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Welcome to the 2017 edition of Cognizant's Broadcast Perspectives, our journal covering trends, practices and points of view offered by our Communications, Media & Entertainment consultants.

Each year at NAB, we reflect on the many changes that have occurred in our industry over the past year, and try to prepare for the inevitable changes that will impact us in the next 12 months. The pace and magnitude of these changes is intensifying each year.

Our industry has been in a state of digital transformation for the past 20 years. As we mastered the digitization of content, then realized the vision of digitally distributing content to any device, anytime, anywhere, we are now challenged to find new ways to engage consumers and monetize these digital experiences.

At Cognizant, we are helping our clients transform their business, operating and technology models. Our unique, industry-based, consultative approach helps our clients envision, build and run more innovative and efficient digital businesses.

Broadcast Perspectives provides yet another opportunity to share ideas and collaborate with you. This issue contains some of our top thought leaders' views on a variety of topics relevant to our Communications, Media & Entertainment colleagues.

- Kurt Stuve, Alex Akers and Jason Ott discuss how to build a data-based marketing team.
- John Ford, Sara Mihan and Luci Asenjo share their insights on what Communications Service Providers need to do to target millennials and beyond.
- Aidan Prendergast shares how the coming General Data Protection Regulation (GDPR) will impact broadcasters and media companies.
- Matt Eaton explores how broadcasters can maximize their return on acquired rights.

Enjoy our exploration of ideas, and let us know what you think.

Best wishes for a productive and profitable 2017. We look forward to speaking soon.

Steven Pappas
Vice President, Cognizant Business Consulting
Communications, Media & Entertainment Practice
The vast data volumes available to media and entertainment companies is putting a premium on converting raw bits and bytes into actionable knowledge. Here’s how analytics teams and data scientists can embrace best practices and avoid common pitfalls.

The avalanche of data that consumers generate annually shows no signs of slowing. In fact, IDC predicts the market for big data technology and services will increase at a 23% compound annual growth rate (CAGR) through 2019, with the media industry ranking in the top-three sectors for fastest growth, at 25% CAGR.

From a media and entertainment (M&E) industry standpoint, this robust growth can present significant hurdles for sifting through the piles of big data to uncover meaningful consumer insights that effectively drive business strategy. The number of tools for analyzing data has also blossomed, as have the touchpoints for M&E companies to reach consumers. In concert, these factors are making it more complex for M&E companies to leverage the sea of available information.

However, by following a set of key best practices in data science and analytics, media companies can mitigate the risks associated with big data and avoid the most common pitfalls.

1. **Guarantee Accurate Conclusions by Validating/Confirming Initial Findings**

As analytics tools increase in both automation and sophistication, the gap between what the raw data looks like and what end users see is growing, as well. It is tempting to step back, let a vendor install its standard analytics package, and segue directly into reviewing outputs from the new tool. Many of our partners use a data-driven approach, in which they “let the data speak for itself.” Indeed, removing user bias is a hallmark of a sound data strategy. Randomly distributed data, representative samples and “clean” data are gold standards of academic statistical research. However, they are also incredibly rare in most business use cases. Given this, it is critical to ensure that bias is not baked in at the outset by understanding your organization’s raw data and the nature of the audience being evaluated.
For example, one of our clients applied data from its customer-facing website to better understand how to market its entertainment products, by analyzing that data to develop strategic recommendations for its marketing stakeholders. However, the company did not account for the bias inherent in the audience that regularly patronized this particular website, leading to recommendations accidentally tailored to only one customer segment. By helping the company understand its base audience, we were able to filter out the behavior endemic to the site audience from the behavior related to the products the company wanted to evaluate.

Almost equally important is understanding the inverse of these questions to avoid unnecessary marketing spend. In other words, where aren’t your core consumers? If your target audience is young male gamers, for example, your marketing spend would probably be more effective in Twitch.TV or YouTube Game pre-rolls vs. a generic Facebook feed promotion.

