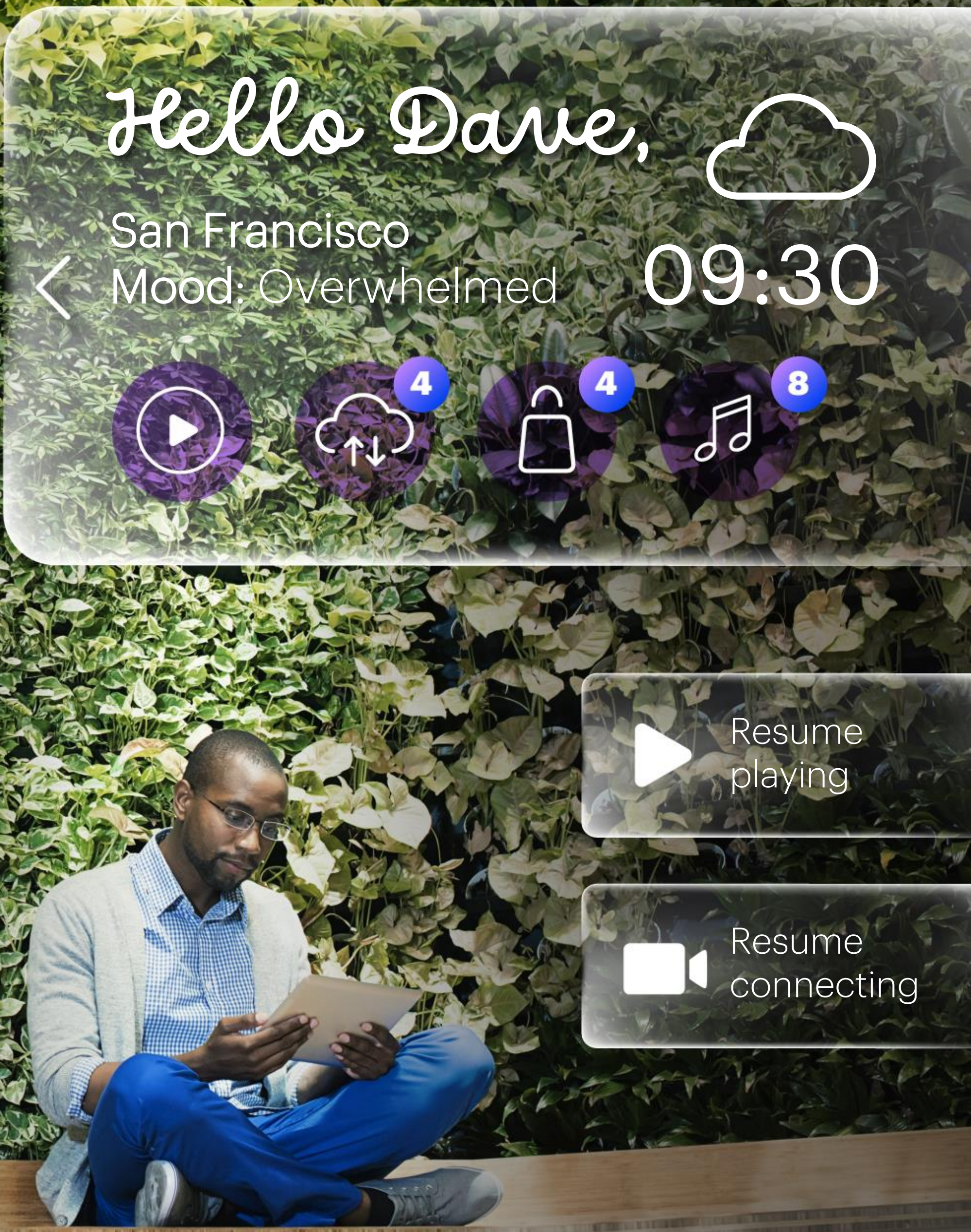
Reinvent for growth

Media strategies for an atomized, multidimensional landscape



Hello,

The shift to direct-to-consumer (D2C) streaming has been a tough but necessary move for traditional media businesses. But it's far from the end of their digital journey.

In fact, it's probably closer to the start. Put bluntly, streaming has not delivered the rewards that media companies expected. What was seen as the rescue device to keep traditional media afloat may now be dragging them down.

So, is this a crisis? Perhaps not yet. But things can't go on as they are for much longer. And if they don't adapt, some media companies look set to find themselves losing relevance (and a market for their services) within the industry's rapid and unforgiving evolutionary momentum, in which only the most adaptable survive.

