A Brave New World of Connected Media

Media and entertainment companies are in for big changes as content consumption merges with social networking, and content creation separates from content distribution. Here’s how we see these developments playing out in the future.
Executive Summary

The media and entertainment space has been irrevocably changed by the digital content revolution. Many forces are at work in the media ecosystem. Changes in technology, demographic shifts and the breaking of language barriers, among other trends, will continue to play an important role in how media is consumed. Traditional media has declined precipitously over the last decade in favor of online content, while traditional entertainment formats such as books, magazines, CDs and DVDs have given way to digital incarnations.

But as much change as the industry has experienced to date, even more is in store. The future portends numerous developments that media and entertainment companies can pursue to their advantage, including new monetization opportunities. We suggest that media and entertainment companies, both established and fledgling, plan for and enact definitive strategies to accommodate the following trends:

- **Social recommendations and commentary will become further enmeshed with content consumption, with the former driving the latter.** While content was at one time king, community now rules. Facebook’s recent revamp, with enhanced interactivity and community, is Exhibit A of this phenomenon.

- **The functions of content creation and content distribution will separate, with specialization by entities that excel in each area.** However, the rise in self-service options will mean some content creators will distribute their own work through a variety of new outlets. Meanwhile, curation — the act of bundling together different types of content and potentially wrapping it with insightful analysis — will increase the value that media and entertainment companies can deliver to consumers.
• The fact that virtually all content will reside in the cloud will ease the task of tracking access for digital rights purposes and payment for content. This will combat the now nearly-axiomatic assertion that “information wants to be free on the Internet.” This is good news for media and entertainment companies.

• Consumers from anywhere in the world will access content from the cloud on a variety of devices, including smartphones, with digital rights and payment easily enabled.

• A wide landscape of new media and entertainment business and service delivery models remains to be created. These models will save money and speed time to market.

One example: We see a potential rise in the “commission” model of content creation, in which users pay in advance for specifically tailored works.

It is true that extinction threatens media and entertainment companies that cling to traditional business models, but none would be foolish enough to do that. Companies in this space are already infusing their offerings with social capabilities, but they need to move faster and go further by creating strategies that take into account ever-changing content consumption needs and desires.

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This white paper lays out a new paradigm in content sharing and modernization for which we have developed a proof of concept. Called EON, this collaboration content vision represents a single place through which we believe people will spend much of their time accessing and sharing content. This paper describes the constructs driving EON, the features and functionalities that we have developed in our center of excellence and potential real-world scenarios (including reconstituted business models), some of which have already been tested and received positive feedback from clients and prospects.
An Inflection Point in Media and Entertainment

The media and entertainment industry is among the hardest hit by the ongoing explosion in digital content. By 2020, 80% of all media consumed will be digital (see Figure 1). The implications for traditional news media, in particular, are clear: The industry must adapt to and fully embrace the digital medium.

Over the past decade, according to a recent article in The Economist, people throughout the Western world have been giving up newspapers and TV news and keeping up with events in profoundly different ways. Most strikingly, ordinary people are increasingly involved in compiling, sharing, filtering, discussing and distributing news. Twitter lets people anywhere report what they are seeing in real time. Being able to “follow” an influential person in this way makes the world much less dependent on traditional media as intermediaries. Classified documents are published online by the thousands. In addition to user-generated content, technology leaders such as Google, Facebook and Twitter have become important conduits of news.

Beyond the changes in news media, entertainment has been affected profoundly, as well. Just as vinyl records replaced sheet music at the beginning of the 20th century and tablature abounds online, digital music is rapidly eclipsing CDs and other traditional formats. In a recent Wall Street Journal article, Warner Brothers Entertainment said it will start streaming movies via Facebook, reflecting the reality that consumers are buying fewer DVDs and spending more time online, a trend that will only expand given the explosion of social network capabilities, such as Facebook’s recently unfurled chat and content-sharing capabilities.