Another key consideration is the notion of cadence: How much communication is too much? This is a trickier situation. In 2015, despite ridicule regarding the flood of FanDuel and DraftKings advertisements during the first few weeks of the NFL season, the daily fantasy sports sites drew hundreds of thousands of new customers each week and posted many record-breaking weeks in terms of entry fees. While speculation continues to surround the future of fantasy sports sites, it would appear that, for now, the sites are comfortable with their advertising strategy, especially given the positive reviews of the products and significant demand for them.

Once users are acquired, special care should be taken when directly targeting them via e-mail or in app/SMS messaging, as consumers can quickly tire of direct communications. A robust communication preference center is essential for enabling core customers to adjust the volume. The best bet is to have a consistent sense of how customers are reacting to your communications. A balanced measurement method of acquisition, churn and engagement will enable you to better understand the story behind the data.

Ensure Customer Loyalty by not Overwhelming the High-Value/High-Touchpoint Segment

In years past, all surefire marketing efforts and initiatives were led by simply identifying the company’s most valuable customers. Today, knowing your customer is only the first step, a bare minimum requirement. To effectively recognize, reach and retain customers, companies now require a complex customer data cocktail that enables knowledge of:

- Where your customers are, demographically and geographically.
- Which channels they are most active in.
- When they are most engaged.
- What content resonates most with them.
- Which products they’re interested in.

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Protect Data and Secure Your House

Data security breaches have affected many well-regarded companies. In 2014, the very unfortunate hack at Sony Pictures reminded the industry that customer trust is hard to win, and easily lost.

To start, find a partner with an established track record and strong industry reputation. However, often a good partner may not be enough, as many of the most common issues in recent years have had less to do with technology or security gaps and more to do with failures regarding security training or institutionalized protocols. In some cases a “one-size-fits-all” security approach works. In others, complex security policies and security architectures may make more sense.

Multifactor authentication is a great practice for protecting data, whereas storing passwords in spreadsheets is not. In other words, if your security system becomes so complex that it directly inhibits employees’ ability to do their work, they will find a way around it – security notwithstanding. Therefore, design with end users in mind, using detailed requirements sessions and security workshops that are routinely revisited. It is especially important to measure the volume and frequency of incidents over time to better define and evaluate security processes as your business divisions and teams evolve.

Carefully Align Vendors/Platforms with the IT Foundation

Not too long ago, a studio exec told us, “It’s easier to ask me what BI and analytics tool I don’t have since the list is much shorter.” With the very crowded and fragmented market that has developed over the years, the variety of vendors and strategic partners emerging in the analytics and business intelligence spaces can be overwhelming. In building your program, it’s very important to clearly define your expectations for any new partner, using a variety of measurable and comparable categories (technology, support, cloud, training, etc.).

Across motion picture studios, we’ve seen different departments use the same tool with entirely different account management teams (and often in very different ways). A little collaboration can go a long way in driving efficiency and best practices. Using a rubric to measure vendors and strategic partners can prove invaluable when drafting requests for proposals, not to mention more direct meetings with technology partners at conferences and events.

Additional questions to ask a potential partner include:

- What is your company’s product roadmap?
- Is there any talk of acquisition?
- Is your company engaging with any other clients in your industry?

Remember, the best technology vendors are those that act as strategic partners.

Avoid Rushing to the Perfect End-Solution by Starting Small and Iterating with Pilot Initiatives

“Just find me the data that supports our decision.” Sound familiar? It can be frustrating when the data the team has worked so hard to develop and understand does not return expected results to support the current strategy. However, this is the point of a data strategy – to understand the reality of the business case, not to support a pre-determined conclusion. Data operates in an agile state of mind – it throws curveballs that often lead to unimaginable insights.

With this in mind, it is advantageous to operate in a way in which data drives strategy. Start small: Understand the information flowing in, create hypotheses, test, iterate and – with the new findings in hand – iterate again. Initially, most hypotheses will lead to more questions. However, by applying a structured process to your line of investiga-
tion, these questions will lead to the answers that end up becoming the foundation of your analytical model.

For social conversation, many of our clients start with Twitter; analyzing the conversation around an upcoming film, game or show is much easier when each comment is 140 characters or fewer (although that may change in the near future), not to mention the massive trove of historical data that exists for building training sets. By attacking this single platform with its condensed messages, you can refine your approach, realize immediate results and better understand the nature of your audience before diving into more lengthy articles, blogs and other media. These pilot test cases will lead your team to new and unexpected sources of truth and to discard prized data sets for heretofore undiscovered sources of insight.

