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**Forces transforming
the content landscape**



Prepared by Bain & Company

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Forces transforming the content landscape


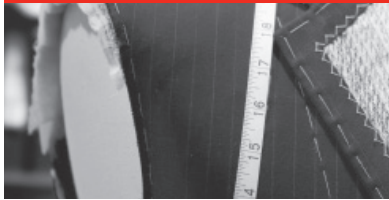




Forces transforming the content landscape

We are in the midst of a period of unprecedented media innovation that is changing the lives of billions of people across the globe. It is an exciting time for consumers, as innovators develop new platforms and devices to entertain, inform and connect users in ways that were only dreamed of a decade ago.

For content creators, aggregators and distributors, it is a time for concern as well as joy, as the landscape shifts beneath their feet. An innovation in one part of the ecosystem may reduce costs or improve the customer experience, but it might also disrupt a content creator's business model, reduce an aggregator's market share or diminish a distributor's value proposition.

In this report, we profile the forces transforming the content landscape in which creators, aggregators and distributors interact with one another and with the consumer. These forces are fundamentally altering the content ecosystem with implications for users, businesses and policy professionals.

Forces transforming the content landscape

1 The rise of digital aggregators	2 Personalisation: The next level	3 Bypassing fixed, embracing mobile
		
4 Digital convergence across platforms	5 Curation and discovery with social media	6 Democratisation of content creation
		

Source: Bain & Company



The rise of digital aggregators

Key takeaways

- Digital aggregators such as Hulu, Spotify and The Huffington Post are growing quickly and putting significant pressure on content creators
- Many aggregators are thriving by offering a fundamentally different business model than traditional media companies
- Although content creators are responding to this disruption in a variety of ways, they remain vulnerable




Key questions

- **Content creators:** How can you co-opt some components of the aggregator value proposition, whether through independent or collective action?
- **Content aggregators:** To what degree should you actively curate the content that you aggregate instead of leaving the prioritisation of content to users through voting and popularity?
- **Content distributors:** How can you partner with digital aggregators to prevent them from moving into direct-to-consumer distribution?

The rise of new digital aggregators is forcing content owners to fundamentally alter their business models

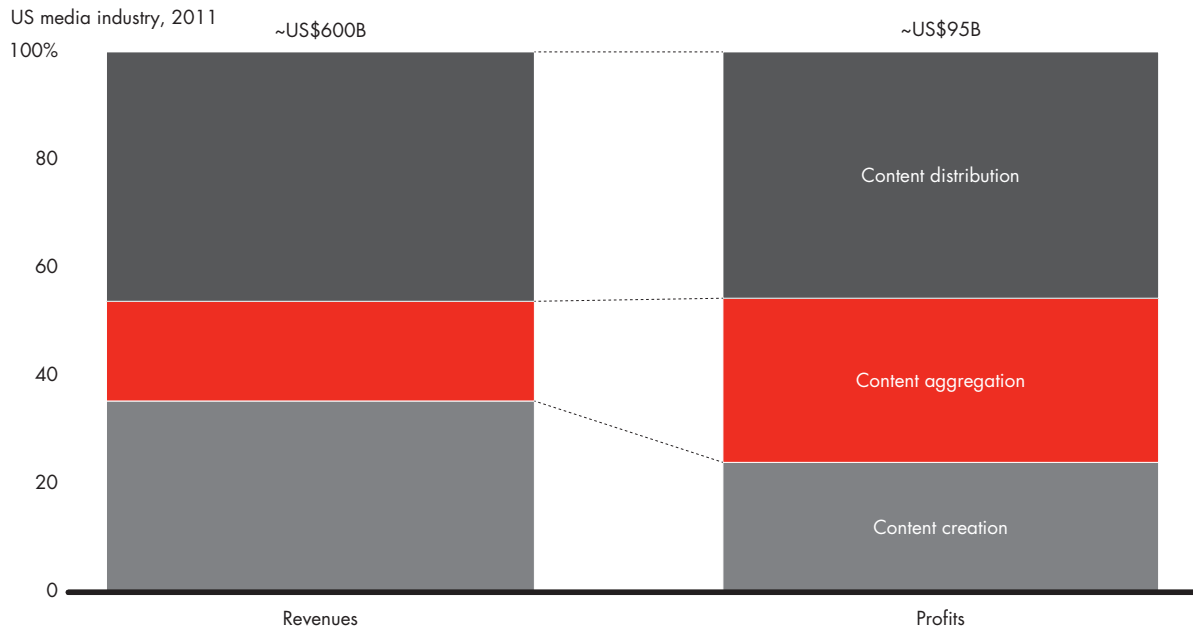
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New digital aggregators are putting significant pressure on content owners

Audio	Text	Video
		
<p>Digital music aggregators offer an easy, inexpensive way to experience music, squeezing revenues of major music houses</p>	<p>Digital news aggregators are using algorithms to curate free content from thousands of publishers</p>	<p>Digital video aggregators are streaming video direct to consumers, reducing ad revenue for traditional TV networks</p>