As an underpinning of today’s digital media, mobility is profoundly affecting how content is created and consumed. Mobility is not just about Apple’s iOS and Google’s Android operating systems — it’s not just about having an “app.” Mobility is all about having access to any and all content, delivered in real time, with capabilities continuously improved and functionality available anytime, anywhere. Devices, operating systems and networks are just the technical enablers.

Global Media Consumption per Week

[Figure showing media consumption trends from 1900 to 2020]

Source: carat

Figure 1

2020: 80% of all media is digital
2010: 66% of all media is digital
2007: 50% of all media is digital
Moreover, mobile content will complement, rather than replace, television. Despite the Internet, television remains important and will continue to be so. If the future of TV is an intelligent interactive panel, a smartphone is a perfect accompaniment as a handheld controller. As such, mobility is also about how a mobile device, a mobile operating system and a mobile network all interact with non-mobile devices (such as a large-screen TV) and cable/satellite networks to create a seamless user experience, with even the smartphone itself able to provide access to the same content.

As for where consumers are spending all that time online, the answer is clear: Social media. With over 800 million active users, Facebook is the number-one most visited site on the Web. YouTube, Twitter, the vast array of e-communities — all are online stomping grounds for consumers and business users, alike. As “social” in many ways transcends the impact of media, Facebook users are more and more influenced by what their connections are doing, with feedback either confirming their opinion or influencing them to change their minds about a brand. Moreover, an overwhelming majority of Web users trust recommendations from other customers more than advertisements, according to a wide assortment of research studies. And this trust increases significantly if the advice originates from people within their networks, pundits maintain.

Users upload more video on YouTube in one month than the three major U.S. networks (ABC, CBS, NBC) combined created in six decades, according to YouTube statistics. Individuals already turn to their social networks before making product purchasing decisions — that phenomenon will extend to media and entertainment, as well as shopping, as social network activities infiltrate all online activity.

More than a trillion minutes are spent every month on social networks, and media consumption is the second most prolific activity on these networks. Social networks are playing, and will increasingly play, a very important role in media consumption going forward. To thrive in the digital world, media and entertainment companies need to create strategies to seize the opportunities presented by social networks and collaboration, now and in the future.

This white paper will sketch out our view of how social capabilities will affect the future of media and entertainment in the next three to five years and how the next generation will work and play. We include a video demonstration that highlights how we see these capabilities emerging in the media and entertainment world, bringing value to both content consumers and prosumers.

**Community Rules**

Consumers already share online what they are reading, listening to, watching and buying. In the near future, social recommendations will drive consumption of all types of content rather than functioning as an afterthought. We believe content consumption and social networking will converge into a single, parallel activity. Media and entertainment content producers will partner with each other and with content aggregators — on a much grander scale than previously seen — to create a one-stop media shop where users recommend articles, books, movies, videos, music and other types of products to one another.

Users will be able to buy and access the same content simultaneously from different locations on a variety of different devices, paying in a variety of currency types (including digital-only currencies such as BitCoins). Payment schemes could include a social system such as the iTunes app store or the Dutch Hyves platform used in Europe. Users could earn points or currency to spend by posting influential reviews and recommendations.
Facebook Points to the Future

One sign that connected media is coming to fruition sooner rather than later is Facebook’s recent announcement of boosted interactive and media capabilities, including enhanced chat (including video and group chat), Timeline (which compiles everything users have posted since they first joined the site) and Ticker (which allows users to read friends’ “liked” articles without navigating away from the page).

This announcement opens the door for content providers to offer new Facebook apps, such as The Wall Street Journal’s WSJ Journal, which will republish content “where people are” (i.e., on Facebook), as opposed to making them click back to the WSJ Web site. According to published reports, the news will be arranged according to what users and their friends have “liked” the most.6

As advanced as these capabilities are and as widespread as Facebook’s incredible influence is, we believe unplumbed possibilities remain for connected media, especially in the areas of sentiment analysis, e-currency and device-independent access. As you will read in the next section, our vision for connected media encompasses these developments.