Looking Ahead

As the growth of data, analytics vendors, security risks and consumer touchpoints washes over the M&E landscape, it is becoming increasingly vital to observe best practices to create standard operating procedures to remain competitive. Along with the challenges, the big data revolution also introduces substantial opportunity for film studios, broadcasters and other media companies to understand their consumer base and develop campaigns that efficiently target their markets.

While the final impact of big data on media remains to be seen, past experiences can serve to establish current and future best practices that define and advance a data-driven strategy.

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Customers of communications service providers want easier-to-use digital channels, proactive and personalized offerings, and the ability to bring connected technologies to life, our latest research reveals.

Even as competitors such as over the top (OTT) providers capture market share, many consumers continue to be dissatisfied with their communications service providers (CSP). Pay TV and high-speed Internet (HSI), a critical part of many consumers’ lives, exhibit the lowest satisfaction rankings. Satisfaction with these services, in fact, has not risen during the three years in which we have studied consumer attitudes, and is harming CSPs’ bottom lines. The number of customers who said they had switched carriers at least twice a year has increased from 10% in 2013, to 13% in 2014, and 17% in 2015.

These are among the major findings of our third annual Cognizant Communications Industry Customer Experience Study, in which we polled 1,995 U.S. consumers in an online quantitative survey. The survey sought to understand the consumer’s experience during the various customer stages of learning, buying and using CSP products and services. While CSPs face steep uphill challenges, the study results point to specific, actionable ways these businesses can retain profitable customers and capture new ones with proactive, personalized high-quality service. Our research not only identifies the pain points where a lack of quality is driving churn, but it also highlights improvements that will drive the largest increases in retention and revenue.

Consumers clearly indicate that quality and reliable, consistent service are of utmost importance to satisfaction. Given that CSP services are at the core of everyday life, they want providers to anticipate their needs with proactive and highly personalized treatment and communications. Our research reveals that if providers can’t proactively address or anticipate service questions, consumers will most likely use the phone rather than lower priced digital support to get an answer.

Although consumers are using digital contact channels more, they tend to rely on them primarily for easier and less time-sensitive activities such as browsing for products and services. For more complex and urgent issues, they find CSPs’ digital channels inefficient and difficult to use. This should be particularly concerning to CSPs, as customer contact rates have steadily increased over our three-year survey period.
On the positive side, consumers show an increasing interest in connected technologies. Many reported that having access to services such as smart homes, cars and connected devices would not only improve satisfaction but also make them less likely to switch providers. This was particularly true for millennials, of whom 39% said connected offerings would make them less likely to leave.

Pay TV and OTT providers are changing the video and TV landscape. Options are plentiful for the increasing number of cord-nevers (those who have never subscribed), cord-shavers (those who have reduced subscription packages) and cord-cutters (those who no longer pay for traditional TV). Providers must demonstrate a winning combination of price, content and ease of use to win their business. Some good news is that even with the popularity of low-cost OTT providers, pay TV still has an edge by virtue of its live content offerings and easy setup.

Consumers live in an always-on and always-connected digital world. This is both a challenge and an opportunity for CSPs. They must compete not only with each other but also with new entrants that don’t carry the weight of legacy technologies and operating models. CSPs must also contend with customer expectations raised by fully digital companies that appear to be mind-readers, providing them with what they want or need sometimes before they themselves know it.

To grow revenues and improve margins in today’s digital world, CSPs must:

- Double-down on service quality and reliability.
- Know their customers well enough to provide hyper-personal and proactive experiences.
- Make digital channels easier to use.
- Develop high-quality connected technologies that can be deployed quickly and are easy to use.

Key Findings and Recommendations

Our research suggests CSPs should understand the following key trends and consider our recommendations for optimizing success:

Quality of Customer Experience Remains King

In this year’s study, we asked consumers for the first time to rank which CSP services were most important to their daily lives. Across all age groups, HSI was named most important, but interestingly, it also scored on the lower end of the satisfaction ratings (see Figure 1, next page). This is in direct contrast with OTT services, which show very high satisfaction but barely registered on the importance scale.

