accenture

UNLEASHING THE VALUE OF A PLATFORM

Accelerating a platform business for growth

In 2019, the global media industry experienced a watershed.

For the first time, consumers around the world spent more time with media across the internet than on any other traditional format (figure 1). And with the ever-increasing range of devices and screens available to consumers—as well as a deluge of innovative content offerings from new players—media companies are in fierce competition for consumers' limited attention.

Accelerating a platform business presents an opportunity for growth. To make sure entrants can compete and win in this massively complex landscape, traditional media companies need to consider taking decisive action on **three critical fronts.**

01

ESTABLISHING DIRECT CUSTOMER CHANNELS

Develop a direct relationship with end customers, as traditional wholesalers are now positioned to become retailers through platform enablement.

02

BECOMING AN INTELLIGENT ENTERPRISE

Shift value to creators based on customer engagement and become a more intelligent enterprise to extend customer lifetime value.

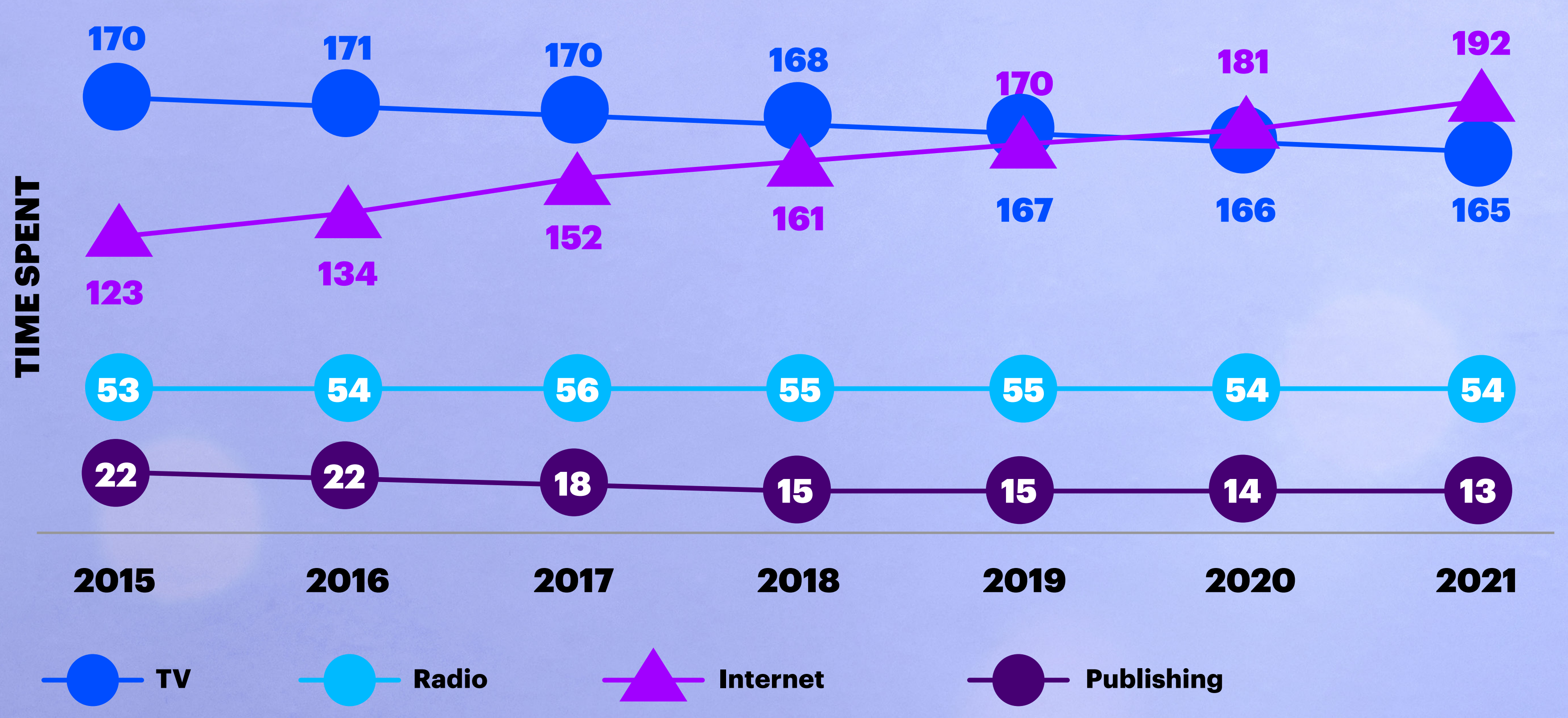
03

EXPANDING MONETIZATION

Expand monetization beyond subscription, taking into account the long-tail opportunity of the digital economy as a prime lever for unleashing trapped value.

Figure 1

Average daily time spent with media among consumers worldwide, 2015-2021 (minutes)



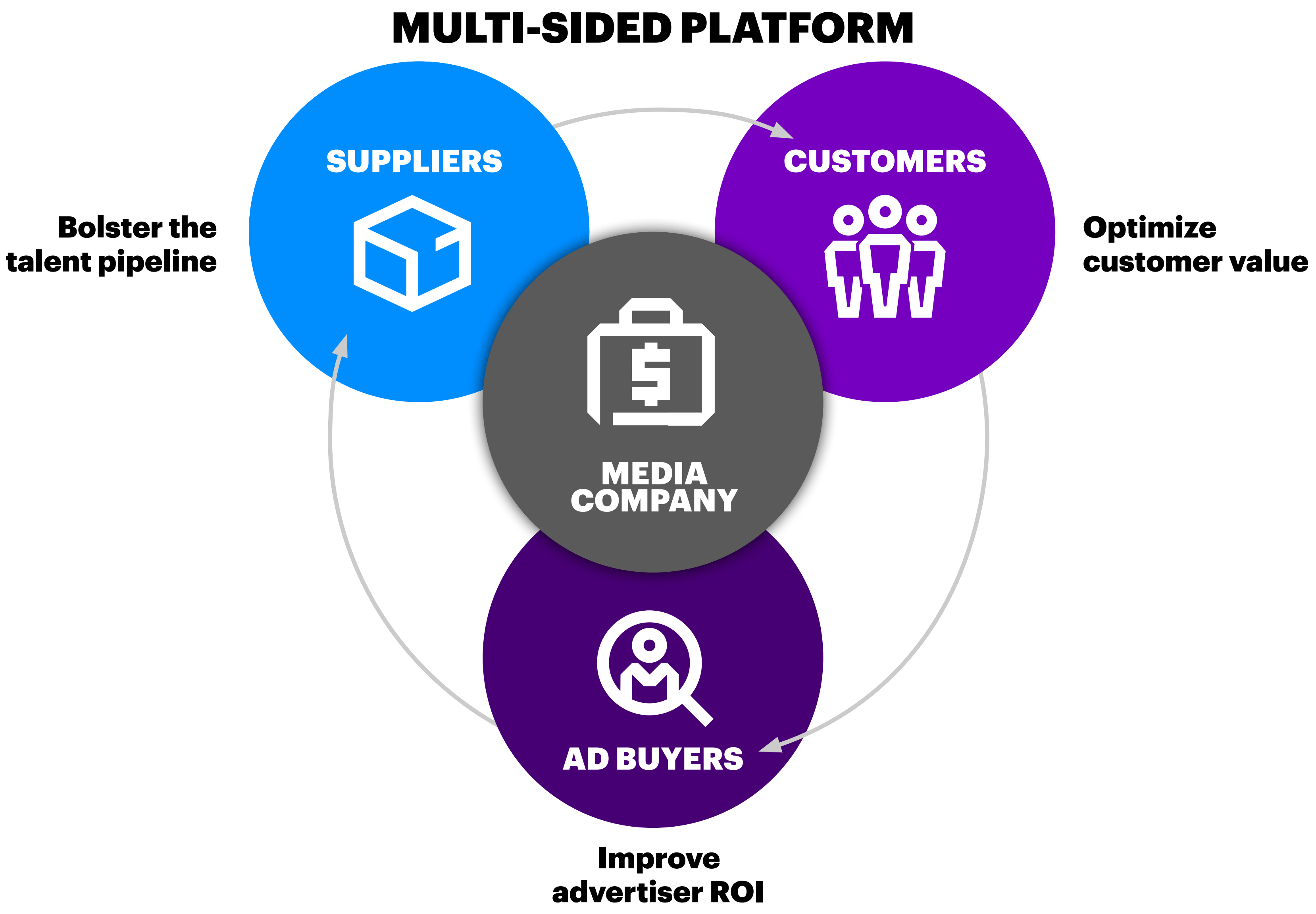
Source: Zenith, "Media Consumption Forecasts 2019," June 10, 2019. Publishing is newspapers and magazines.
Percentages are compounded annual growth rates from 2015-2021.
Data is from the June 2019 Zenith report titled "Media Consumption Forecasts 2019." For 57 countries.
Note: *includes browsers and apps. Data was provided to eMarketer by Zenith.