Cognizant EON: Enabling Connected Media

To demonstrate our vision of a next-generation, socially-connected, cross-platform content delivery service, we’ve created a proof of concept, called EON, to conjure up a place where people will spend their time consuming media and entertainment services.

EON flows from the premise that soon, the barriers among viewing devices will break down altogether. Therefore, the same interface should be used for a TV, PC and mobile device, in the form of an app. EON proposes to measure and use the social sentiments of the media it displays. For instance, “likes,” “dislikes” and comments – both from the user’s network and the larger population – are displayed along with the content, making content consumption first and foremost a social experience. (Click here to see how this service might work.)

Content as its Own Currency

Every time users consume content on EON, by way of buying, viewing or sharing/gifting, they use EON points. When they make a comment or otherwise add to the social aspects of a piece of content, they earn EON points. Users can also earn EON points by clicking on ads and following through with a purchase or other transaction. The user may also purchase EON points. The idea is to create an ecosystem that incentivizes users to interact socially with each other and with media, while motivating media companies to use EON as a media distribution platform.

New Business Models

There are several possibilities for companies to prosper from a connected-media community such as EON. As community users provide ever greater detail on their preferences, they enable online advertisements to become more finely tuned, raising greater revenue potential. Currently, business models include single-use payments, paid subscriptions and commissioned content, in which individuals or groups of consumers join together to request and pay for their desired content. Cross-media selling is another possible model, as recommendations for one type of media (a game, for example) drive sales of other media types (such as a movie). This is particularly relevant for large media companies whose business units are not adept at cross-unit selling.
Making Family Entertainment Socially Acceptable

We have constructed a vision for how this type of collaborative environment could function for media and entertainment companies.

A major purveyor of family entertainment – including theme parks, movie studio, toys and interactive media – might build a collaborative content platform as the central point of social interaction and exchange of experiences. Users could post their “likes” with cross-channel recommendations for their friends and contacts. They would also be able to receive real-time updates from their friends for browser-based games. Resort and theme park guests could share videos, photos and anecdotes regarding their experiences, and they could share this content via social sites such as Facebook and Twitter.

The platform could also feature “gamification,” allowing users to earn points and credits by testing other apps and content or playing games. This is similar to Facebook’s Zynga game system, which has generated a good deal of awareness and activity. The platform could be delivered as a service, allowing the company to avoid the cost of hardware and software, speed time to market and keep current with consumer interests.

New-Media EON

As currently envisaged, EON, Cognizant’s collaborative content concept, would act in the following ways:

- **One-stop media outlet**: Provide access to music, videos, books, movies, news and pictures through a single interface.
- **Social network**: Offer the ability to connect and interact with friends through messages and chat.
- **Social media**: Enable users to interact socially with media by creating annotations and comments that can be measured for all media units.
- **Value exchange**: Facilitate sharing and gift-giving by using a points system.
- **Unified prism**: Enable access to content via a multitude of endpoints – TV, PC, tablet or mobile device – through a common application.

Possible features and functionalities would include the following:

- **Messaging**: Multiple interaction capabilities among users, such as text, audio or video.
- **Virtual storage bins**: Cloud-based storage for all types of digital media, through which users could access stored media anywhere, anytime.
- **Transaction-driven rewards**: The ability to earn or spend points based on social interaction.
- **Collaboration**: The ability for major media producers/distributors, such as YouTube, Hulu, Netflix, iTunes, Amazon, BBC, CNN and the like, to work together on cross-promotions and referral deals to more effectively monetize content.
- **Context sensitivity**: Deep metadata that informs an intelligence system, enabling cross-media linkages. (For example, a film based on a book based on a new article will populate automatically.)
Early feedback on EON has been positive. For example, the senior director for a major telecommunications manufacturer noted: “EON has ideas we have not thought of.” The vice president of a major music label and the CIO of a large assessment agency are both actively considering how and where EON fits into their strategic plans.

**More Options for Content Distribution**

Over the next few years, we see a natural separation arising between content creation and distribution, in which content creators focus purely on content creation, and content distributors focus on distribution (although the rise in self-service content outlets means some content creators will distribute content themselves). This is challenging the existing models of publishers paying for content and distributing it through their own channels.