Across all services and ages, quality was as important as price, if not more so, in determining customer satisfaction. Indeed, the more important the service is to consumers, the more vital quality is to their satisfaction (see Figure 2, next page).
While CSPs must strive to provide reliable service and prevent or compress service disruptions, they also must meet customer expectations for proactive notifications on service status updates and a predicted time to resolution. Such proactive acknowledgment, along with credits for lost service, was the top-scoring request among all age groups. One-quarter of respondents said such notifications were the aspect of quality they value most highly (see Figure 3, next page).

CSPs must harness historical and real-time data analytics to predict and prevent failures. This can include tracking and analyzing device performance (on the customer’s premises or in the network) to identify equipment with high failure rates, and proactive acknowledgments along with credits for lost service.

Base: 1,995 consumers
Source: Cognizant Business Consulting
Note: Respondents were asked to rate from 1 to 5 their level of satisfaction; percentages reflect aggregate averages.

Figure 1

Most Important Factors Affecting Satisfaction

Base: 1,995 consumers
Source: Cognizant Business Consulting

- **Quality**: My service is consistent and reliable.
- **Price**: The price I pay is transparent and worth it for the service provided.
- **Programming Content**: There is a wide variety of content and programming available.
- **Usability**: My service is easy to use and understand.
- **Technology**: I know I have or have access to the latest and greatest technology and equipment.
- **Customer Care**: It’s easy for me to contact customer care and get support.
Where Proactive Communication Matters Most

- Outage or disruption alert: 20%
- Usage threshold warnings: 16%
- Self-service/diagnostic instructions: 13%
- New promotions: 12%
- Notification and replacement of failing equipment: 11%

Base: 1,995 consumers
Source: Cognizant Business Consulting

Figure 3

Make Digital Channels Easier to Use

The good news in this year’s survey is that both demand for and use of lower-cost digital support channels (website, chat, mobile apps, text messaging, social and interactive TV) are growing. The percentage of customers who preferred a digital channel grew from 39% in 2013 to 52% in 2015. Use of digital rose from 29% three years ago to 48% in 2015. However, use of digital is largely still limited to basic and general information-gathering activities, such as browsing for services and products (see Figure 4, next page).

All age groups reported a sharp drop-off in their use of digital as they moved from browsing to ordering or other more complex transactions. Year-over-year, consumers continue to perceive the phone as a more simple, convenient and efficient channel for such activities. Among millennials, 17% reported encountering an error using a digital channel, and 21% were directed to call the CSP via the digital channel. Moving customers from phone to digital support can reduce costs for CSPs and, when done right, improve customer satisfaction by providing faster, easier answers to questions. Digital also helps CSPs serve customers and maintain connections with them, across all devices.

Shifting customer contact volumes to digital should begin with the use of analytics to identify both the obstacles and drivers to adoption. For example, the survey found those who purchased a service digitally are 85% more likely to explore new products and services, 75% more likely to renew or upgrade service, 67% more likely to resolve billing inquiries and 50% more likely to seek technical support via digital than those who purchased over a non-digital channel.

CSPs should capture the identities of customers who used a digital channel to purchase a service and provide them with guidance and incentives to use digital for other purposes as well. They should leverage similar insights to drive adoption campaigns for those not “born digital” and analyze past consumer actions to understand the obstacles.

tively replace it before it fails. When service issues arise, CSPs need a strategy to identify and catalog them, optimize resolution, calculate the time to resolution and communicate that information to customers in a simple, easily understood form. CSPs can’t, nor should they, sweep issues under the rug, since customers already know about them. Instead, customers need reassurance that the problem is known and a fix is underway.
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Digital: Good for Browsing, Not for Transactions

CSPs should capture the identities of customers who used a digital channel to purchase a service, and provide them with guidance and incentives to use digital for other purposes, as well.

to digital use, such as complex processes, problems finding information or being directed by the digital channel to use the phone.