Source: Bain & Company



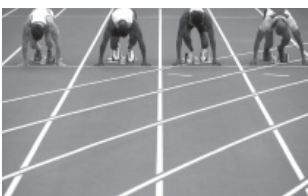
Aggregators capture a disproportionate share of US media industry profits



Sources: Veronis Suhler Stevenson; PricewaterhouseCoopers "Global Entertainment and Media Outlook;" Nielsen; ABC data from MPA website; Deutsche Bank; Kelsey Group; Forrester; Euromonitor; eMarketer; NPD; comScore; RIAA; Cisco; Arbitron "Radio Today;" Bridge Ratings; CEA; IFPI; Magna Global; JPMorgan; SiriusXM; Apple.com; MPAA; IDC; Freedonia; ITworld; SNL Kagan; William Blair; Adams Media Research; Video Business; DEG; TNS; IAB; NCTA; Brightcove; CRB; Company financials; US Census; Bain analysis

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In response, content creators are using a variety of different strategies

Three strategies content creators have used to respond to new digital aggregators	
	Limiting aggregator access to free content
	Creating an innovative, direct channel to consumers
	Fostering competition and alternatives to new digital aggregators

Source: Bain & Company

Content creators have responded to digital aggregators

Limiting aggregator access	<ul style="list-style-type: none"> Leading newspapers implemented pay walls to limit access to news articles Leading networks limited next-day streaming on Hulu to paying cable customers 	The Wall Street Journal The New York Times Fox ABC
Innovative, direct channel	<ul style="list-style-type: none"> Financial Times released an HTML5 app to bring content directly to consumers 	Financial Times
Competition and alternatives	<ul style="list-style-type: none"> Video creators formed distribution contracts with multiple video aggregators Music labels formed joint ventures to create an entirely new platform for music videos 	Hulu Amazon Netflix VEVO

Source: Bain & Company



2.

Personalisation: The next level

Key takeaways

- Consumers want relevant, personalised experiences that grab their attention and rescue them from data overload
- Companies are using micro-segmentation technologies to capture personal and contextual characteristics to create and deliver the most appropriate content
- Business operators, however, must delicately balance the consumer demand for personalised experiences with the need for respect and privacy of personal data

Key questions

- **Content creators:** To what extent do you let your audience dictate the direction of your content?
- **Content aggregators:** How do you balance personalisation with protection of each user's privacy? To what degree must your process be transparent?
- **Content distributors:** How can you best incorporate micro-segmentation technologies when delivering customised content to users?

Technologies that use data and context are taking **personalisation to the next level**

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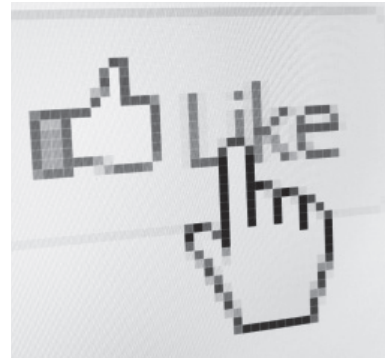
Consumers expect personalised content, and companies are improving their targeting skills to meet these demands



Consumers want products that **reflect who they are**



Digitisation makes **micro-targeting widely achievable**



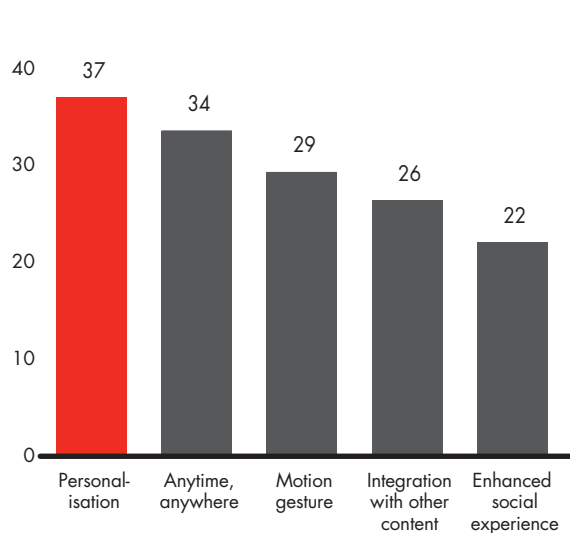
Micro-targeting can **improve brand and demand** among users

Source: Bain & Company

Personalisation and targeting are highly valued aspects for both consumers and marketers