The forces that have brought the industry to this critical stage of evolution are twofold.

One is a marked shift in business models where revenue has supplanted content as the key factor. The second is consumer dissatisfaction with their current media experiences.

> **Taken together, they point to the need for reimagined entertainment ecosystems.**

In this paper, we explore how media companies can move to profitable growth by helping consumers get everything they want (and how they want it) in an increasingly atomized media landscape.

Growth slows, competition intensifies

Streaming content directly to consumers has not, as a business model, lived up to its billing – and its performance continues to decline as multiple services compete for the same share of wallet.

What's more, competitors with diversified business models and other principal sources of revenue are expanding their market share. They are using the power of entertainment to capture consumers' attention and spending.

The signs are clear. The subscription video on demand (SVOD) market saw slowing growth in 2022, with far fewer new sign-ups.
In addition, churn rates are up.

35% of consumers unsubscribed from at least one of the "Big 5" streaming video-on-demand services in the last 12 months, and 26% say that they plan to cut one or more in the next 12 months.

And with the average number of SVOD services each consumer now has hitting more than 10 in the US,[1] three times as many consumers[2] (20%) feel that this is too many compared with those who believe they have too few (7%).

The market is no longer rewarding growth in subscriber numbers. It's switching attention to profitability – Netflix's share price, for example, has fallen by more than 50% from its high in October 2021.

In addition, content costs have spiraled up at the same time as media companies have made considerable investments in making the move to streaming. Those costs have not been met by proportionately rising subscription revenues.

Hey Matt

20:30

London

Mood: I want to distract myself from worries

Then there's growing competition from extremely well-funded tech sector players who are making money from entertainment indirectly.

In other words, they're harnessing the power of content to attract and retain consumers' attention in order to generate revenue from other sources such as ecommerce or devices.

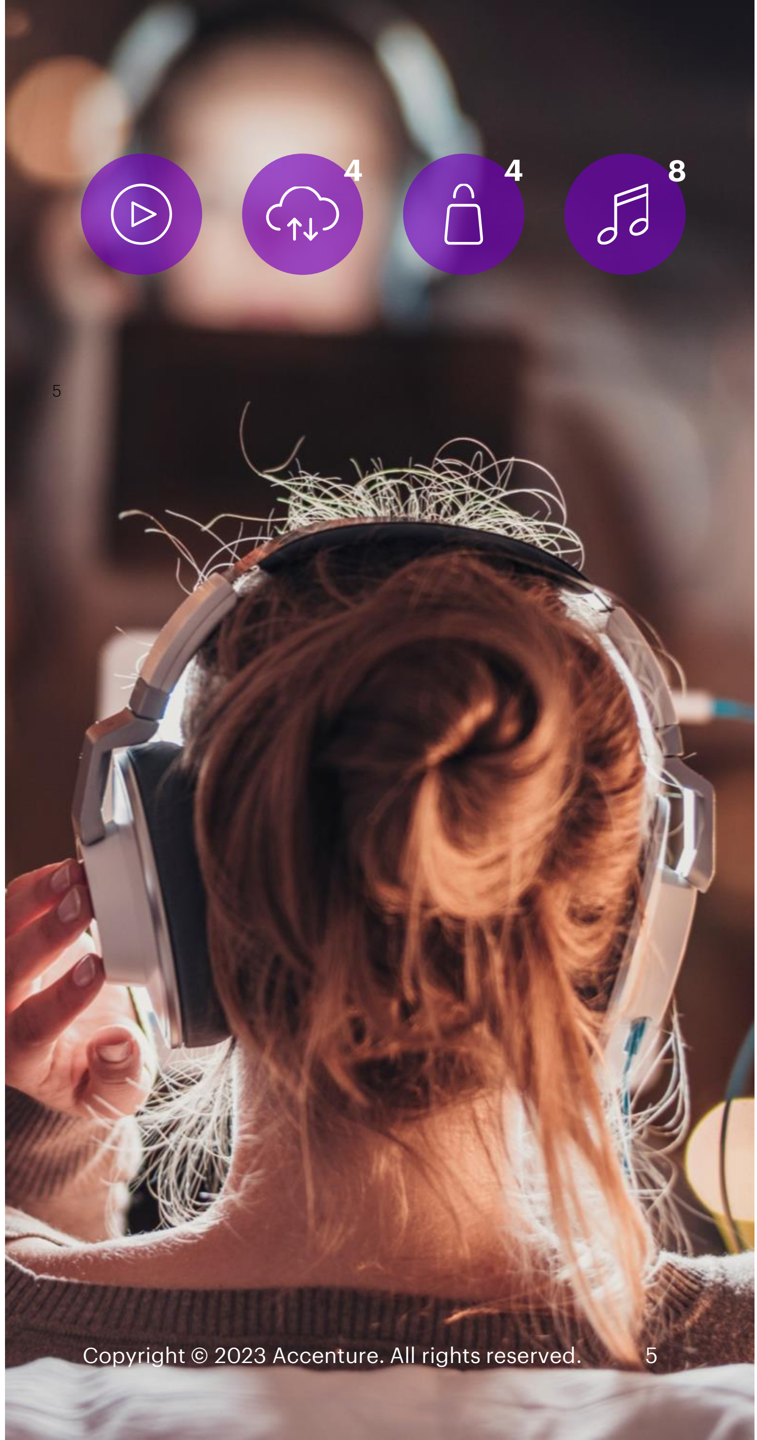
The biggest players here, like Amazon, Apple and Google, have vast revenues and operating cash flow from non-streaming products and services that give them other ways of engaging and profiting from consumers.