Before marketing digital channels, CSPs must ensure those channels are easy and efficient to use. To do that, they should pick the low-hanging fruit first; for example, they could focus their digital efforts on transactions that drive the greatest call volumes and thus represent the greatest opportunities for savings, such as billing/recharge and review of service usage/status (see Figure 5, next page).

Shifting millennials to digital channels represents a rich potential savings area, as 34% of these customers contact a CSP once a month or more, compared with only 6% of customers over 65.

One way to educate customers on the use of digital for recurring transactions, such as monthly bill payments or balance checks, is while they are on a live channel (such as on the phone or in a store). Doing so can open the door to cost reductions, given that customer contact rates for billing issues have increased by 20% since 2013, according to our study. Again, this is an area where analytics can drive proactive, personalized service, such as automatic updates on monthly data usage and account balances. Such steps can not only reduce the use of costly service channels but also increase customer satisfaction.

<table>
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<th>REASON FOR CONTACT:</th>
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<th>50-64</th>
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<tr>
<td>Browse products/services</td>
<td>75%</td>
<td>78%</td>
<td>71%</td>
<td>73%</td>
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<tr>
<td>Review service usage/status</td>
<td>66%</td>
<td>68%</td>
<td>58%</td>
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<tr>
<td>Billing/recharge</td>
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<td>63%</td>
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<td>Order/upgrade service</td>
<td>59%</td>
<td>53%</td>
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<td>Service disruption</td>
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<td>49%</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>Technical support</td>
<td>48%</td>
<td>42%</td>
<td>23%</td>
<td>16%</td>
</tr>
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</table>

Base: 1,995 consumers; multiple responses accepted
Source: Cognizant Business Consulting
Figure 4
It is also important to note that while digital use and demand are up, customers’ preference for using mobile apps and social media for support is low. Even among millennials, only 11% showed a preference for mobile apps, and a microscopic 2% for social media. Based on these results, CSPs should closely examine investments in these support channels.

Declining Privacy Concerns Offer an Opportunity for Customized Service and Support

Survey respondents expressed less concern with CSPs using their service usage and account data to provide a personalized experience; this represents an opportunity for CSPs to provide individualized services and offerings to increase customer retention. Our findings reveal that, over time, consumers are prepared to trade personal details for more personalized services and support, and more contextually relevant product offerings. Among the youngest customers, more than one-third said they would be willing to share personal data if it meant receiving enhanced product offers or customer service.

- Year over year, CSP customers are less concerned with privacy, with 42% saying they have privacy concerns in 2015 vs. 54% in 2014. They appear to be more interested in the value CSPs can provide through analyzing their data and usage history to provide personalized products and services.
- CSPs are making progress in such personalized services, with a 5% to 7% year-over-year increase across services for consumers who say their CSPs do a good job.
Develop High-Quality Connected Technologies that Can Be Deployed Quickly

Connected technologies such as smart homes, smart cars and connected healthcare are in high demand for all age groups (see Figure 6) and even more so for millennials, with 98% finding these technologies desirable. Among millennials, 14% said the CSP’s ability to offer the newest capabilities and equipment influences their satisfaction, compared with only 5% for those over 65. CSPs can confidently and proactively reach out to younger customers to attract or retain them with new technologies as they become available.

Millennials are not the only ones interested in connected technologies. Eight out of 10 non-millenials expressed a need for them, with 42% rating connected security services as the most valuable smart home feature.

Given the wide range of technologies and providers required to provide “connected” services, CSPs must develop an ecosystem of partners. Their technology and partnership strategy should also reflect a 360-degree view, taking into account factors such as the impact on the network, security, API development and management, and application and device testing, as well as customer-facing issues, such as customer education and support. This strategy should be cross-organizational and repeatable, so that new technology partners can be quickly onboarded to speed the delivery of new products and services to market.

Additionally, given customer demands for quality, the highly variable and mobile nature of connected technologies, and their seemingly endless proliferation, engineering organizations must design networks to efficiently handle the demands of connected services. One essential issue is ensuring a seamless handoff between WiFi and LTE (4G and 5G) networks, using data such as demographics, socioeconomic factors and usage patterns to more accurately forecast network demand. Collecting this data, and developing the engineering prowess to translate it into network design, will allow CSPs to efficiently and effectively meet fast-changing needs for connected technologies.