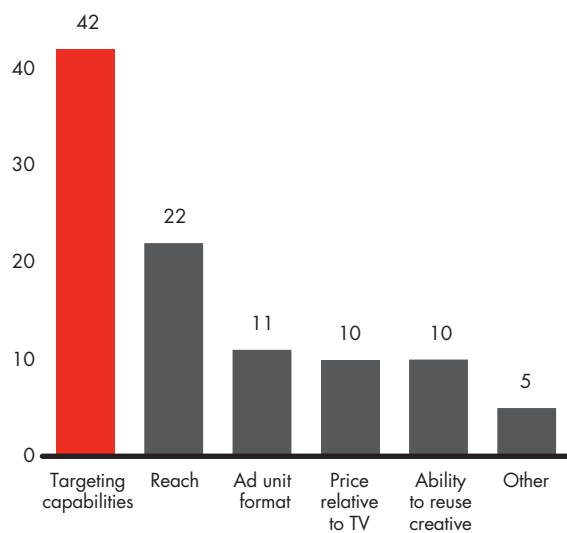
Consumer preferences

New aspect of online video consumers are interested in 50%



Advertiser preferences




Aspect of online video marketers view as most valuable 50%



Note: 'Interested' is defined as a response of 4 or 5 on "Please rate how greatly feature would enhance your experience on [OTT player]"
Source: Bain Online Video Survey 2011 (n = 1,500)

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Both media and non-media incumbents have embraced "next-level" personalisation strategies

Three components of personalisation strategies	
	Incorporates micro-segmentation technologies
	Embraces contextual awareness
	Enables consumer control and transparency of data collection

Source: Bain & Company

Leading companies excel at different components of personalisation

Incorporates micro-segmentation technologies	<ul style="list-style-type: none"> • Yahoo! incorporates micro-segmentation technologies to compile and deliver personalised homepages 	Yahoo!
Embraces contextual awareness	<ul style="list-style-type: none"> • Pepsi uses location-based technology to target consumers on the go • Jinni uses contextual elements to increase personalisation of video content 	Pepsi Jinni
Enables control and transparency	<ul style="list-style-type: none"> • Amazon offers personalised recommendations while helping consumers feel in control 	Amazon

Source: Bain & Company



3.

Bypassing fixed, embracing mobile

Key takeaways

- Large emerging economies are expected to take a different media and communications developmental path from mature economies
- Content providers entering emerging markets should recognise that there may never be deep, wired broadband penetration and embrace a mobile future
- Some global media companies are building innovative solutions to succeed in lower-bandwidth environments

Key questions

- **Content creators:** Should each global creator offer both a high- and low-bandwidth version of its mobile-optimised site?
- **Content aggregators:** How, if at all, should an aggregator's platform scale up or down given various bandwidth constraints in local markets?
- **Content distributors:** Are your distribution assets and capabilities well positioned for an increasingly mobile consumer environment?

Emerging economies are **bypassing a large investment in fixed infrastructure** in favour of mobile Internet

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Content creators, aggregators and distributors face challenging realities in fast-growing markets

In fast-growing markets ...

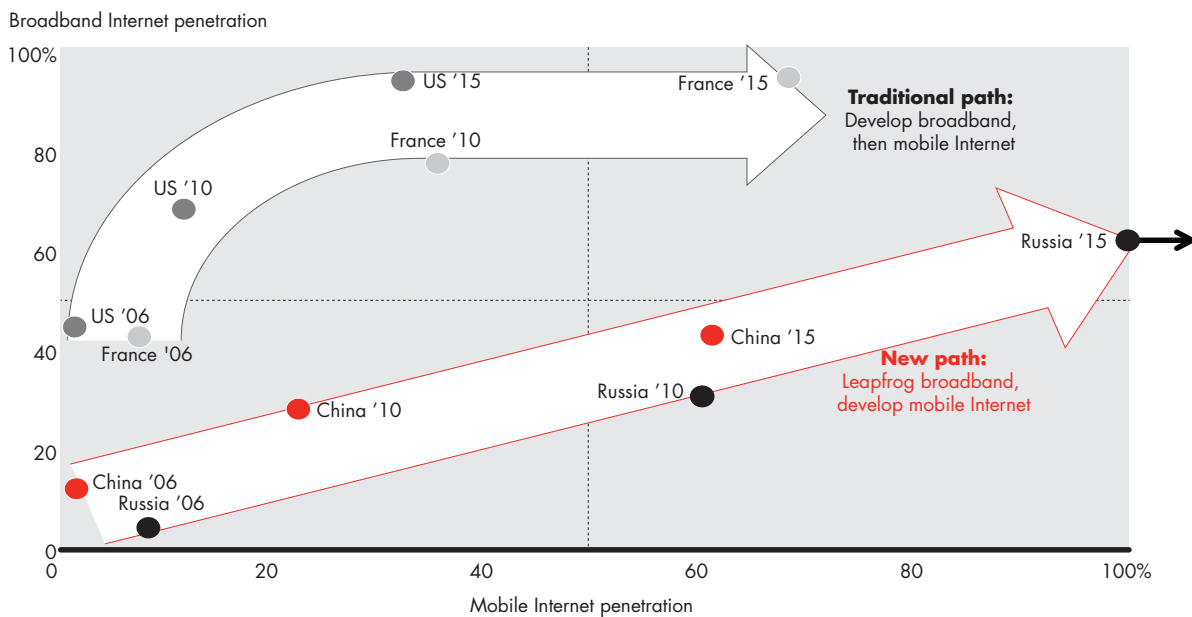
There may never be deep penetration of wired broadband