Look at the bundle from Amazon Prime, which, to drive profits in ecommerce, offers a range of next-generation media services: streaming (Prime Video), video gaming (Twitch), audiobooks (Audible), music (Amazon Music) and photos (Amazon Photos). Moreover, Amazon, Apple, and Google are playing hard to win at the next level of the video value chain – streaming service aggregation.

As powerful onramps to connected TVs, operating systems like Google TV or accessories like the Apple TV or Amazon Firestick, these non-traditional competitors in the media space are playing a complex game. And with market capitalizations of $1 trillion+, they dwarf their competitors in traditional media.

Apple, for example, valued at more than two trillion dollars, could acquire any one of the many SVOD businesses now competing for eyeballs, and it would barely register on the balance sheet.

So even if they're not making money from video directly, tech players are profiting from the higher audience engagement with their other bundled products and services and streaming service aggregation, without having to play by the traditional financial rules of TV/film distribution or even today's streaming economics.



Little wonder, then, that these companies are flexing their considerable financial muscles to move further into all areas of entertainment. Amazon, for instance, has acquired sports rights in key competitions and territories (English Premier League soccer,[3] for instance, or the NFL[4]).

There have been major acquisitions in gaming too, such as Microsoft buying Activision Blizzard[5] for close to $70 billion in an all-cash transaction and in the process making Microsoft the world's third-largest gaming company.

What we're seeing in the industry is the (re)rise of bundles and aggregation as new entertainment ecosystems are put in place. All companies need to figure out how they can most profitably take part.

But companies' first action is perhaps the most important: listen to consumers.

And in our Second Annual Global Entertainment Study of 6,000 consumers across 10 countries, we've picked up some very strong consumer signals that all media players need to tune into.

Hey Aiko

19:30

Yokohama

Mood: I want to feel less lonely

Consumers want everything, everywhere, all at once

OTT video appealed to consumers in three principal ways. It offered more and better content. It was available on any device. And it was cheaper than the alternatives (i.e., cable bundles). None of these now hold true. All content is digital and accessible. And streaming is no longer the value play it once was.

Result? Consumers are increasingly dissatisfied with the experience (and expense) of dealing with many different OTT services – and they're now looking for something different.

Their time, your money – make it simple, make it quick

For a start, consumers want things simpler. They don't wish to spend excessive amounts of time searching for content, trawling through multiple screens and apps to find what they want.

Almost 3 in 4 (72%) consumers now report frustration at finding something to watch – that's 6 percentage points higher than last year*.

A quarter of consumers (26%) – compared with 17% last year – now say it can take them more than 10 minutes to settle on a choice.

More than half (55%) are simply overwhelmed by the number of streaming services to choose from.

To overcome that, they want simplicity (one route to my content) and control (let me share my details with whoever I choose). These signals were strong last year. They're even more pronounced for 2022.

More consumers now use cross-service search engines than last year (68% vs 47%), with 41% mostly or always using them.

What do they like about it? It's easier, simpler and takes less time. The growing popularity of cross-service search points to other emerging consumer needs.

*For comparison, the samples for both 2021 and 2022 studies have been adjusted to have a similar structure.

They want more of the same from the services they use today, including recommendations for similar movies and shows on the other services they subscribe to. They also want to be able to add content from other media, entertainment or streaming services to an existing subscription.

