. Personal TV is immersive, simple and personalised and is driven by deep, predictive insights. Adopting the Personal TV approach means broadcasters will need to focus on three key imperatives: address the growing demand for non-linear, reinvent the customer experience, and transform the broadcast business. Doing so will help them to develop and deliver the most compelling end to end experiences that precisely meet the spoken and unspoken individual interests of tomorrow's TV viewers.

About this report

This report was prepared for the IBC Leaders Summit in September 2015. As input, IBM conducted two surveys with the IBM Institute for Business Value in July 2015. The consumer survey received 2,542 online responses from the general population in France, Germany, Italy, Spain and UK, balanced by age and gender. The broadcast industry survey included responses from 70 CXOs and senior managers covering traditional and OTT content distribution; content creation and production; and content packaging and programme creation.

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Notes and sources

1. Consumer survey conducted by the IBM Institute for Business Value in July 2015. The survey received 2,542 online responses from the general population of television viewers in France, Germany, Italy, Spain and UK, balanced by age and gender.

2. Broadcast industry survey conducted by the IBM Institute for Business Value in July 2015. The survey included responses from 70 CXOs and senior managers covering traditional and OTT content distribution; content creation and production; and content packaging and programme creation.

3. **Source:** IBM Analysis, TV 2020, The Future of Television, z_punkt, The Foresight Company

4. **Source:** Spotify Website

5. **Source:** www-03.ibm.com/press/us/en/pressrelease/46753.wss

6. **Source:** IBM analysis of price movements of a sample of media stocks obtained from Google Finance with a base of Jan 1, 2015

7. **Source:** www.nytimes.com/2015/08/06/business/media/disney-time-warner-media-investors-worry-about-tvs-future.html

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14. **Source:** IBM analysis based on public information

15. **Source:** IBM analysis based on public information

16. **Source:** Yahoo! Website

17. **Source:** Broadcast industry survey conducted by the IBM Institute for Business Value in July 2015

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