Mobile is the future for accessing content, and content will increasingly be created with the mobile experience in mind

Mobile infrastructure development is not uniform across regions

Source: Bain & Company




Some large-scale developing economies will bypass wired broadband and leap to mobile



Note: Mobile Internet penetration is based on 2010 mobile Internet subscribers and 2010 total population
Sources: PwC Media Outlook 2011-2015; Wilkofsky Gruen Associates; 2015 UN World population

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Businesses have developed lower-bandwidth mobile solutions to overcome infrastructure constraints

Three emerging options for a lower-bandwidth environment	
	Redesign content to optimise for lower bandwidth
	Adopt technologies to compress higher-bandwidth content
	Create content and features that utilise low-bandwidth voice networks

Source: Bain & Company

Content companies can pursue a variety of options for succeeding in lower-bandwidth environments

Redesign content	<ul style="list-style-type: none"> Facebook created 0.facebook, a lower-bandwidth, text-only version of its mobile site 	Facebook
Partner with compression platform	<ul style="list-style-type: none"> Content creators have partnered with Jigsee, which compresses video streams in low-bandwidth regions 	Jigsee
Bypass data networks	<ul style="list-style-type: none"> Bubble Motion created a voice-based microblog to overcome data costs and bandwidth limitations 	Bubble Motion

Source: Bain & Company



4.

Digital convergence across platforms

Key takeaways

- The expanded capabilities and performance of online video are empowering “cord cutters” to cancel pay-TV and premium-TV services
- Although many traditional TV distributors also deliver broadband Internet access, they are taking steps to reinforce their competitive position across the video ecosystem
- Cable operators are enhancing their pay-TV offerings, strengthening their digital assets and expanding ownership in other parts of the content ecosystem

Key questions

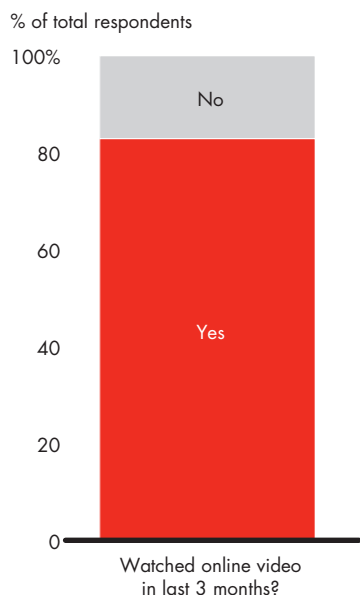
- **Content creators:** Should content be significantly customised for each platform?
- **Content aggregators:** Given the hyper-segmentation of consumer interests, how finely do you need to target your programming to survive?
- **Content distributors:** How do you ensure that your business is appropriately hedged given the trend towards online video?

Digital convergence is disrupting traditional TV and video distribution within a multiplatform media world

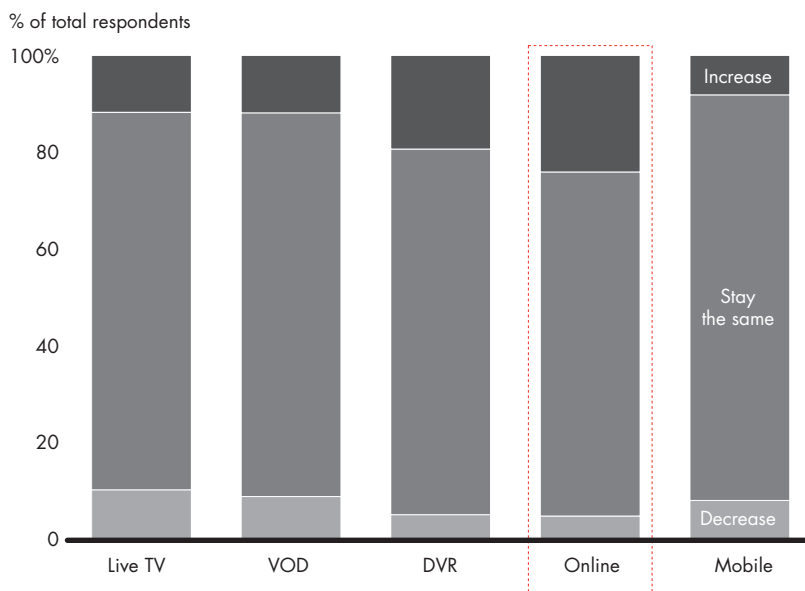
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Online video disrupts traditional pay TV in a multiplatform world (US example)

