



DISRUPTION IN MEDIA & ENTERTAINMENT

marketforce

 **MarkLogic**[®]



// FOREWORD AND METHODOLOGY

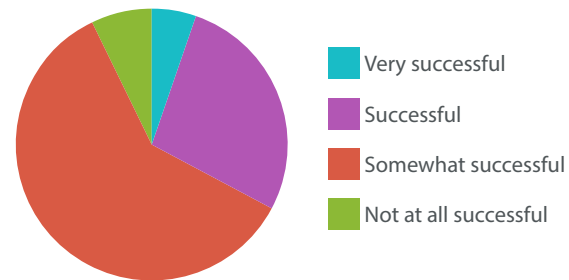
Seismic change has rocked the media and entertainment industries in recent years. To understand the fall out from this digital upheaval, MarkLogic and Marketforce commissioned a survey of more than 100 senior executives. We found an industry that has coped well with recent shock waves but still has much work to do to ride out the next wave of disruption. Indeed, if recent years have taught us anything, it is that there will be serial waves of disruption, some of which will sweep out of nowhere, creating opportunities for those organisations with the agility to quickly adapt new business models and capitalise on unexpected opportunities.

Our findings make clear that personalisation, both of content and advertising, will be a baseline requirement to satisfy digital natives and compete for ad spend. Yet, worryingly, our survey finds the industry woefully unprepared to profile the preferences of viewers and deliver personalised experiences. This vulnerability must be addressed, and fast, or companies risk losing audience share and revenues to more agile, data-smart competitors.

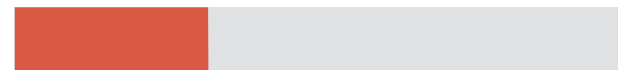


// ADAPTING TO DISRUPTION

How successful have traditional broadcasters been at making the most of the opportunities afforded by the emergence of new technologies?

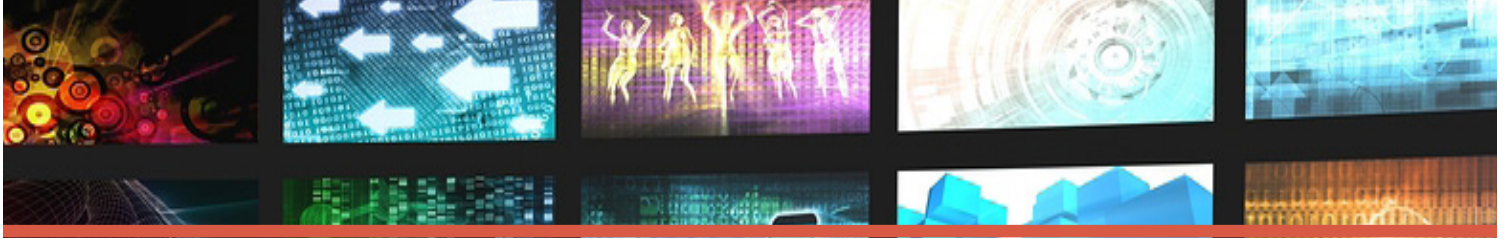


In the face of economic turmoil and technological disruption, the UK's broadcasters have weathered the storm well. UK television revenues were £13 billion in 2014, up 12 per cent since 2010, ITV's share price has more than quadrupled since 2010, Channel 4's Investing in Innovation strategy has helped create a £30 million increase in revenues in 2014 while Viacom-owned Channel 5 has increased its share of viewing among key demographics¹.



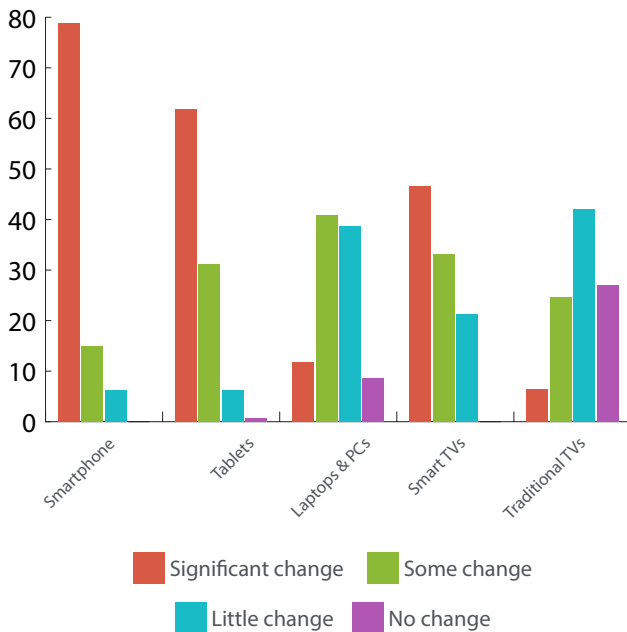
Just 32% believe traditional broadcasters have been truly successful at making the most of the opportunities offered by new technologies

Yet our survey suggests broadcasters have done only just enough to satisfy the digital viewer: 93 per cent of our respondents believe traditional broadcasters have had at least some success at making the most of the opportunities afforded by the emergence of new technologies, but only a third believe they have been really successful. This suggests there is little scope for complacency among incumbent broadcasters as digitally-savvy new entrants continue to redefine viewer expectations.