One thing is certain: the new market reality demands a new approach.

But what should that look like?

In our view, media companies should consider a multi-sided platform approach to address the market challenges they face. In our example (figure 2), this could help bolster the talent pipeline, optimize customer value through an intelligent enterprise, and improve advertisers' return-on-investment.

Figure 2



But it is a disruptive play—the multi-sided platform approach requires traditional media companies to transform their own value chain—from supply to demand.

01

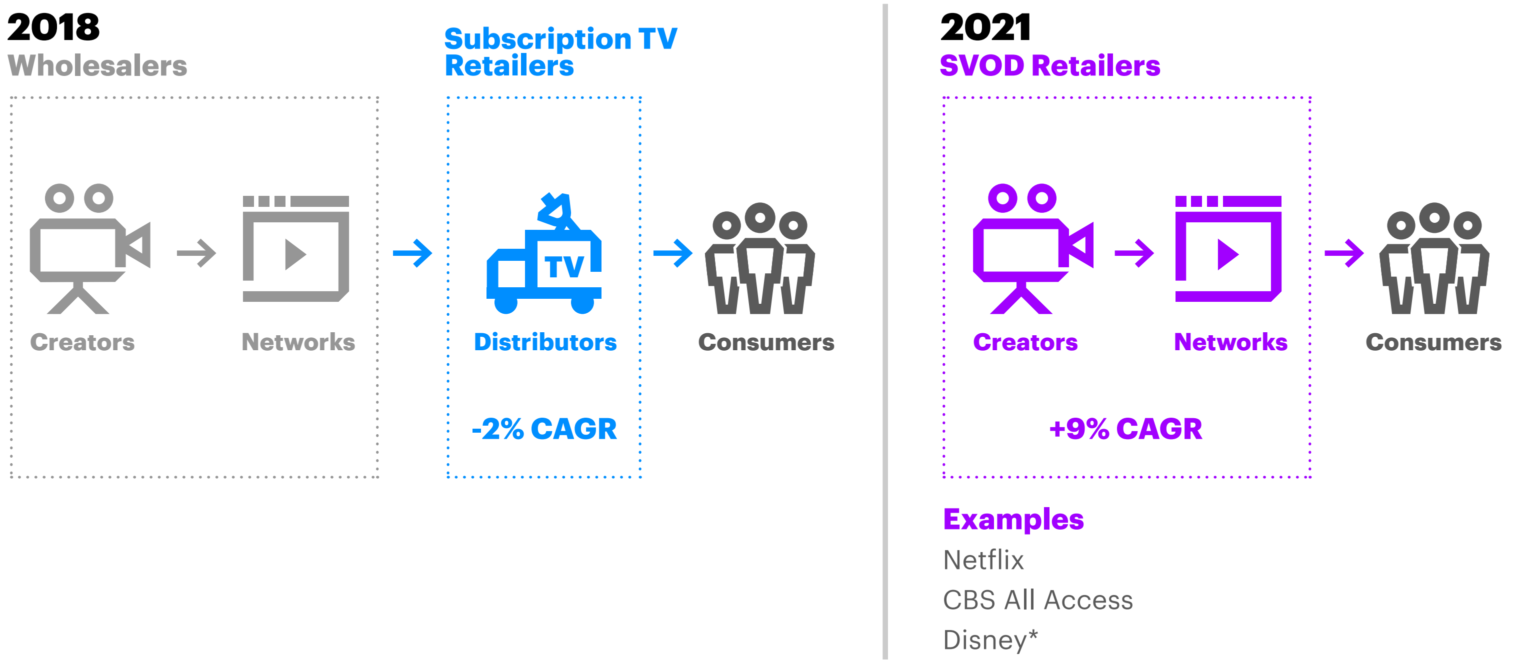
ESTABLISHING DIRECT CUSTOMER CHANNELS

With the proliferation of increasingly varied connected devices, over-the-top distribution has sparked radical disruption across the value chain. Up to now, traditional content creators and networks have typically played