More than 80% of online users watch video online



Online is expected to increase most versus other video forms

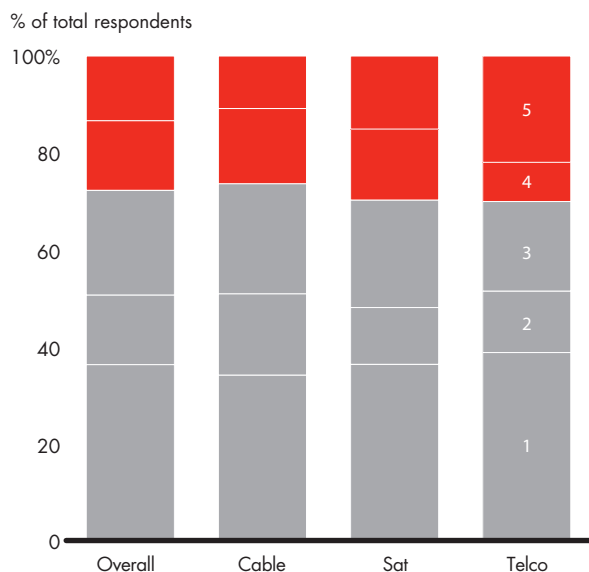


Source: Bain 2010 consumer survey (1,497 respondents) includes US broadband households, respondents age 18 and over who watch video (online or offline) at least once per week

Some households are ready to cancel premium TV or cut the cord entirely (US example)

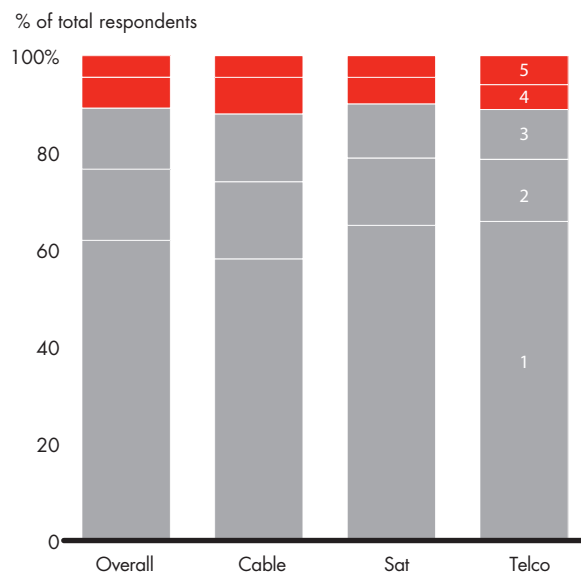
Cancel premium-TV subscription

How likely are you to do the following over the next 12 months (where 1 means "Not at all likely" and 5 means "Extremely likely")?



Cancel pay-TV service




How likely are you to do the following over the next 12 months (where 1 means "Not at all likely" and 5 means "Extremely likely")?



Sources: Bain 2010 consumer survey (1,497 respondents) includes US broadband households, respondents age 18 and over who watch video at least once per week; Bain analysis

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In response, incumbents are exploring new strategic models

Three steps distributors have taken in the face of digital convergence	
	Enhancing capabilities of traditional pay-TV offerings
	Strengthening online video assets
	Increasing ownership across content ecosystem

Source: Bain & Company

Major video distributors have taken steps to strengthen offerings in light of digital convergence

Enhance pay-TV offerings	<ul style="list-style-type: none"> Numericable enhanced its HD 3D video-on-demand offering and improved the audio experience of its TV offering 	Numericable
Strengthen online video offerings	<ul style="list-style-type: none"> Astro introduced a streaming video platform and partnered with telco operator TIME dotCom Bhd to secure high-bandwidth connections for Astro customers 	Astro
Increase ecosystem ownership	<ul style="list-style-type: none"> Comcast acquired a controlling interest in NBC Universal, Fandango and Plaxo to diversify within the content ecosystem 	Comcast

