FUTURE OF MEDIA & ENTERTAINMENT: Fighting to Control Quality Content

Media and technology heavyweights are slugging it out in a fight for content which could see the biggest hitters win. Pace of change in the media environment can be disorientating. Just when the landscape seems to be stabilizing, another new player, new technology or new consumer habit comes along and shifts the contours once again.

Much of the disruption is being driven by one overwhelming force: the fight to control content. Owning content means access to audiences and everyone wants in on the action. Traditional media and entertainment operators are contending with telco companies, social media platforms and tech giants such as Amazon and Google attempting to muscle in and gain ground.

With the battle reshaping every aspect of the industry and many of the leading players no longer satisfied performing their traditional roles, what strange new structures and partnerships might we see in the years ahead? What will the successful media company of the future look like?

One of the most powerful current trends is the convergence of entities from formerly separate spheres: the distributors and the creators of content. The planned merger of AT&T and Time Warner has been sanctioned by a U.S. District Judge to give the mobile network, which already has a stake in pay TV through its subsidiary DirecTV, a grip on a stable of news and entertainment brands that includes CNN, HBO, Warner Bros and DC Comics. Similarly, with Comcast Corporation and the venerable NBCUniversal.

"The telco operators have been watching the dramatic rise in video data moving across their networks and they desperately want a meaningful stake in it," explains Ed Barton, chief analyst at consultancy firm Ovum. "In many countries there is a recognition that regulatory constraints have to be somewhat loosened to enable traditional distributors to compete effectively against new digital platforms."

Pay TV operators are particularly worried about the threat posed by the so-called over the top (OTT) internet providers such as Netflix and the noisy entry into programming made by Facebook, Apple, Google and Amazon. The Silicon Valley behemoths are spending huge sums to offer their users exclusive shows. Last August, The Wall Street Journal revealed that Facebook is committing $1 billion to screen original content over the year ahead.

Competition from these global direct-to-consumer platforms help explain why US cable giant Comcast recently launched a £22-billion bid for Sky, believing the European broadcaster's content will expand its scope internationally.

Telco company dominance is far from inevitable, however. Disney has purchased 21st Century Fox's key assets, including Rupert Murdoch's 39 per cent stake in Sky, and is thought to be particularly eager to get its hands on Sky's streaming and on-demand services. Disney's ambition demonstrates what is possible for some of the largest legacy media companies, which is the ability to capture popular distribution platforms.

The emerging media ecosystem does not have to be one in which the big fish eat the smaller ones. Local broadcasters are well aware of the head start the tech giants have when it comes to data gathering and targeting different audiences with tailored ads. It's why traditional broadcasting rivals are now collaborating on targeted advertising solutions both for traditional TV and video on demand, or VoD, platforms.

Just as broadcasters and OTT providers are joining forces to offer subscription bundles – Sky and Netflix recently struck a deal to include Netflix in a Sky package. – publishers have an opportunity to begin bundling content too. Offering readers access to multiple websites through a single monthly fee would be one way of winning over cash-conscious readers.

Fleet-footed companies have to be imaginative when it comes to forging alliances. Once unlikely partnerships have given local players much wider international reach. BBC Studios has formed co-production arrangements with Netflix and AMC. NBCUniversal and ESPN have agreed to make live video available on Twitter. VICE, having started life as a print magazine in Canada, is now producing video content for local broadcast- ers around the world.

These synergies show the media company of the future has to be willing to experiment and think strategically about every aspect of the industry. Successful companies will also have to keep the changing demands of the audience in mind. Consumers have shown they want choice and agility is required to give them the content they want whenever they want it on a wide range of devices.

Part of the challenge is making sure content, formats and advertising are suitably personalized for the individual, while making sure the whole experience is delivered with a look, feel and tone that fits consistently with the company brand.

Audiences develop relationships of trust and affection with their most cherished media and entertainment companies. It's a much more delicate and intimate process than the tech giants have realized, as the Facebook-Cambridge Analytica data scandal has so clearly demonstrated. "Technology-oriented companies tend to think of audiences as users and they are not the same," says Mr Barton. "It's important to understand what they're comfortable with in terms of respect for their data and their privacy online. You mess around with that at your peril."