the role of wholesalers, licensing to distributors that own the retail channels to the customer. However, as digital behaviors proliferate those legacy retail channels are showing accelerated signs of erosion across the Pay-TV industry.

Now, by harnessing platforms to create a direct digital connection with end customers, traditional wholesalers are becoming retailers. (figure 3). The growth of digital retail has created new competitors, with tech platforms typically leading the way in creating the most compelling digital user experiences.

Figure 3

U.S. subscription TV, SVOD revenue growth from 2018-2021



Source: S&P Global, Accenture Analysis. U.S. Multichannel and SVOD Revenues

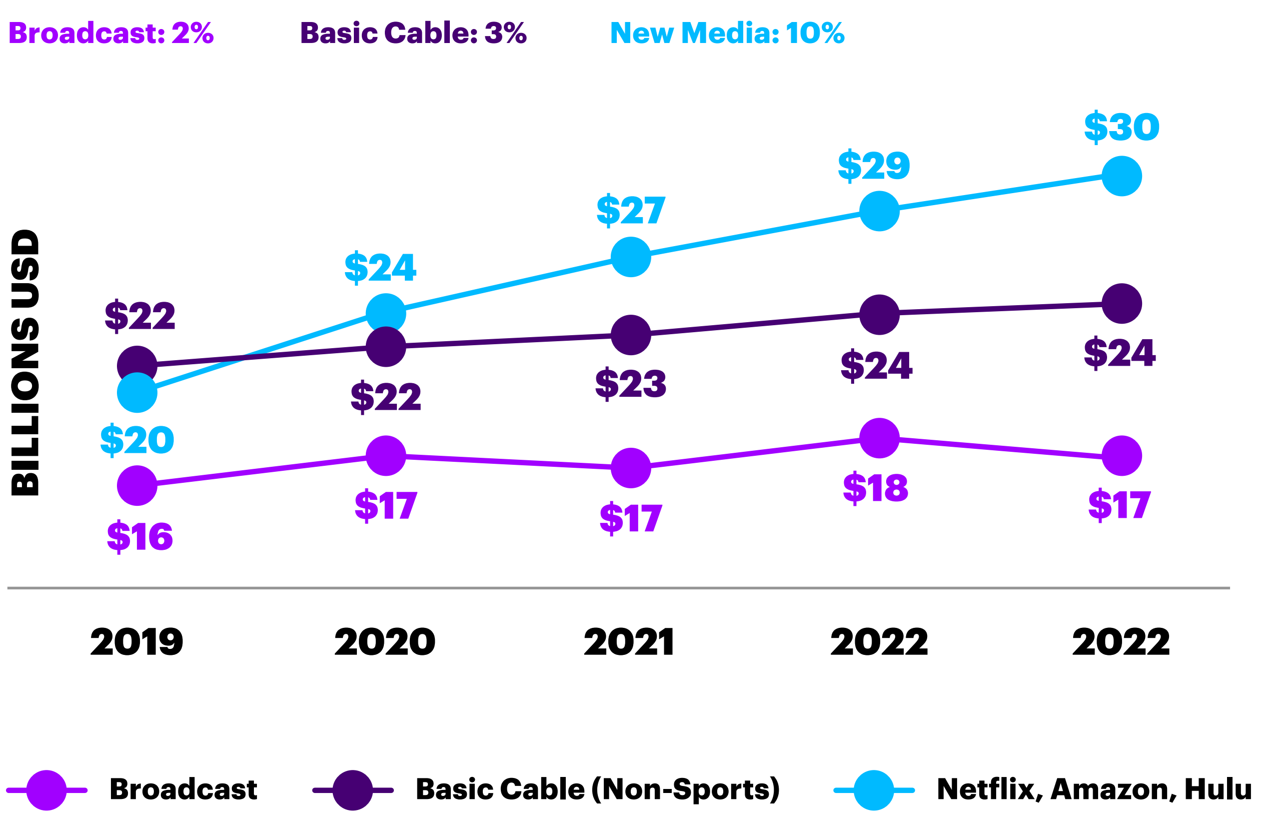
These disruptors are now also adding content to the mix, and investing heavily to compete with traditional media companies (figure 4).