Source: Bain & Company

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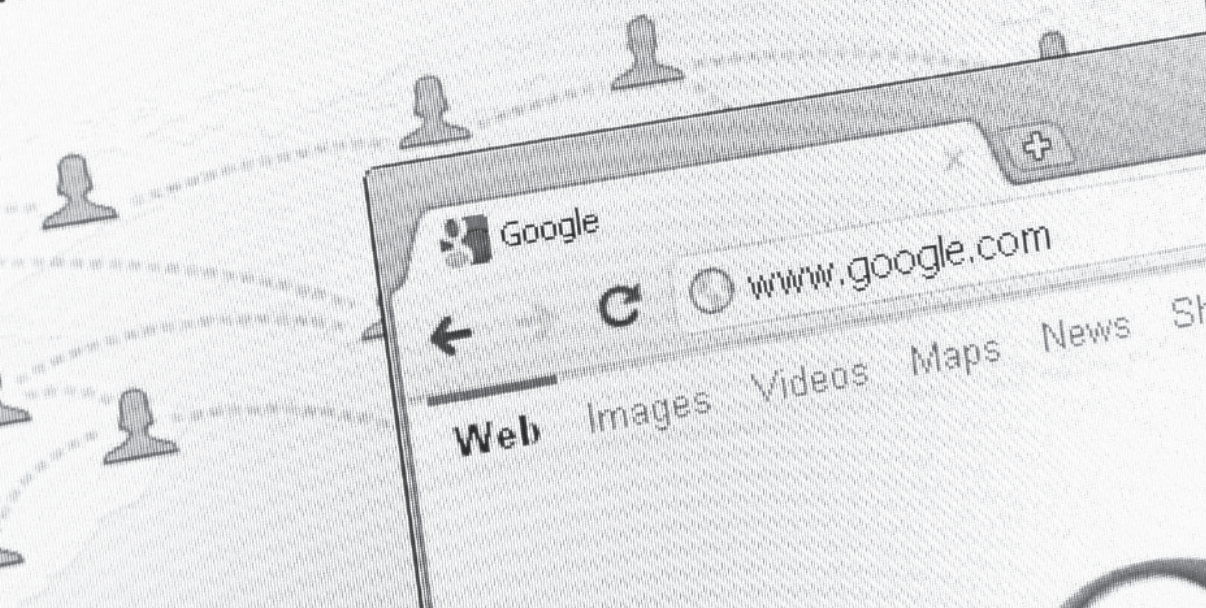
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5.

Curation and discovery with social media

Key takeaways

- Social media is a global phenomenon and the fastest-growing platform for media consumption worldwide
- Traditional tools for discovery of content and products face disruption from emerging social tools
- Content businesses are leveraging social media to facilitate discovery, empower active curation and enhance content

Key questions

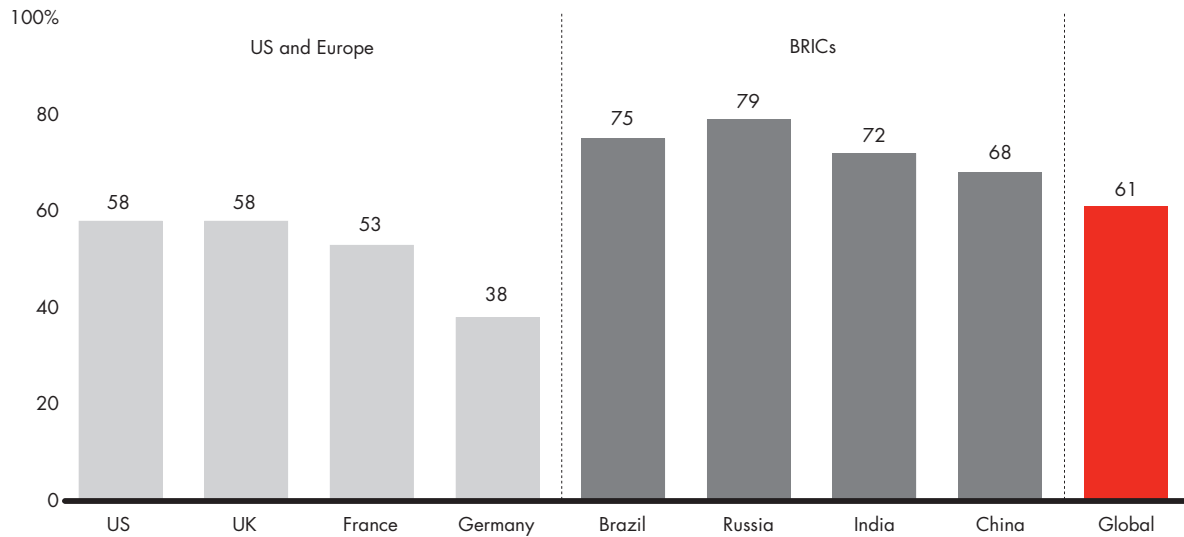
- **Content creators:** How can you best harness the power of social media to get more viral marketing and distribution of your content?
- **Content aggregators:** How can you incorporate social media into your platform to empower users to “crowdsource” and curate content?
- **Content distributors:** How can you use social media to improve your engagement with customers?

