Expert Insights

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Data-driven content strategy rules for media companies

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The industry is in the midst of a fundamental shift from the many to the individual. Consumers will dictate how, when, and where they consume media.

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Talking points

Media and telecommunication companies have an opportunity to capture a slice of a Netflix-dominated market segment
Media companies should put in practice what Netflix unearthed a decade ago—that data drives content creation and distribution.

New technologies, such as ATSC 3.0 and 5G, will guide the next generation of over-the-air TV
Investing in new technologies and leveraging their own assets will feed opportunities for entertainment companies and broadcasters to disrupt new entrants.

The customer experience can be transformed through outside-in digital reinvention
The data-driven user experience is closely linked and dependent on the inside-out business processes that use audience and operational data.

The queen behind the content throne

Entertainment companies seldom had a huge need for data. For decades, the equation was a simple one: the quality of content plus how many people watched. Content was crowned king. But the internet opened up enormous floodgates for consumer choice, and the ensuing wave of information gathered from streaming and digital technologies crowned data the new sovereign.

The warning bell has been sounded by companies such as Netflix and Amazon: obsolescence is possible if media companies can't reinvent themselves. The threat is real as more people in the US now pay for a streaming video service than subscribe to cable TV.[1] In a brutally competitive and regularly evolving broadcast landscape, media companies can turn to data to create more sophisticated audience engagement, as well as create the content their viewers will choose to watch.

What today's media enterprise looks like

New genres of entertainment that compete for a consumer's time, attention, and money are nearly boundless. Streaming technology has improved, bandwidth increased, and the pool of content has become so deep that viewers can watch anything they want, on any device, and at any time. Look no further than travelers in airports awaiting flights or the teen sprawled on the family couch all summer. Entertainment consumption on mobile devices has grown from videos to gaming, and binge watching is replacing linear TV viewing. In fact, as bandwidth increases and latency is eliminated, it's predicted that more people will turn to mobile devices instead of TV for entertainment.[2]

How do traditional entertainment companies compete with over-the-top (OTT) streaming services with a rich catalog of content and deep pockets to create more? Apple, for example, is creating its own shows for distribution via Apple TV, iPhone and iPad, some third-party TVs, Roku, and Fire.[3] And it's spending billions to do it.[4]

Locked in a battle for viewer attention

Post AT&T acquisition, HBO parent company WarnerMedia is launching its own streaming service, as are NBC Universal and Disney.[7] Disney will remove all of its popular content from Netflix and offer a lower subscription price than Netflix's current lowest-cost plan.[8]

A subscriber stumble

A lull possibly due to regional price hikes, Netflix recently reported its first major loss in US subscribers since 2011.[9] Netflix also missed its forecast for global subscriber growth by 2.3 million.

At last report, HBO was spending USD 2.5 billion on original programming, while Netflix content spend is expected to reach USD 15 billion.[5] The comparison is even more staggering considering the number of original movies and shows produced, a reported 700 for Netflix last year.

After running video rental giant Blockbuster out of town, Netflix pivoted its business model from video rentals by mail, to streaming content delivered over the internet. It then produced content. Netflix leveraged its own data about viewers wants, needs, and repeat favorites to compete with traditional content. Its first self-commissioned original series, *House of Cards*, released full seasons all at once, ushering in the "binge watching" movement and creating a new and different way for consumers to experience content.

Millions of consumers worldwide have a relationship with Amazon as an online retailer. Prime membership offers not only free product shipping and access to special savings during highly publicized "Prime Days," but also a full streaming service of movies, TV shows, and music with Amazon Prime Video. Amazon can use its long-established and vast consumer reach to collect and assess massive amounts of customer data and build out its content.

And although Facebook insists it's not a media company—given its practice of paying for, but not creating, content—it, too, is transforming from a social platform into a media hub. Facebook Watch hosts video streaming of timely news content and access to original series that includes drama, comedy, game shows, sports, reality, and more. Lagging behind the kind of monetization highly successful content creators can achieve on YouTube, 75 million Facebook users tune into Facebook Watch daily, according to self-reported numbers.[6]

Since addressable advertising can be better tracked and targeted, it offers a better return on the dollar than traditional linear advertising.

Becoming the disruptor

Traditional media and entertainment companies should embrace innovation to compete with OTT streaming services. However, digital distribution isn't as profitable as traditional broadcasting. Even though streaming video has surpassed cable subscriptions worldwide, cable TV still rakes in more money.[10]

New technologies will guide the next generation of over-the-air TV, feeding opportunities for entertainment companies and broadcasters to disrupt new entrants. For example:

– Advanced Television Systems Committee (ATSC) broadcast standard ATSC 3.0 could make addressable TV a reality.[11]

– Fifth-generation cellular network technology, 5G, offers more reliable connections on smartphones and other devices. This dramatic improvement in wireless capacity, speed, and responsiveness should drive video consumption.