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Rising Desire for Connected Technologies

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<td>2014</td>
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</tr>
<tr>
<td>Smart Car</td>
<td>30%</td>
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<td>20%</td>
<td>2015</td>
<td>2014</td>
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</tr>
<tr>
<td>Connected Healthcare</td>
<td>24%</td>
<td>19%</td>
<td>19%</td>
<td>2015</td>
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<td>2013</td>
</tr>
<tr>
<td>Wearables</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>2015</td>
<td>2014</td>
<td>2013</td>
</tr>
</tbody>
</table>

Source: Cognizant Business Consulting
Note: 2015 was the first year the “wearables” and “smart car” questions were posed.

Figure 6
Looking Ahead: Learn from OTT Success

Pay TV continues to be challenged by OTT services, especially among millennials. While 83% of respondents subscribe to pay TV, 53% of millennials who do not have pay TV have never subscribed. Low-cost OTT alternatives are attracting customers across all age groups, and the high satisfaction ratings for this service should spur CSPs to improve their own offerings. Only three of 498 respondents with OTT services expressed dissatisfaction, and a whopping 94% of those who cut the cord have no plans to return to pay TV. Year-over-year, our findings highlight an 8% increase in those considering cutting the cord (see Figure 7). All this represents a significant long-term threat to CSP revenue.

However, OTT is not yet mainstream; only 25% of respondents now use it, although millennials subscribe at a much higher rate (42%) than those over 65 (7%). Even among millennials, the survey results reveal ways to lure them back to (or encourage them to become first-time customers of) pay TV. Since missing shows and content was the main reason all age groups (including millennials) returned to pay TV, CSPs could explore customized lower-cost bundles that give millennials only the shows they want, or only live content, for a lower price than traditional pay TV.

Other ways CSPs can learn from, or potentially partner with, OTT providers include:

- Leveraging analytics to understand the best ways to increase satisfaction among the 33% of millennials who are unhappy about not having pay TV.
- Since live and linear content is a key attraction of pay TV, consider changing the consumption model to “on-demand” or “pay per use” rather than fixed monthly contracts.
- Offer streaming or linear TV services across Internet-enabled devices, including gaming consoles (one of the most popular channels for millennials).
- Bundling content from established OTT players and leveraging the existing infrastructure to create a universal video service platform, delivering content from any source to any device through the CSP’s network.
- Using predictive analytics to drive a deeper understanding of the behavior of existing and potential customers to develop targeted services and platforms that create engagement and generate revenue.

CSPs can attract new customers to pay TV by becoming proactive, selective and intelligent about personalization. The perception of irrelevant content is one of the major reasons...
for the cord shaving seen among one-third of younger pay TV subscribers.

Providing experiences that delight and engage customers requires the integration of behavioral data across product and functional silos. This may include analysis of OTT consumption from HSI services, pay TV and mobile interactions for the total picture of each individual customer’s needs. Acting on these insights requires coordination and integration across multiple processes, applications, data, analytics and systems.

Converting Challenge to Opportunity

The world is changing rapidly around CSPs. Lower-cost, easy-to-use OTT streaming video options outperform pay TV services in customer satisfaction. Churn is rising year over year, particularly among those under 50. While customers want to order products, check pricing and pay bills online, the digital channels CSPs provide are often too slow, complex or unreliable to keep customers from making costly support calls.

The third installment of the Cognizant Communications Industry Customer Experience Study shows customers value quality above all else. (See last year’s study here: https://www.cognizant.com/InsightsWhitepapers/Back-to-Basics-for-Communications-Service-Providers.pdf.) For CSPs, this means delivering consistent and reliable service and proactive measures to prevent and shorten disruptions. To reach this level of service, CSPs must clearly understand individual customers’ complete profiles. The data required to provide custom-tailored service and product offerings already exists, in everything from customer service records, to network performance logs, to customer browsing histories. What’s more, customers are increasingly comfortable with CSPs using this data to customize their service and support.

Success for CSPs lies in careful analysis of customer needs, creativity in shaping new products and services to meet those needs, and a relentless focus on quality each step of the way.