Social media is driving new forms of curation and disrupting traditional discovery of content and products

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Social media is a global phenomenon with a high penetration rate in every major region

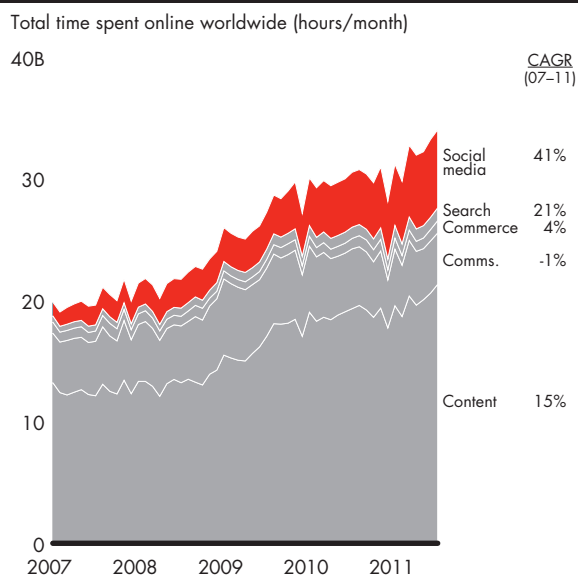
Penetration of social networks among Internet users (June 2010)



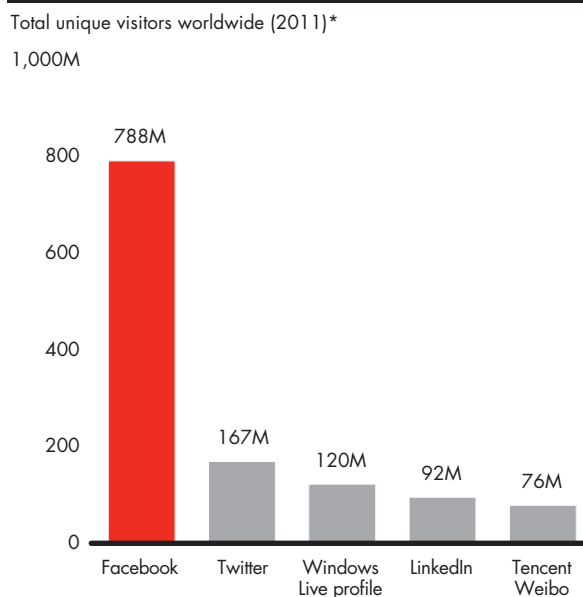
Note: Social networking penetration based on UM Survey. Counts respondents who have managed a profile on a social network in the last 6 months. N=37,600 across 53 markets
 Source: UM's "Wave 5: The Socialization of Brands," Nielsen from Internetworldstats.com (June 2010)

Social media is on pace to become the largest online destination, with Facebook as the leading platform

Social media accounts for about 19 percent of time spent online





Facebook has a commanding lead in the social media space



*Visitors age 15 and older
 Source: comScore

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In response, companies are incorporating social media to drive a number of business goals

Three social media goals for content companies	
	Facilitate viral discovery of content
	Empower active curation through social media tools
	Enhance content and increase engagement with crowdsourcing

Source: Bain & Company

Media companies have employed social media to achieve a number of goals

Facilitate viral discovery	<ul style="list-style-type: none"> Zynga used its relationship with Facebook to facilitate discovery of its games and content 	Zynga
Empower active curation	<ul style="list-style-type: none"> Discovery engines such as StumbleUpon use proprietary algorithms and peer-sourcing to recommend content 	StumbleUpon
Enhance content and engagement	<ul style="list-style-type: none"> Leading TV networks and consumer brands, such as TV Globo and BT, have used social media to allow users to influence plotlines of shows and advertisements 	TV Globo BT

Source: Bain & Company



6.

Democratisation of content creation

Key takeaways

- Prices of content production, storage, serving and collaboration tools have dropped considerably, while functionality and ease of use have improved
- As a result, the number of content creators is growing rapidly, leading to a significant jump in content production
- In response, content creation businesses are utilising user-generated content models, introducing branded content on low-cost platforms and differentiating themselves by creating higher-quality, exclusive content

Key questions

- **Content creators:** What should your relationship be with creators of and platforms for user-generated content?
- **Content aggregators:** What is your optimal mix of user-generated content versus professional content?
- **Content distributors:** Should you invest in creating a platform for user-generated content?

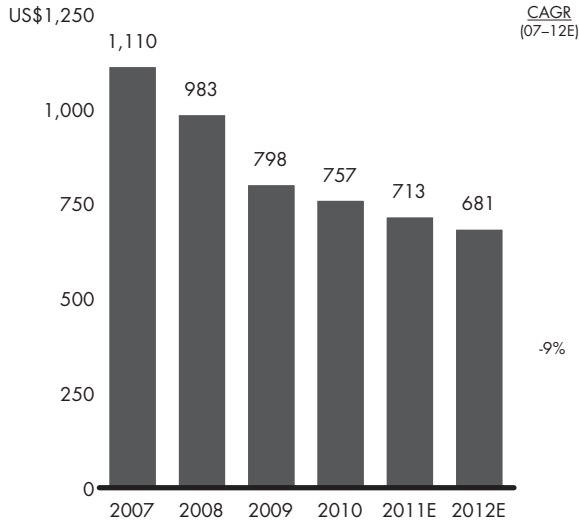
Inexpensive mobile hardware, software, collaboration and infrastructure technologies are driving **democratisation of the content creation process**