Over time, more direct engagement and understanding of the preferences and behaviors of consumers on a personal level should empower media companies to build deeper and more financially beneficial relationships.

It used to be that select content was "pushed" to viewers to watch at scheduled times and on just one device, the television set. Now viewers are in charge, "pulling" the content they want to consume from wherever it is available. They can watch on the device of their choice at whatever time suits them. Viewers want less unqualified choices and more direct-to-consumer services, breadth of content, and personalization to find something to watch in seconds instead of minutes.

With a clearer understanding of their audience, and access to information about who is watching what show and when, media companies can turn to data to target both content and the advertising fee for each impression made.

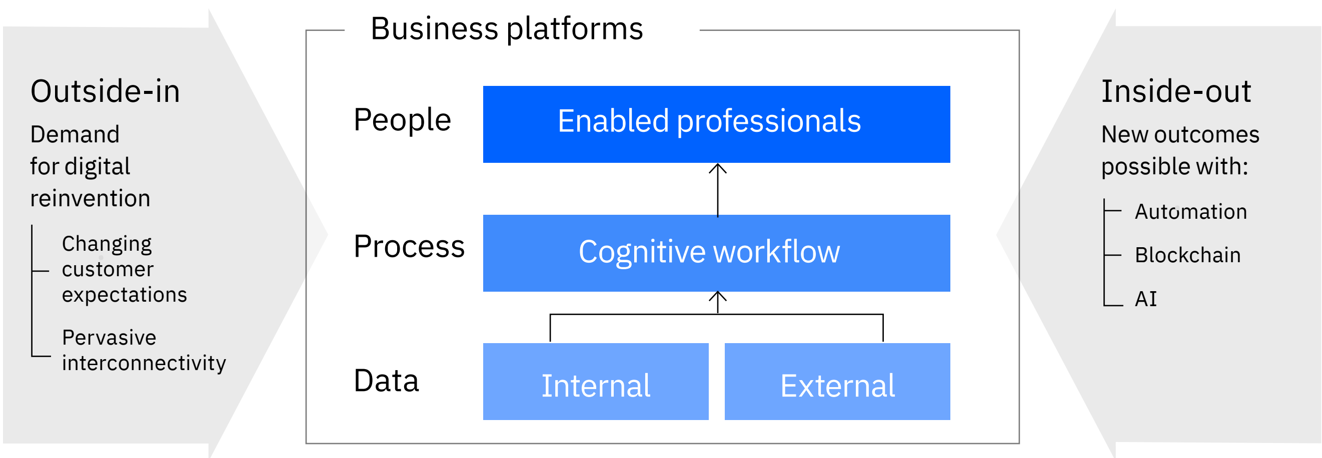
Technical architecture first

It's important for media companies to have an agile infrastructure in place to deliver content for all distribution platforms with no latency, underpinned by data and content management systems to gather information about viewer habits and preferences.

The content management environment needs to be flexible and scalable to handle volume and combine audience profiles, content profiles, and contextual data to match audience interest and content relevance. A new "inside-out/outside-in" model for media companies can form outcomes using artificial intelligence (AI), automation, and blockchain (see Figure 1).

Figure 1

Next-generation business model



Source: IBM Institute for Business Value analysis.

As emerging and established players compete for consumer attention, the edge will go to those that capitalize on rapid change.

Mass consumer platforms Facebook, Apple, Amazon, Netflix, and Google are consumer-centric disruptors. These platforms generate data and insights that offer granular audience segmentation for targeted advertising or better content recommendations for their consumers.

Media companies need to leverage the value of their brands, content, and audience relationships to create personalized services. They can extend their reach and capabilities by adopting a platform-centric business model to concentrate on content creation and aggregation. And media companies need to create customer data platforms to collect and leverage all the knowledge they acquire about users through their controlled media outlets and ecosystem partners.

The Cognitive Enterprise model for media and entertainment cuts across multiple business platforms and common capability layers, each subject to major transformation (see Figure 2). AI can automatically modify and adapt business processes to external factors, enable rule-driven content acquisition, and monitor production and distribution workflows to capture audience data. Audience insights inform content production, aggregation and delivery to optimize consumer discovery and consumption.