Appendix: Survey Methodology and Objectives

For our third annual Communications Service Provider Customer Experience Study, we conducted a 25-minute online quantitative survey of 1,995 U.S. consumers in November 2015. To qualify, respondents had to be 18 years or older, and be a current subscriber to pay TV/video services, high-speed Internet and/or mobile services.

Note: in 2014 Interactive TV and Text Message were added as contact channel options and Online Request form was removed.

Our objectives:

- To understand how satisfied customers (particularly younger customers) are with CSPs’ products and services, as well as satisfaction drivers.
- To confirm the support channels that various types of customers prefer, and the reasons behind those preferences.
- To determine the likelihood of customers of various age groups “cutting the cord” and canceling their pay TV service, as well as their reasons for doing so.
- To understand the interest levels among customers of various age groups for newer services, such as “connected home” offerings.
- To verify customers’ attitudes regarding CSP use of their personal information to customize products and services for them.
Footnotes

1 The percentage of customers who reported switching providers at least twice a year was 10% in 2013, 13% in 2014, and 17% in 2015.


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GDPR: Hitting Fast-Forward on European Consumers’ Data Privacy

By Aidan Prendergast

Regulation featuring enhanced protection of consumer data goes into effect in 2018.

GDPR: Four small letters, but when the General Data Protection Regulation goes into effect in May 2018, it could have far-reaching effects on companies that collect and store European consumer data.

Many studios, broadcasters and others in the media industry sell in Europe or store European citizens’ data. For them, the GDPR bring new responsibilities that will be enforced next year. (In this context we’ve used the term Europe to cover the 28 European Union member countries that will be bound by the GDPR.)

What is the GDPR?
The purpose of GDPR is to return the control of personal data back to citizens while also simplifying the regulatory environment. Key objectives include:

- **Efficiency.** Whereas in the United States much of the privacy legislation is at the state level, one intention of GDPR is to implement a harmonized federal approach to regulation.
- **Consumer benefit.** With a growing appreciation of the value of consumer data, there is a desire to ensure individuals have transparency and control over how their data is used and monetized.
  - **Cultural fit.** In some areas of Europe, there is a history of personal data being used by state forces to repress individual freedoms – a very different history from that in the U.S. Putting the individual in control of his data footprint limits this risk.

GDPR will replace and significantly increase the requirements covered under existing European data privacy regulations. Businesses will need to:

- Ensure clarity under what basis they are processing data, often requiring explicit consent from individuals.
- Enable people to access their personal information held by a company quickly and for free. The consumer also has associated rights to request that data processing be stopped – with immediate effect – or that incorrect data is fixed.
- Strongly consider employing a Data Protection Officer, with statutory responsibilities.
- Respond fast. A data breach or non-compliance may require notification of the appropriate regulatory agency within 72 hours. Whereas in the U.S. breach notification requirements tend to relate more to payment data, the GDPR notification process covers a wider set of personal information.
Penalties for breaches of GDPR are significant – up to 4% of global revenue or €20 million, whichever is higher. Companies should also consider the potential reputation- al damage from a breach as well as the risk that authorities can then block movement of data internationally.

Companies will therefore need to be very transparent with regard to how they process and store consumer information. There is a risk in so doing that people will choose to opt out of processing that was previously automatic with a corresponding impact to revenue.

How Will GDPR Affect Broadcasters and Media Companies?

Broadcasters now going direct to consumers will need to (re)consider their approach to subscriber data management for European residents. Social media engagement can be affected – what if sentiment is being assessed for someone who has requested to be removed from processing?

GDPR is explicit that targeted marketing activities cannot be regarded as a core service and so consumers must be able to remove themselves from this. For broadcasters with European subcontractors, additional responsibilities may also come into play.

Associated challenges include:

- **Improving registration and identity management.** The initial sign-up process will need to balance accessibility with transparency in terms of clear and explicit consent. Current practices such as pre-ticking consent or making this implicit in continuing will not be sustainable under GDPR. In addition, withdrawing consent also must be as simple as the original opt-in process.