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As prices have fallen, content production inputs have become more accessible worldwide

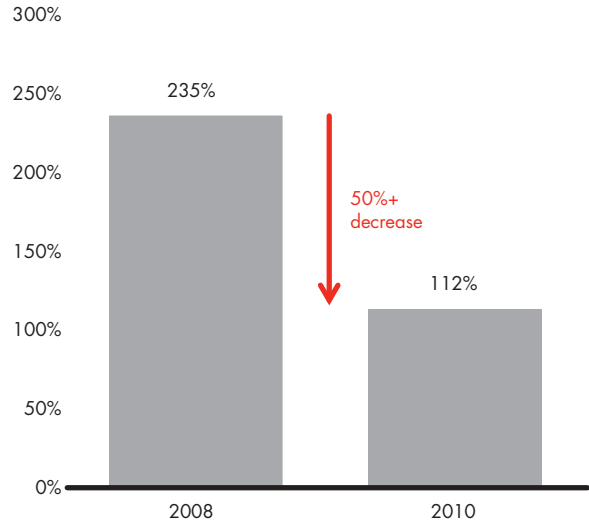
PC prices continue to decline worldwide

Worldwide portable PC average selling price



Drop in fixed broadband price has increased accessibility

Average monthly broadband price as % of monthly income per capita, fast-growing economies

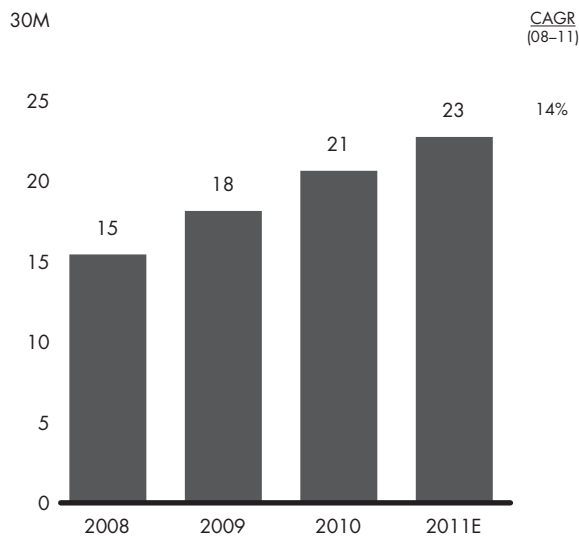


Source: IDC Worldwide and US PC Client Sub Form Factor 2011-2015 Forecast; International Telecommunication Union, 2011

As costs decline, more people are participating in content creation (US video example)

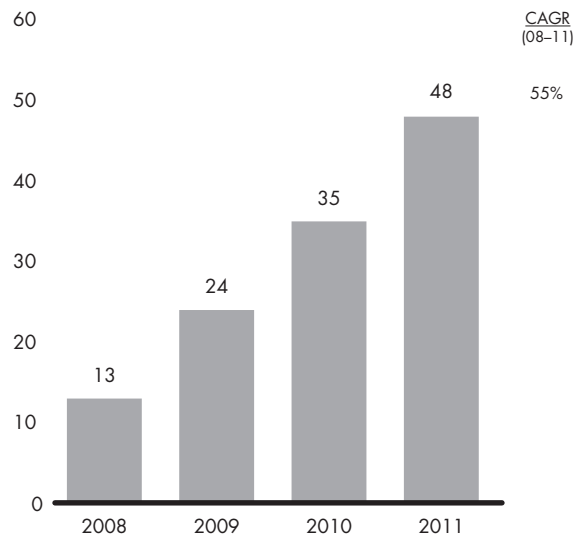
The number of content creators is growing strongly...

User generated video creators, US



...driving significant growth in content production




Hours of video content uploaded onto YouTube every minute



Note: Content creators count users who generate content at least monthly
Sources: eMarketer, January 2009; YouTube blog, May 25, 2011, "Thank You, YouTube Community, for two big gifts on our sixth birthday"

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Content creator companies have pursued a variety of strategies in response to creation democratisation

Three strategies pursued by content creator companies	
	Utilise user-generated content (UGC) model
	Introduce branded content on top UGC platforms
	Differentiate by creating higher quality, exclusive content

Source: Bain & Company

Media companies have embraced components of the UGC model or sufficiently differentiated themselves

Utilise UGC model	<ul style="list-style-type: none"> • CNN's iReport initiative compiles new submissions of citizen journalism from around the globe 	CNN iReport
Introduce branded content on UGC	<ul style="list-style-type: none"> • Disney formed a partnership with YouTube to create an original video series distributed on a co-branded channel 	Disney
Differentiate by creating exclusive content	<ul style="list-style-type: none"> • Leading sports media companies use exclusive access and video content to differentiate themselves 	Sports Illustrated

Source: Bain & Company

Acknowledgments

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