Many would like to go further and share their profiles seamlessly from one service to another. 61% say that they'd like to be able to do this – with roughly the same proportion (58%) of consumers saying that having to re-enter their basic information to sign up for a new service is their single greatest source of frustration.

Consequently, more than eight in ten (86%) would be interested in a single service that captured and shared all their basic information along with content preferences. Almost four in ten (37%) say they would pay for this.

And consumers would also value being able to access other services directly from their usual streaming home page: 70% for music, 63% for web browsing, 62% for ecommerce and 60% to connect with family and friends.

Hey Sam

17:30

São Paulo

Mood: I want to escape

More consumers now use a cross-service search engine than last year:

47% 2021

68% 2022

Consumers would find these services valuable on the same home page where they usually consume their streaming services:

- **70%** Music
- **62%** Ecommerce
- **63%** Web browsing
- **60%** Connect with friends

Very + fairly valuable

Consumers who use cross-service search engines agree:

They are a good way to find the content that I want to watch	71%
They save me a lot of time when I am looking for content to watch	69%
I find this approach easier than going directly to a streaming service and choosing what I want to watch	68%
I would use these tools more often if I did not have to subscribe to new services to watch the content	68%
I find it frustrating when they suggest content on services that I am not subscribed to	63%
I wish I could use them to search for other forms of entertainment such as social media, gambling, etc.	57%

Completely + somewhat agree

What are my options here?

Another warning sign? Value. Put simply, consumers don't feel that their buck is getting them as much of a bang as they'd like.

As the market becomes more saturated, consumers are switching between services and churn rates are up across the board. With wallets already under pressure from inflation and uncertainty about the economy, discretionary spending on streaming services will be an easy economy to make.

Many intend to do just that, with 39% of consumers saying that they'll decrease their spend on SVOD in the next 12 months.

Ad-free content was seen as a major attraction of streaming. But consumers don't seem to care that much about interruptions to their viewing.

Almost four in ten (39%) won't pay to remove ads, and more are welcoming ad-funded content into their viewing mix, with 52% of consumers increasing their use of completely ad-supported video in the past year.

Consumers also seem to have lost some of their appetite for binging on all-you-can-eat offers. Instead, they're looking to make more defined choices and pay for what they want, when they want it.

That explains why consumers increased their use of pay-per-view and transactional options more than any type of service in the last year.

And they increasingly want flexibility in how they pay for different content in different ways.

They'd like to see their bills more closely match how much of a specific type of show (for example, sports) they want in one sitting. Subscriptions remain the number one choice for shows and movies. But options from day-passes to customized pricing are also cited as preferences across a range of different types of entertainment.

Hey Stefan

20:30

Munich

Mood: I want to learn a new skill

52%

of consumers have increased their use of completely ad-supported video in the past year.

Do consumers expect to change the amount they spend on entertainment across subscriptions and one-time purchases in the next 12 months?

Yes, greatly increase the amount I spend	5%
Yes, somewhat increase the amount I spend	13%
No	43%
Yes, somewhat decrease the amount I spend	24%
Yes, greatly decrease the amount I spend	15%

Do you have my attention?

As well as placing limits on what and how they'll pay for content, there's another scarce resource that consumers will ration out: their attention.

And there's plenty of competition for that. Traditional 30-minute shows or longer films are fighting it out with a range of other attractions including gaming, social video and fitness.

TV and movies account for 48%[6] of all the time US consumers say they spend with screen-based entertainment. That's down 5% from a year ago, and down 11% from 2019. And it's a trend that's particularly marked among younger consumers.

The time that consumers devote to social video, gaming and fitness are all growing faster than traditional video. Video now satisfies only a small proportion of the top ten entertainment needs that consumers nominate. Over half (53%) of the consumers surveyed this year are spending more time on social video platforms like TikTok.

> **In many ways, traditional video is just the start of how consumers wish to explore and engage with content.**

They want to be able to follow up with relevant and related social media (46%) or user-generated content (38%). And they would like to be able to access related content like this directly through the app they've used to watch video (57%).

53%

of consumers this year are spending more time on social video platforms like TikTok.

After finishing a show or movie, consumers turn to:

Social media content	46%
User-generated video content	38%
Video interviews featuring the cast, directors or producers of the show or movie	32%
Articles from traditional media outlets	30%
Reviews from a review aggregator	27%
Podcasts	20%
Blogs	18%

Hey Sarah

16:45

Sydney

Mood: I want to learn something new

Getting it together:

Emerging roles in the age of the aggregator

Taken together, all these shifts in consumer attitudes and preferences point to the need for aggregation: an entertainment platform that meets consumers needs for simplicity, customization and the right mix of varied content and services – with flexible pricing and payments.