The following are key layers of the Cognitive Enterprise:

– A culture of agile innovation that embraces new skills, workforces, ways of working, and humanizing the enterprise

– An ecosystem of business platforms, both industry-specific and transactional

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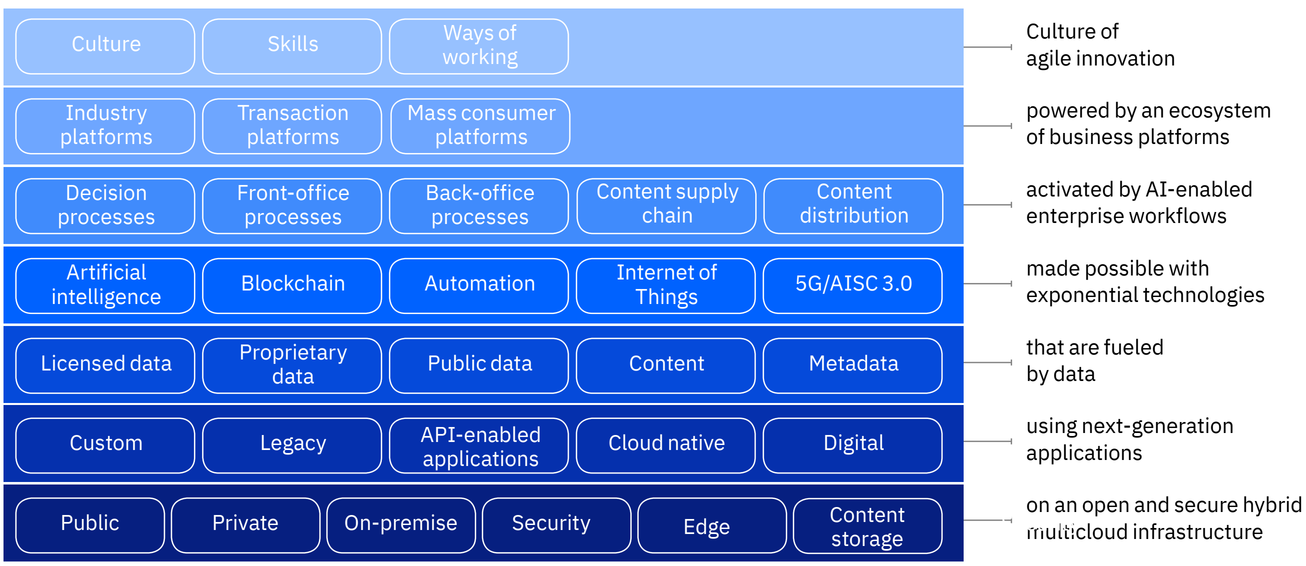
Figure 2

The Cognitive Enterprise model for media and entertainment



Source: IBM, The Cognitive Enterprise: Reinventing your company with artificial intelligence.

- AI-enabled workflows for front- and back-office processes and decision making
- Applied exponential technologies such as AI, IoT, automation, and blockchain
- Data curated to support key workflows and platforms
- Next-generation applications that span new and legacy solutions
- Open, hybrid, and secure multicloud infrastructures.

Reimagining media for a digital world

Whether serving viewers watching hands-free in self-driving cars, in line at their local pharmacies, mid-court at city sports arenas, or watching video with remote friends, deep knowledge of content and consumers offers unparalleled opportunities for the media and entertainment industry. But understand that:

- A single, consolidated view of the consumer is required. Serving and nurturing consumer relationships demands a person-level understanding of them. Harness data across touch points and third-party sources to enrich that understanding with deeper demographic, behavioral, and preference data.
- New capabilities are critical. Increased media consumption through digital platforms needs to be highly responsive to real-time performance metrics and conditions. Thriving in this environment demands a new business model enabled by AI, data, analytics, and edge computing.
- Agility will be key. The pace of innovation is accelerating, and although once set by digital disruptors, is now being driven by incumbents that are adopting more agile ways of working.

Key questions to consider

1. How does your organization gain necessary insights to provide customers the content they want when they want it? Which opportunities exist to improve insights and provide more personalized customer experiences?
2. As media companies become data companies, how comprehensive is your organization's data strategy to compete in this new environment?
3. If your organization was able to find or detect hidden patterns in data, how would that accelerate product development and delivery, advertising effectiveness, and business model innovation?

About Expert Insights

Expert Insights represent the opinions of thought leaders on newsworthy business and related technology topics. They are based upon conversations with leading subject matter experts from around the globe. For more information, contact the IBM Institute for Business Value at iibv@us.ibm.com.

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