The result? Escalating content wars.

How can media companies achieve a winning position? By realigning their competitive advantages through a multi-sided platform approach, to improve stakeholder value in a highly competitive content and advertising market.

Figure 4

Projected content programming spend per year CAGR (2019-2023)



Source: S&P Global Market Intelligence, New Media: Amazon, Hulu, Netflix U.S. Basic Cable – 168 Networks; U.S. Broadcast – 8 Networks; by Programming Spend (Excluding Sports)

02
BECOMING AN INTELLIGENT ENTERPRISE

Disruptors like Netflix and Amazon have nearly trebled their content spending over the last five years. That's creating pressure on others. The first step for traditional media businesses to mitigate their content investment risk involves rethinking the supply side. By opening their content offering to a long-tail of creators, traditional media companies could bolster their talent pipeline.

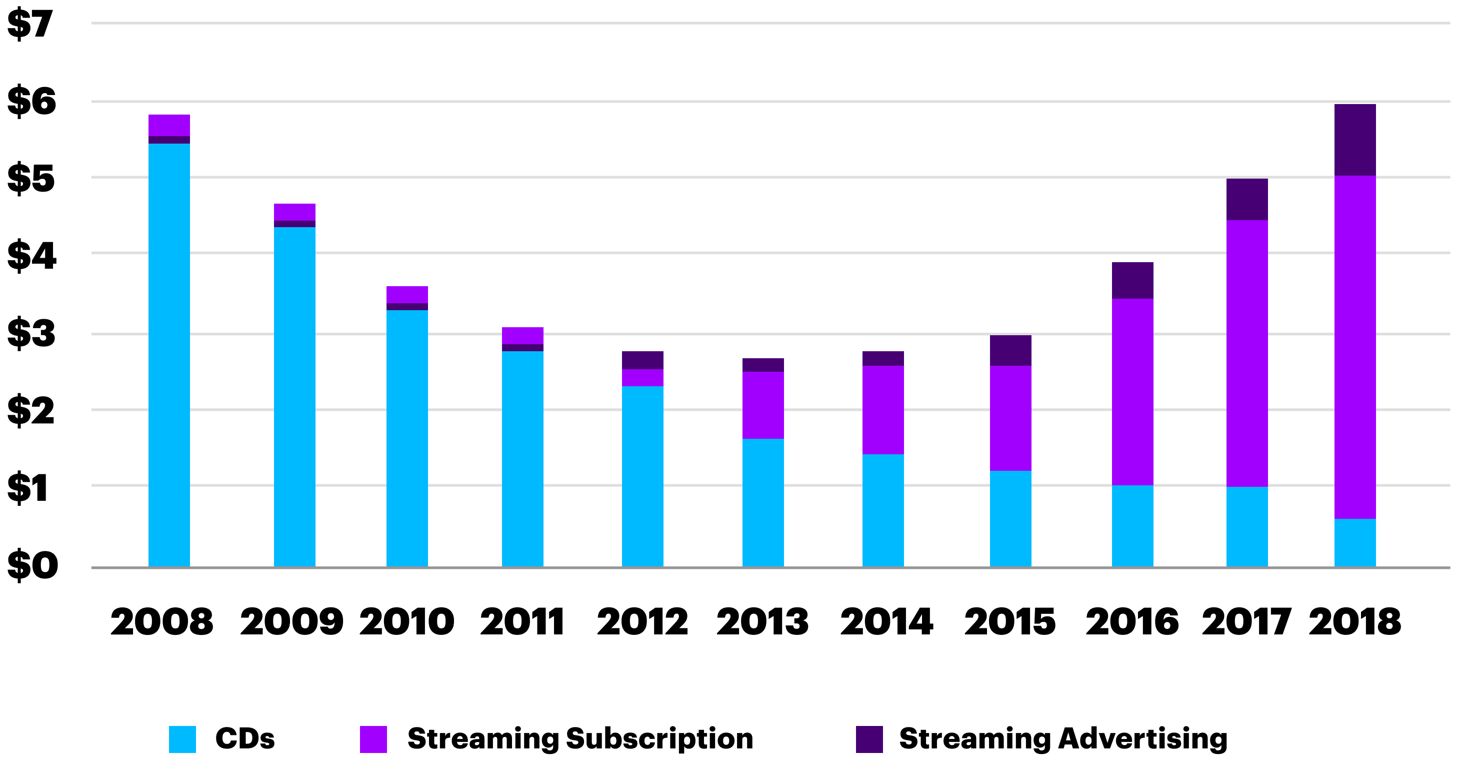