As for the creative types, it's a good time to be pitching. There are more outlets and huge demand for new material. "It's going to be increasingly important to have your own content and make sure it's really good content," concludes Jesse Whittock, insight editor at Broadcast magazine. "Good content guarantees audiences on any platform. Content brands ought to know this, but very few excel."

Constant focus is needed because expectations are always rising. If a customer has been watching a TV show on a tablet, they expect to be able to switch to a laptop, smartphone or other device and continue where they left off. It is simply expected. Yet not all content providers offer this.

The user experience (UX) must be optized for the customer. Multi-variate testing can refine the UX over time, but sometimes bold decisions need to be made to impress users. A survey by EY revealed 38 per cent of audiences are much more receptive to advertising on broadcast TV than on streaming services and 16 per cent of households would actually pay a premium to stream catch-up TV without adverts. Only brands with a profound understanding of the preferences of their customers can get the big calls right.

Third is a talent for innovating in delivery, not merely with the content itself. For example, the boom in smart speakers in the home offer brands a new route to audiences. Agile content owners have developed apps to integrate with these smart speakers. Now they are able to reach tens of millions of new consumers through an innovative and brand-enhancing medium. Early movers stand to be disproportionately rewarded

Creative thinking around delivery means experimenting with new technologies. Virtual reality (VR) is an emerging field in this regard. Sports betting companies have toyed with VR viewing experiences. Now you can see what the jockeys see as they leap over the penultimate fence at Aintree. Is it a game changer? It’s too early to tell, but the best content brands have a track recordof exploring new delivery channels.

Also there is the opportunity to transform traditionally relatively niche sports, such as cycling or horse racing. Mobile camera and internet of things technology can now capture moments, feeling and facts from sports which were once viewed statically. This not only enhances the customer experience, but also the opportunity to add commercial value by providing more real-estate space for advertisement or brand enhancement.

Scale, focus on the customer and innovation in delivery: these three qualities are found in all leading content brands. Naturally, the mission for challenger brands is to improve their performance in each category.

Scale, for example, is easy to target, but hard to achieve. “We see M&A as a great way to build scale fast,” says Will Fisher, EY’s Transactions Advisory Services global media and entertainment leader. “Over the past four years, the largest driver of M&A has been to enhance the product or service portfolio. And more than two thirds of deals have been to gain market share or build n new geographies.”

Raising finance is a part of this drive. Capital can be used for M&A, to fundn ew content, to invest in R&D or marketing. Divestments are a popular method of raising cash. In 2018, 87 percent of media and entertainment executives are looking to divestments over the next two years. That is a significant increase on just 33 per cent in in 2018

The three qualities will apply to each company in a different way. Even the idea of "winning" will vary. "You can only define winning when you know your core proposition," says Mr Fisher. "Do you want to maximize viewer numbers to convert that to ad revenue? Is content a way to sell something else, such as subscription to an affiliated service? It's a fundamental debate you need to have."

In the heat of battle, brands often lose sight of their core objective. For example, social media is a hot topic and brands are investing in building followings on the main platforms. But do social media numbers contribute to the bottom line? Consumers are often being pushed to a third-party site, making monetization hard or impossible.

"The market will support different business models," Mr Gautam concludes. "But it is clear that the winners possess common qualities. Scale, a focus on the customer, and product and service innovation are the three key capabilities. It may shock content creators and distributors, but without them, you can have the best content and still lose.

ARUMAI TECHNOLOGIES, INC.

Arumai is the only leading, independent, pure play OTT products and solutions company in the industry today. Arumai's grounding breaking video frame manipulation techniques, proprietary streaming systems and methods, and OTT Video Suite of products make any video content universally enjoyable in high quality on any screen, by any viewer, across any network, at any time enabling a pure play OTT products and solutions company. Arumai Cloud Based Transcoding and Streaming System for Media Companies is prepared to deliver millions of content streams to mobile phones/handhelds, tablets/laptops/PCs, Blu-ray Players, Game Consoles, and Smart TVs, and in every market in the world on behalf of content owners, mobile service providers, cable companies, satellite companies, telecom operators, streaming video providers, and later through a constellation of multiple private CDN nodes in real time based on real conditions – OTT products and solutions.