86% of consumers say that they would be interested in a single app that can provide all the services they want on a single platform, 41% say it's something they'd pay for.

Delivering that is a challenge – and opportunity – facing the industry. These platforms will achieve two crucial outcomes.

First, by creating inclusive, lower churn platforms and bundles they will deliver revenue security for media companies. And second, they will deliver the logical experiences that enable consumers to easily find and access content.

But what roles will exist in the industry when these platforms emerge? We see three.

Audience aggregators

Audience cultivators

Content merchants

Audience aggregators

Audience aggregators will be platform companies with a diversified business model that monetize attention and engagement directly and, critically, indirectly through services like ecommerce and payments and high-value devices like television sets and mobile phones.

These companies will create the broadest possible audience by tying multiple entertainment services – and more – together in one place and offering product differentiation through bundling, transactional video on demand (TVOD) and multiple flavors of subscription/advertising video on demand (SVOD/AVOD).

They'll offer a common meeting place to satisfy a wide range of consumer needs including gaming, social video, social media, fitness, shopping and many more.

Audience aggregators will constantly seek to strengthen the ubiquity of their value by both adding new audiences and strengthening their hold on those they already have, while respecting privacy and avoiding the trap of hovering around the 'just good enough' threshold that lowers customers' perceived switching costs.

> **Their superpowers? Ubiquity and scale, unmatched innovation and powerful data and analytics to generate a single monetizable audience out of many unique segments.**

To succeed, these companies must excel at:

Platform integration: An aggregator must 'play nice' with others and develop mutually beneficial, balanced relationships with every player on their platform. They must avoid the perception that they are prioritizing their own services. Audience aggregators will need to share revenues, data and relationships with each service and nurture collaborative relationships between services on the platform.

Customer experience: Consumers are clearly signalling that they want a simplified search and discovery experience, complemented by easy access to content across services. An audience aggregator must deliver the best search and discovery tools as well as enable consumers to customize their own algorithms.

Broad engagement: With competition for attention constantly intensifying, a successful platform will understand that traditional TV and movies won't be enough to keep consumers engaged. Audience aggregators must include other entertainment services on their platform like gaming, social media and social video.

Product development: Multiple audience aggregators will compete with each other, so to differentiate what they're offering, each platform will need to listen carefully to consumers and deliver a broad suite of products that satisfies the needs of different segments. That will range from fully-advertising-supported entertainment to 100% subscription-based entertainment and everything in between.

Hey Noah

06:30

Rome

Mood: I want to feel motivated

Audience cultivators

Audience cultivators will create and efficiently monetize entertainment in one or multiple forms (e.g., video, music, gaming etc.). These companies must know their core audience, focus ruthlessly on content/cost efficiency and make sure that they're included in audience aggregator platforms and bundles. They must also find new and diverse ways to monetize their content both on and off-screen.

The key change to current strategies would be a pullback on expansionist tendencies and operate under the belief that they cannot successfully be all things to all people.

An audience cultivator needs to retain its value differentiation by remaining one-step ahead of the aggregators in the experience and intimacy of its approach, while simultaneously balancing the ambition to become an aggregator with the threat that current aggregators create. It is critical for these companies to strike deals with aggregators that allow them to capture and leverage audience data while avoiding an exclusive relationship with any one platform.

Their superpowers? Incredible customer intimacy through unrivalled audience insights; hyper-precise marketing and advertising.

To succeed, these companies must excel at:

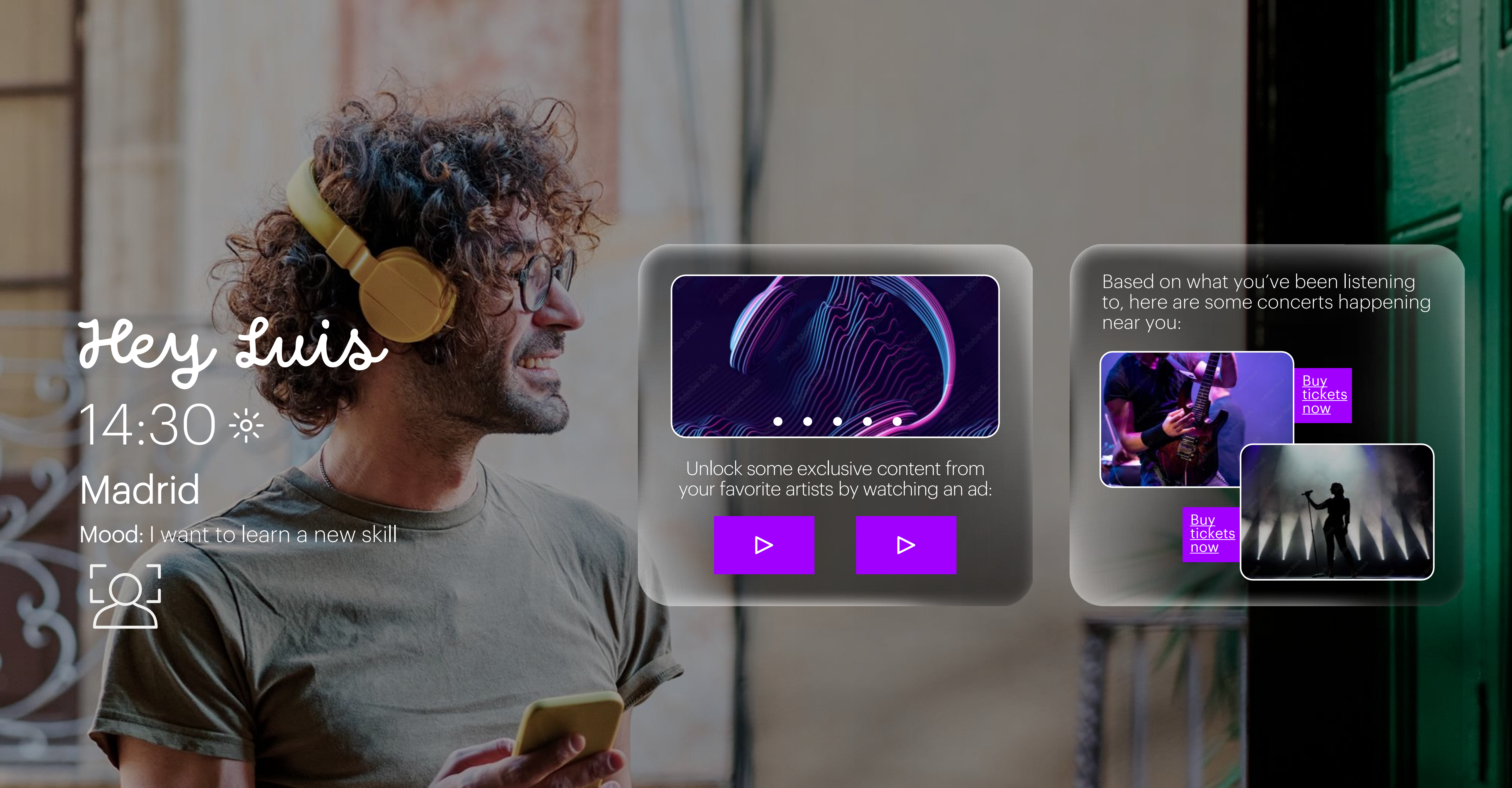
Content and cost efficiency: Audience cultivators must create efficient organizations built on digital supply chains and careful allocation of expenses to critical endeavors. By participating in aggregated, bundled ecosystems, cultivators will be under less pressure to act as standalone entertainment hubs. For companies that are not built on user-generated content (UGC) that, in turn, creates opportunities to critically evaluate content and cut out anything that is not moving the needle with each service's core audience.

Monetization: All companies in this space must aggressively pursue opportunities to grow the value from customer engagement. That will serve to both boost their resiliency and grow the average revenue from each customer relationship.

How will they do that? By focusing on lifestyle opportunities such as merchandising, real-life events (theme parks, concerts, special events) and enhanced advertising capabilities, alongside opportunities for transactional sales.

Technology platform: Each audience cultivator will present individual value propositions to their consumers. Those will dictate their must-have customer interfaces and back-end technology. For example, social video companies need to have audience engagement features built into their platforms. Companies focusing on long-form content will need to deliver seamless video playback even in low-connectivity situations. These technology capabilities must be built on cloud-based architectures and integrate seamlessly with multiple audience aggregator platforms in order to maximize reach.

Marketing and sales: To ensure demand from consumers and ubiquity in distribution, audience cultivators must be able to identify and pursue their audience, present them with a compelling value proposition and close the loop with audience data gathering and analytics.