One example? YouTube. It's successfully implemented a long-tail approach to content development—with a consumer base of 2 billion monthly viewers, over 500 hours of new content uploaded every minute, and 250 million hours of connected TV viewership per day. Their customer scale is heavily reliant on their long-tail development of a content offering.

Media companies could also enhance their talent pipeline across the long-tail, while mitigating content investment risk, by implementing a revenue share based on variable engagement, rather than the traditional wholesale model of licensing.

Similar to the way that Spotify helped the music industry shift from a transactional to an engagement business model, other media platforms could evolve from their debt-based approach of content licensing (figure 5).

Figure 5

U.S. recorded music revenues by format 2008-2018 ($bn)



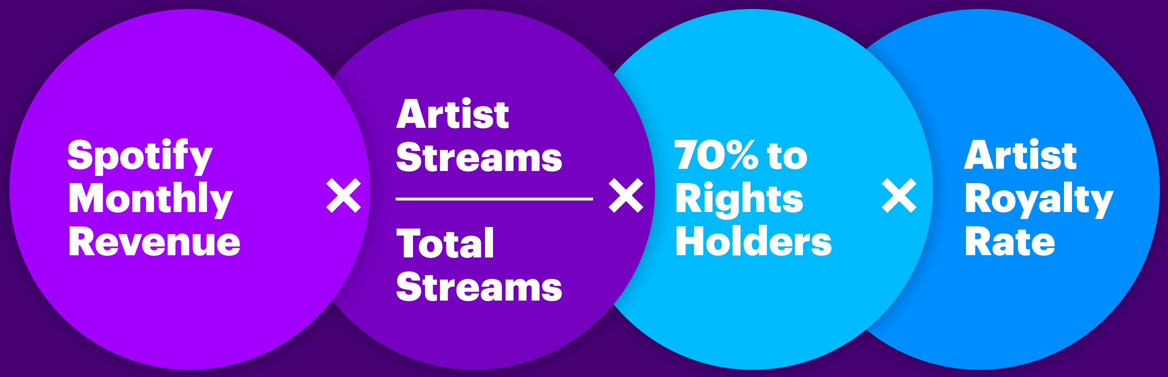
Source: RIAA, U.S. sales database

As more content floods the market, consumer expectations of value are changing.