Book publishers – accustomed to having total control over their products and operating at arm’s length from book consumers – have already noticed those days are over. The emergence of self-publishing of digital books, music and videos means media and entertainment companies must get with the program, and fast, lest they be cut out of the value equation altogether. The rise of the Internet, however, has aided and abetted consumer reluctance to pay for digital content. “Information wants to be free” has been the battle cry of online consumers who previously would have paid for print newspaper and magazine subscriptions. When no one pays for content, the risk is that quality will drop precipitously. A solution has already begun to appear and will take hold, we believe, in the next 18 months to two years.

In the future, we believe content of all types – written, video and music, both professional and amateur – will be created and stored in the cloud and delivered as a service. This will make it easier to collect payment, manage/enforce ownership rights (from content distributors for the right to use the content) and track usage. Distributors, meanwhile, will package content in their own special ways and charge consumers for their expertise in packaging and analysis. Content assembled, curated and delivered via the cloud will help keep costs down and in line with what consumers are willing to pay. The spread of 3g and 4g will speed this phenomenon in developing countries. In the long term, many forms of content will be available exclusively on the cloud.

**Looking Ahead**

Virtually every day, there are glaring signs of the decline in traditional forms of media and entertainment. The shuttering of the giant book retailer Borders is among the latest. Individuals now have the power to publish and market their own books in digital format – a seismic change. But we don’t agree with those that foretell the demise of the printed book, or any other traditional media, for that matter.

Books and other types of print media are not going away any time soon. The broadcast networks will not disappear; they will transform into video content distributors whose products are delivered across a variety of media – television, computers and smart devices. Publishers and retailers will regain their footing.

The growing popularity of social media will both enable and demand that publishers and entertainment companies interact directly with their customers. Companies that manage to adapt to the changes wrought by digital media – monetizing the intersection of content and social media, for example, or introducing innovative business models – stand to win.

While it’s impossible to predict the future, no company can afford to sit back and wait for the forces of change to take further hold. Companies need to start planning a digital media strategy that reflects these exciting possibilities.
About the Authors

Ashish Chawla is Cognizant’s Offshore Lead and Senior Director of the Information, Media & Entertainment Practice within Cognizant Business Consulting. With 16-plus years of experience across the publishing, broadcasting and online content chain, Ashish works with business leaders throughout the industry to help companies align strategy with business goals. In 1999, he launched the first multi-lingual, multi-genre video-on-demand network in Asia on the Singapore One broadband network, before moving to mainstream technology-driven business consulting. He has also written papers on the content supply chain and formulated the return on content asset concept. Ashish blogs on social issues at indianwhining@blogspot.com and can be reached at Ashish.Chawla@cognizant.com.

John Footen is Assistant Vice President of Cognizant’s Broadcast Consulting Practice and is responsible for business and technology consulting to clients throughout the broadcast industry. He is expert in areas such as business process management, service-oriented architecture and the cloud. John can be reached at John.Footen@cognizant.com.

Christophe Ponsart is a Director within Cognizant Business Consulting’s Media & Entertainment Practice, leading its Mobility Unit while providing overall guidance and leadership to the company’s digital initiatives. With 10-plus years advising the world’s leading film studios, television networks, technology and packaged goods companies, Christophe’s experience includes digital supply chain management, digital asset management, enterprise metadata management and rights management, in addition to defining next-generation mobile solutions for enterprise and consumer use. He holds a mechanical engineering degree from the Colorado School of Mines. Christophe can be reached at Christophe.Ponsart@cognizant.com.

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Footnotes

1 http://www.economist.com/node/18928416
3 http://www.youtube.com/t/press_statistics
4 If Facebook represents 70% of all social media traffic, the total time spent on social media is believed to exceed 1 trillion minutes per month.
5 “Prosumer” is a term coined by futurologist Alvin Toffler in 1980, according to Wikipedia, which means “proactive consumer.”