Hey Luis
14:30
Madrid
Mood: I want to learn a new skill
Unlock some exclusive content from your favorite artists by watching an ad:
Based on what you've been listening to, here are some concerts happening near you:
Buy tickets now
Buy tickets now

Content merchants

Content merchants will focus on making the best possible content but will not want to deal with how to monetize the engagement their content achieves.

A content merchant faces the challenge of building and maintaining standout (and profitable) brands without the resources of the aggregators and cultivators, while constantly under threat of acquisition by, or direct competition from, them. To be successful in this challenging environment, content merchants will benefit from establishing a quasi-monopoly in a niche market such as horror movie production or alternatively grow and scale via mergers and acquisitions for a better bargaining position with aggregators and cultivators.

> **Their superpowers? Outstanding supply chain mechanics, strong relationships with audience cultivators and leading creative talent and consumer analytics to originate content dynamically.**

To succeed, these companies must excel at:

Audience insights: Content merchants will be standalone or multi-brand audience insights factories. Their content must be dynamic and engaging to their audience in order to create trusted relationships with entertainment services and maximize value through multi-year content pipelines.

Talent development: Creating great content requires great talent, and content merchants must be attuned to their audiences and identify/cultivate talent that can deliver the entertainment they want. This spans writing, producing and on-screen talent and everything in-between.

Innovation and growth: Content merchants must never be satisfied with the status quo. They will be in a precarious competitive situation so identifying and pursuing new content types, new creators and new technologies will be critical. In addition, they must look to create more stability by growing their capabilities and even their brand portfolios.

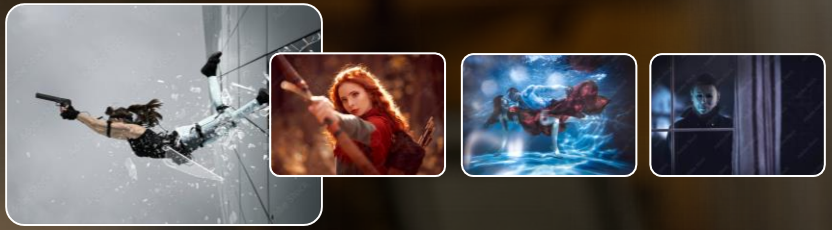
Hey Meera

16:30

Delhi

Mood: I want to be part of the cultural conversation

Because you watched **Framed**, here are other movies from the same director:



We think you'll enjoy watching **these shows**:

You've watched **34 hours of content** this month

34 hrs

We've curated a **new watch-list** for you

...

A new episode of **Real Crime** is ready for viewing

Your most-loved show genre is **Crime**

★★★★★

And...action!

As our data and analysis makes clear, the basis of competition, especially in streaming, has been evolving rapidly. The rush to volume and reach gave way to content as the key competitive resource. Now we're heading fast towards the resurgence of that most familiar of all differentiators: value.

And that embraces both value for a company and its investors (in terms of how the business's structure enables value creation) and, of course, for customers in terms of how well the price/value balance offered by one company stacks up against others competing for the same share of wallet.

So, with value once again becoming the key determinant of success, all players in the media space need to build their strategies and tactics around a few critical tenets.

Fundamentally, they must be value-centric and, by extension, customer-centric. They need to remain hyper-attentive to other players' strategies across the ecosystem and consider dedicated strategy capability as an imperative.

They must never treat any facet of their business or approach as sacred or untouchable, and today's media executives must also constantly question and critique how well their strategies are delivering, with the rapidly contracting half-life of disruption in media today not allowing for any business to rest on its laurels.

As media companies shape their strategies to battle for increased audience and market position, they are well-served to remember that their shareholders and audiences are asking a familiar question across entertainment that reflects the reality of competing for attention: *"But what have you done for me lately?"*

Answering that question convincingly requires discipline and insight – and the companies with the most sophisticated understanding of their audience, their competition and their own business are those that will continue to rise.