Consumers already say that they're paying for content that doesn't engage them. It's a trend that will continue to threaten subscription offerings that don't evolve. To overcome consumer disenchantment, media organizations must recalibrate the measurement of success to focus on customer engagement as their primary lever, with customer lifetime value becoming the key commercial metric.

Platform Engagement Economics

Case Study: Spotify



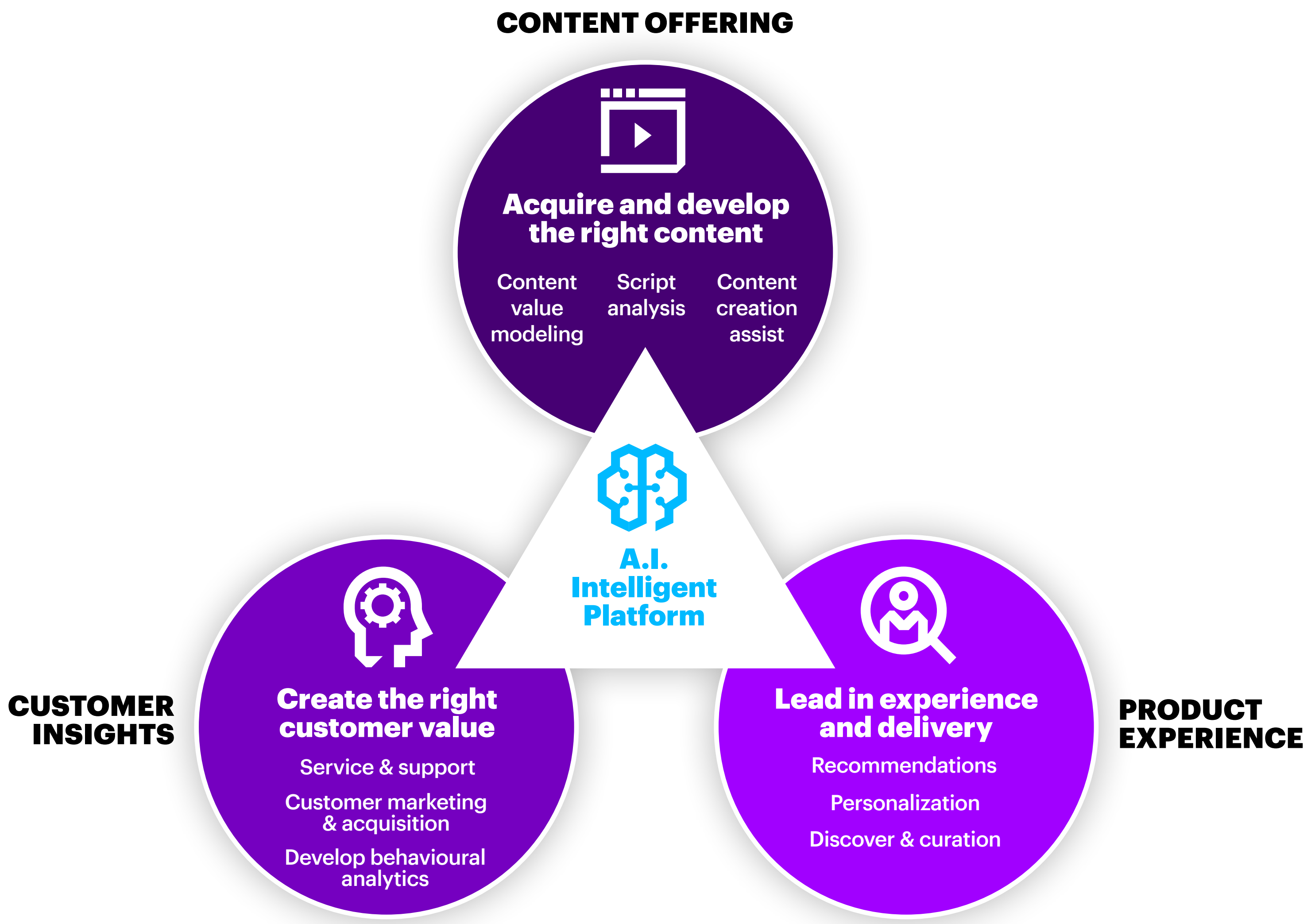
Spotify takes all the subscription (premium) and advertising (freemium) revenues over a said period, dividing those monies by the total amount of streams.