// GAME-CHANGERS: DEVICES AND DISRUPTORS

To what extent will each of the following lead to a change in viewing habits over the next 5 years?



TV sets remain the “go-to” device for accessing content. It dominates daily media consumption, with Ofcom research showing an average digital day clocks up almost three hours of live TV and forty minutes of recorded TV². Thirty-seven per cent of adults say they would miss their TV more than any other device³. But TV is changing, with 79 per cent of our respondents expecting Smart TVs to be important or very important for audiences to access content within the next five years. Smart TV will increasingly push out laptops/PCs and traditional TVs as the home-based viewing device; indeed, more than one quarter (26 per cent) of our respondents believe traditional TVs will cease to be relevant within five years. This is a significant change in a short period of time.

92% believe smartphones and tablets will become increasingly important for audiences to access content in five years' time

There's clear consensus that mobile is going mainstream – and fast: more than nine out of ten of our respondents believe smartphones and tablets will be important or very important for accessing content by 2021. This reflects not only insatiable audience appetite for mobile devices - according to Ofcom, two-thirds of adults have a smartphone, half of whom admit they are “hooked” to their device⁴, and mobile will soon account for 75 per cent of time online⁵ - but also the growth of short-form viewing, with smartphones twice as likely to be used for watching short video clips than full-length programmes⁶. This trend is particularly prevalent among young adults, who graze on bite-size entertainment on their smartphones. For 16-24 year olds, mobile phones outrank TVs in importance, with 59 per cent telling Ofcom they would miss their mobile most (TV was a distant second at 17 per cent), three-fifths admitting they are addicted to their phones and half checking their phones within five minutes of waking⁷. Developing engaging short-form content to appeal to the on-the-go viewer will be essential if broadcasters are to stay relevant to a new generation.

67% believe subscription video on demand services will lead to a significant change in viewing habits in the next five years

Subscription Video on Demand is expected to be a game-changer within a dazzlingly short time frame: 67 per cent of our respondents believe services such as Netflix and Amazon Prime will lead to a significant change in viewing habits by 2021 as viewers become

2. Ofcom, Digital Day 2014, published in Communications Market Report 2014
 3. Ofcom, Media Use & Attitudes 2015
 4. Ofcom, Communications Market Report 2015

5. Enders Analysis, June 2015
 6. Ofcom, Communications Market Report 2015
 7. Ofcom, Communications Market Report 2015



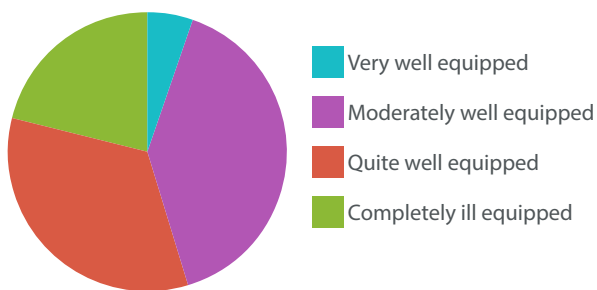
surging digital ad-spend. According to the Internet Advertising Bureau, digital advertising spend including online, mobile and tablets was worth £3.975 billion in H1 2015, up 13.4 per cent on H1 2014. Indeed, analysis suggests digital ad spend in the UK is now more than double TV ad spend¹⁰. Clearly, for advertising-funded broadcasters the threat from digital ad-spend cannot be under-estimated: nine out of ten of our respondents agree this is a moderate to very large threat.



79% feel advertising-funded broadcasters are equipped to capture the growth in digital ad-spend

Our survey suggests the industry will be able to compete effectively for this wallet 79 per cent of our respondents feel advertising-funded broadcasters are equipped to capture the growth in digital ad-spend.

How well equipped are advertising-funded broadcasters to capture the growth in digital ad-spend, including online video advertising?



// PERSONALISATION: THE NEXT PHASE



86% agree the widespread penetration of digital devices has significantly raised audience expectations for personalised content and service

Personalisation is unavoidable as viewers increasingly expect a bespoke customer experience as standard. Eighty-six per cent of our respondents feel the widespread penetration of digital devices has significantly raised audience expectations for personalised content and service.

This creates a massive challenge for traditional broadcasters: 93 per cent of our respondents agree they will need to find new ways of understanding their customers better in order to compete effectively with new players such as Netflix and Amazon Prime. These algorithm-powered user-centric services wow viewers with their seamless and personalised viewing experiences. Both have started to invest in new commissions, drawing on audience viewing data to deliver compelling new shows, as well as aggregating third-party archive material that can be curated to deliver personalised inventory for subscribers. This variety of content, wedded to highly personalised and frictionless technology solutions, will be difficult for PSB catch-up services to match.