Accenture's Second Annual Global Entertainment Study

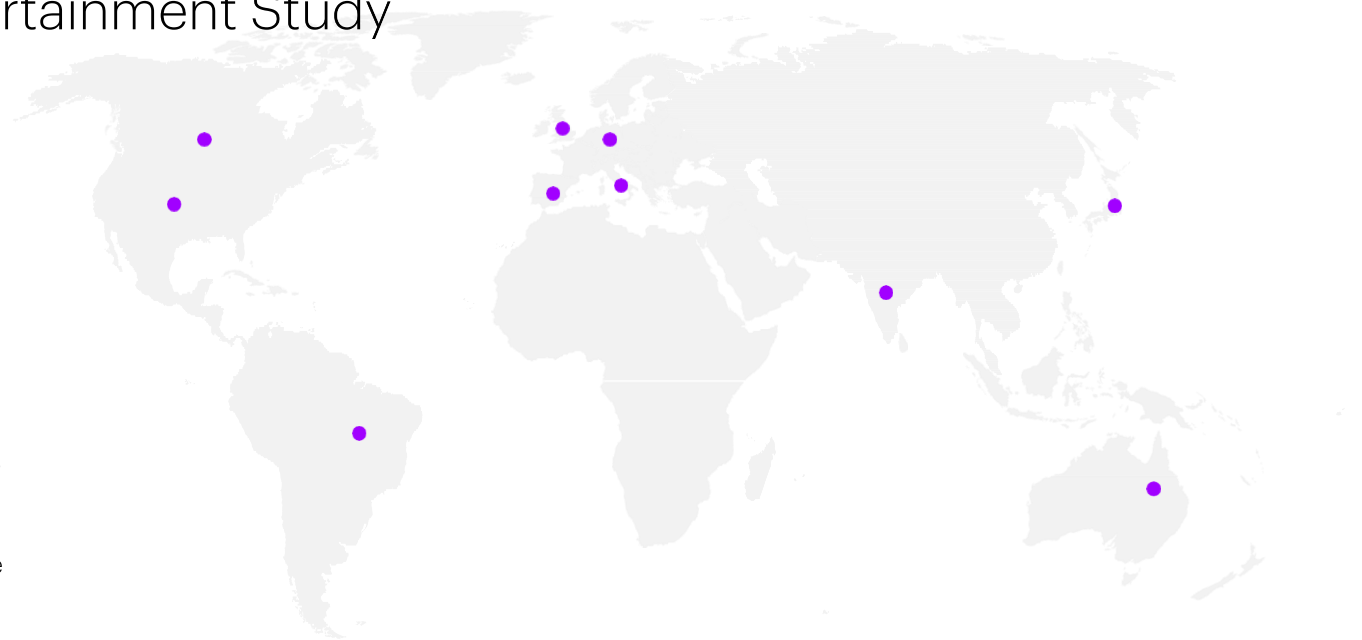
We conducted research to gain an understanding of global consumers' preferences, beliefs and behaviors on their online entertainment experiences.

The online survey of 6,000 consumers age 18+ in 10 countries was designed to identify significant changes to the existing D2C media regime and offer suggestions for brands across the media spectrum to adapt their model to be more relevant and successful with customers. Fieldwork was conducted between October and November 2022.

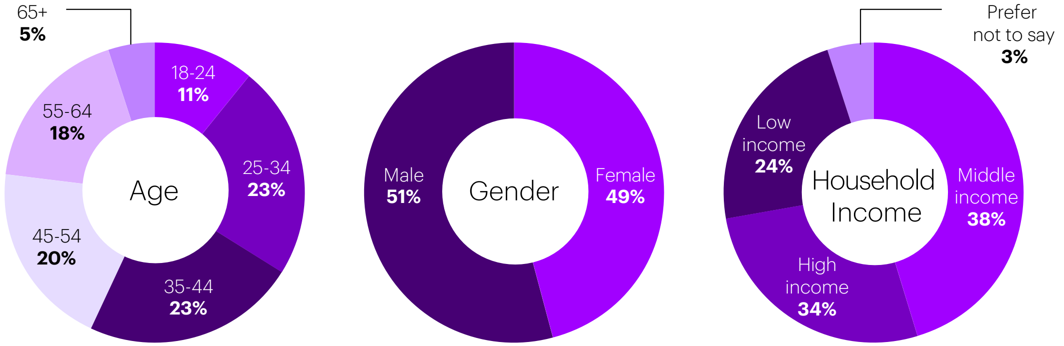
Thank you to Oxford Economics for its assistance in developing the survey, carrying out fieldwork, analyzing the data, and establishing key narratives.

For comparison, the samples for both 2021 and 2022 studies have been adjusted to have a similar structure. Collection of 2021 data was conducted by a different partner.

Our research, and that of our partners in our ecosystem, employs ethical and responsible research methods. Respondents reveal their identities voluntarily, we anonymize all personal data in our data set, and report results in aggregate. We commit to not using the data collected to personally identify the respondents and/or contact the respondents.



Demographics (Global)



Countries

US (1000)
Canada (500)
Brazil (500)
UK (1000)
Italy (500)
Spain (500)
Germany (500)
Australia (500)
Japan (500)
India (500)

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