Source: https://heroic.academy/artist-guide-spotify-playlist-royalties-verified-profiles/

Media companies must also align their organization around a single customer channel, instead of operating as siloed organizations that compete across multiple customer channels.

To achieve that, these organizations need to become more intelligent enterprises, using real-time data capabilities to optimize value across their customer, product experience and content offerings (figure 6), adding value through the right applied analytic frameworks.

Figure 6



03
EXPANDING MONETIZATION

Finally, companies should explore new business models to subsidize the consolidating subscription market by making use of, for example, advertising, commerce integration, interactive and transactional add-ons.

Digital disruptors like Google and Facebook have been heavily investing in creating more personalized customer experiences to grow their advertising business, which in turn has enabled more targeted ad-buying capabilities to improve ROI (return on investment). They are poised to capture the lion's share of advertising growth.

However, premium media has not lost its competitive advantages altogether. In a recent study commissioned by Accenture, multi-platform advertising (which includes TV buys) has improved overall ROI by +10% (figure 7) compared with -18% for standalone digital campaigns. What's more, traditional media businesses could also go after an expanded set of advertisers.

Part of Facebook's growth story has been driven by their approach to capturing the long-tail of the digital ad buyer market: nearly 90% of its ad revenue growth in the past three years has been driven from this long-tail. As advertising continues to evolve, over-the-top media platforms could compete with disruptors through a consolidated consortium, optimizing the reach of their inventory across the long-tail of the market.

Figure 7

Impact of multiplatform TV advertising on digital within integrated ad campaigns

Standalone digital ROI

-18%

Without multiplatform TV's halo, digital average ROI would decline

Multiplatform TV's adjusted ROI

+10%

Due multiplatform TV's halo, multiplatform TV's average ROI is understated

Source: Accenture's Cross-channel Advertising Attribution study.

CONCLUSION: BECOMING A MULTI-SIDED PLATFORM

By developing a multi-sided platform, media companies can help realign stakeholder value through their suppliers, customers and partners.

The journey to becoming a multi-sided platform can be costly, but worth the investment long-term. Media companies should focus not on a single product market but find growth through multiple products with global reach (figure 8).

Figure 8

Growth Dimension	Emerging Platforms	Next Gen Titans	Platform Titans
Phase	Hyper growth	Global expansion	Service sophistication
Product	Simple, single product and price point	Limited products, expanding those products globally	Multiple products and services
Reach	Single region	Multiple regions. expanding number of countries reached	Global - every region
User Growth	High growth, via aggressive customer acquisition	High growth in users, via expanded geographic scope	Stable user growth, growth via cross-sell and engagement
Operations	Unstructured	Shifting from unstructured to structured to support expansion	Focus on optimizing operational efficiency
Resources	Limited internally, focused on customer acquisition	Global resources, but must balance tradeoffs with growth	Significant human and physical resources
M&A Strategy	M&A to expand user base	M&A with regional focus to support expansion	M&A to expand or improve products or service offerings

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