

Screen test:

# changing habits challenge the media industry

“An entirely new media player could emerge to take a leading aggregator role. Anybody with an ecosystem that enables wide device and consumer reach, along with deep pockets to acquire and commission premium and exclusive content, could go a long way.”

Connectivity has already transformed the music industry – **TV and video are next**. And as more and more consumers discover and experience visual media in radically new ways, how can media businesses stay relevant?

► **TODAY'S TV AND VIDEO** businesses are new actors in a familiar drama. Think back 20 years, when the music industry was dominated by broadcast (radio) and physical distribution (cassettes and CDs). The birth of the digital format offered consumers increased flexibility in where and how they listened to music, although it also led to the rise of illegal file-sharing services (Napster). From 2007, smartphones and apps allowed consumers to pick-and-mix their own music services, which had become disconnected from physical delivery and transformed into a service. Today's music industry is dominated by a limited number of large media service providers employing a multitude of business models (ranging from subscription to transaction and advertisement-based) and enabling consumers to access content and services across all devices.

This dramatic story is already beginning to repeat itself for TV and video. The domination of broadcast (scheduled TV) and physical distribution (video tapes and DVDs) is giving way to a digital format offering increased flexibility, as well as illegal file-sharing services (The Pirate Bay). The launch of over-the-top video services means consumers have more choice and can pick-and-mix the TV and video services they want to pay for. Just as with music, TV and video services are fast becoming unbundled from connectivity, even though the greatest consumer value ultimately remains in bundling services.

These developments have far-reaching conse-

quences for the way in which consumers discover and consume TV and video. And changing consumer habits are in turn dramatically altering the landscape in which TV- and video-focused businesses operate.

#### THINKING OUTSIDE THE BOX

Just how is connectivity changing consumer TV and video behavior? Here are some examples that illustrate the scale of the transformation already underway:

- Instead of watching only linear, scheduled broadcast channels, consumers are viewing a personalized mix of on-demand, live and time-shifted content. Choosing what to watch is increasingly about “what do I want?” rather than “what's on right now?”
- As the volume of TV and video material increases, smart and personal recommendations from social networks are becoming an important source for discovering and exploring new content.
- Consumers demand full control over media experiences and unrestricted access anywhere, any time and on any device. Choice is everything – it's equally important to be able to access content on a mobile device as on a stationary TV set inside the home.
- TV and video are becoming continuous cross-media experiences that stretch across platforms, services and time. For example, watching a soccer game is for many consumers part of a





wider experience during which they make social media updates, check out feeds and news concerning the clubs or players, and perhaps place online bets.

► On-demand consumption is growing quickly and will overtake linear and scheduled TV, although live TV remains important for events such as sports that facilitate strong social-community engagement. The hunger for new content and the habit of participating in social discussions still motivate many consumers to watch media at the precise moment it is made available.

► Consumers want to decide how they pay for TV and video services, and demand a range of alternative subscription models and unbundling of content.

#### GET WITH THE PROGRAM

So what does all this mean for media businesses? The first thing to note is that the transformation of consumers' TV and video habits is an ongoing process, and the full significance of this development for businesses has yet to crystallize. However, it is already possible to identify some general consequences:

► Consumer TV and video economies will fragment as content and producers gain ever more distribution and aggregation options, and brands

better understand the newly-connected consumer and find alternative ways to reach them through advertising. This represents a major shift from the previous model, where broadcasters, media houses and distributors pooled advertising, distribution and pay-TV revenues.

► Forcing consumers to think in terms of technology, preset bundles, regional restrictions or different devices is no longer viable. Consumers have already seized control of their own media experience and services, and any attempt to restrict their access to TV and video media anywhere, any time and on any device will result in them seeking out alternative services.

► Direct customer relationships are more essential than ever. Successful brands develop holistic, multiscreen storytelling experiences that can continuously engage customers on all platforms and devices.

► Multiple channels are required to attract consumers, including customer relationship management databases, traditional advertising, and Facebook, YouTube and other online platforms. Digital and social media that effectively connect consumers with brands are at the center of every successful marketing campaign.

► Successful services are becoming reliant on integrating consumers' personal information and

the dynamics of social recommendation into their offerings. Personal information is the raw material for more effective advertising and better media products, and is already a business in its own right. However, this information must always be used in a way that adds clear consumer value while balancing privacy concerns.

► Flexible pricing and distribution models are necessary to optimize business revenues and growth.

#### THE NEXT SPOTIFY?

Many TV and media players are already adapting their services and offerings in response to these developments. However, from an industry point of view, perhaps the most important development is yet to come.

If the impact of connectivity on the TV and media sector continues to follow the pattern established by the music industry (and many other industries), the TV and video sector will eventually be dominated by a few large content-aggregating service providers that use multiple business models and allow consumers to access TV and video content anywhere, any time and on any device. These businesses will operate on a more global scale and focus on aggregating a broad portfolio of content attractive to the vast majority of consumers. Smaller service providers will remain, but mainly as aggregators of niche and localized content.

Provided they adapt quickly to changing habits and prepare for the new challengers and impacts already created by global connectivity, today's TV and media service providers are in a prime position both to retain and increase subscribers and revenues. They are well-placed to become larger-scale aggregators, since they are already the preferred source of on-demand TV and video content for many consumers. If they

can continue to complement this portfolio with attractive live offerings, at least one of today's media service providers is likely to take an advanced position in the market.

But just as services like Napster and Spotify came from nowhere and revolutionized the music industry, it is also possible that an entirely new player will emerge to take a leading aggregator role. Anybody with an ecosystem that enables wide device and consumer reach, along with deep pockets to acquire and commission premium and exclusive content, could go a long way. Despite the huge changes we have already seen, there may well be more drama to come for the TV and video industry. ●

#### ABOUT THE AUTHOR



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## Changing channels

### ► MOBILE DEVICES MAKE UP AN INCREASING SHARE OF TV AND VIDEO VIEWING:

72 percent of consumers use mobile devices at least weekly for video viewing. Forty-two percent do this outside the home.

### ► TV IS BECOMING A MULTISCREEN AND MULTITASKING ACTIVITY:

75 percent multitask by using mobile devices while watching TV. One in four watch multiple video sources at the same time.

### ► EVEN LATE ADOPTERS ARE BECOMING ADVANCED VIDEO USERS:

as many as 41 percent of 65–69 year olds stream on-demand/time-shifted TV and video content, including YouTube, on a more than weekly basis.

### ► USER-GENERATED CONTENT (UGC) IS INCREASINGLY IMPORTANT:

it is not only used for entertainment, but also for education, how-to guides and watching product reviews. In fact, 82 percent of consumers use YouTube or a similar service at least monthly.

Source: [Ericsson ConsumerLab TV & Media 2013 Report](#), August 2013.