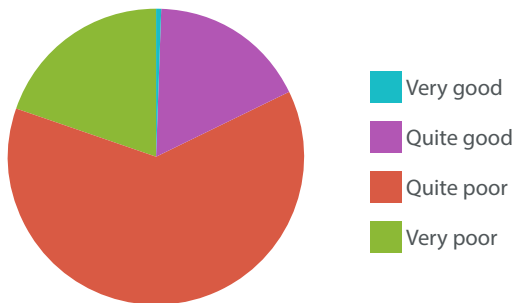


80% feel the industry is not good enough at profiling the preferences of the individual viewer in order to understand the content they want to access



To close the gap, traditional broadcasters will need to develop data strategies that support the development of box set binge-watching experiences. Worryingly, 80 per cent of our respondents feel the industry is not good enough at profiling the preferences of the individual viewer in order to understand the content they want to access.

How good is the broadcasting industry at profiling the preferences of the individual viewer to understand the content they want to access?



// DATA: TARGETED ADVERTISING

Personalisation is essential to protect advertising revenues in the face of surging digital ad spend.

Eighty per cent of our respondents believe advertising on TV will need to improve its ability to capture and respond to customer preferences if it is to compete with digital advertising. Those broadcasters with a clear understanding of customers will be best placed to protect revenue streams in a new digital world, opening up a gap between the “data haves” and “have nots”.

This data gap is already evident. Sky’s AdSmart scheme, for example, stores adverts locally on customers’ Sky+HD boxes enabling it to transmit adverts targeted to that household’s attributes. Analysis suggests this is a strategy that can grow advertising revenues as it not only demonstrates improved effectiveness of advertising spend by combining more than 400 attributes to create

unique buying audiences but also draws in advertisers new to TV thereby growing the customer pool¹¹.

Our respondents are clear that incumbents are lagging these data-savvy pioneers: 80 per cent feel the industry is poor at profiling the preferences of the individual viewer and only 12 per cent feel the industry succeeds at offering audiences truly personalised recommendations and viewing experiences.

// CONCLUSIONS: PREPARING FOR THE DATA ARMS RACE



86% feel the industry is not good enough at profiling the preferences of the individual viewer in order to understand the content they want to access

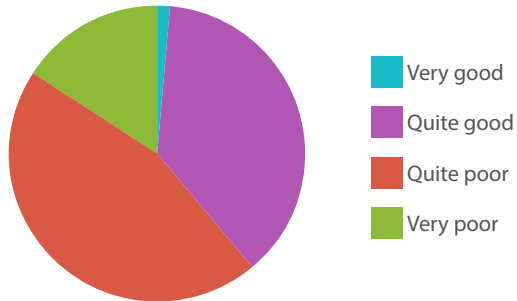
It is clear incumbent players have much work to do to improve their collection, analysis and management of data. Online services and Smart TVs will massively increase data inflows but an effective data strategy is not just about Big Data, it’s about asking the right questions of that data to deliver meaningful insight to fuel business transformation.

Yet there are doubts about the industry’s readiness for this latest wave of disruption: just 22 per cent believe the industry is equipped to deal with the growth in data on customer viewing preferences. And it is not just external data that incumbent players struggle with: six out of ten of our respondents judge the industry’s storage and management of archives to be poor, closing off opportunities to search and access content to make recommendations to delight viewers.

11. Sky Media analysis 2015 found channel switching was 48% lower for Sky AdSmart adverts than for standard ads and around 70% of those using Sky AdSmart were either new to TV or new to Sky



How good do you think the major content owners are at storing and managing their archive so that it is readily searchable and accessible?



And personalisation is just one obvious challenge facing broadcasters: the digital era will be one of continuous disruption, much of which they won't see coming. Yet only half our respondents believe the industry has been good at predicting the impact of new technologies and market entrants in recent years. This makes it all the more important that companies develop agile systems that can quickly respond and adapt to the unforeseen.

Our survey finds overwhelming consensus that existing systems will need to be overhauled to keep pace with data-fuelled new entrants: nine out of ten agree the rise in data from digital devices, along with the growing use of social media, will force broadcasting and entertainment providers to review how they store and manage data. This will need to be underpinned by a clear strategy for handling and managing data. Those that cannot make this journey will find themselves on the wrong side of the data arms race and increasingly irrelevant to the switched on viewer.



About MarkLogic

For over a decade, organizations around the world have come to rely on MarkLogic to power their innovative information applications. As the world's experts at integrating data from silos, MarkLogic's operational and transactional Enterprise NoSQL database platform empowers our customers to build next generation applications on a unified, 360-degree view of their data. Headquartered in Silicon Valley, MarkLogic has offices throughout the U.S., Europe, Asia, and Australia.

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