  A new requirement relates to data minimization – companies must only collect information that is needed for the transaction, or those processes for which consumers additionally opted in.

- **Tracking subscriber behavior.** For subscription services, the tracking of both subscribers and their devices can be important. Digital fingerprinting can be used (subject to stringent requirements) to log device characteristics that enable it to be identified independently of the user.

  Within GDPR there is an expansion in the classification of personal data that now includes biometric or machine-use profiling. While this is currently done behind the scenes, under GDPR users will need to be informed and explicitly consent to the practice. Classifying this data as personal can also impact on the ways in which it is processed and stored.

- **Securing children’s data.** For those with children’s channels (or involvement) there are specific regulations relating to such things as audience data, European cast-member data or competition entries targeted to children.

- **Risk of higher volumes of requests and response speed.** The removal of the charge for providing information on request eliminates a previous barrier to data requests. Many companies are not geared up to address information requests at volume if required. Any delays in response would require further liaison with the associated authorities.

- **Facilitating the right to be forgotten.** While a person has a right to be “forgotten” it can also be important for businesses to retain knowledge. In this case, it is important to be able to fully anonymize any associated business information. Organizations need to ask how easily they can fully forget a person on their systems. Eliminating all trace of the user’s data will prove complex to achieve in older, highly related databases or systems with complex backup arrangements. Even knowing information about a particular consumer exists could prove difficult as it is suggested that 52% of data held by information companies is unknown even to them.
- **Internationalization.** The location treatment of data under GDPR is particularly important for those companies that operate across international boundaries. There are several approaches to this, including obtaining explicit consent, retaining data within Europe and legal/operational clauses relating to data protection in line with European legislation.

  The ability to transfer and process personal data relating to an EU resident of a non-European country is dependent on whether the European Commission agrees that “a third country ensures an adequate level of protection by reason of its domestic law or of the international commitments it has entered into.” Data transfers to and from the U.S. will be subject to European standards.

- **It’s not just customer data either ...** GDPR applies to all relevant data held by companies – and as such, can include European employee information. This in turn can result in the need to review the arrangements around associated business systems and supplier relationships to ensure they meet the standards.

**What is Involved with GDPR Compliance?**

Readiness for GDPR usually includes seeking the advice of a qualified legal source. Cognizant works with media and broadcast companies across Europe and the United States. We’re definitely not lawyers. Our interest and expertise sit with the customer experience, technology and processes required as Europe seeks to give citizens back the control of their personal data while simplifying the regulatory environment.

As a global company with 260,000-plus employees Cognizant has also had to review its own GDPR compliance and is well advanced with a comprehensive program of work to ensure we are well prepared.

Cognizant provides a proven GDPR-readiness assessment that has been used to support our European clients. Typically conducted over a four- to eight-week period, this will include assessment of your current data protection maturity, including a gap analysis, risk assessment and the development of a high-level pragmatic roadmap driving toward GDPR compliance in May 2018.
Related Reading

- GDPR will require 28,000 Data Protection Officers in Europe and the U.S.
  https://iapp.org/news/a/study-at-least-28000-dpos-needed-to-meet-gdpr-requirements/

- U.K. information commissioner offers very clear guidance.

- 2.3 billion annual net GDPR savings was originally estimated by the European Commission.

- Addressable TV advertising is set to double to over $2 billion by 2018.

- IAPP articles covering key aspects.
  https://iapp.org/resources/article/top-10-operational-impacts-of-the-gdpr/

- Estimated digital marketing cost to U.K. businesses from stricter consent requirements in GDPR: £47 billion.

- More background:
  http://www.eugdpr.org/article-summaries.html
  https://gdpr-info.eu/recitals/

About the Author

Aidan Prendergast is a Senior Consulting Manager within Cognizant’s Information, Media and Entertainment business unit based in London. He has wide experience in data-related deliveries ranging from creation of addressable advertising solutions through to integration and analytics improvements.

In a previous role at Sky he delivered the preliminary Sky AdSmart release and at the English Football Association initiated data visualization for players across England football teams. While at the FA, he had broad responsibility for business-related technology improvements including Wembley Stadium ticketing enhancements, new learning and video coaching solutions, CRM and the digital progression to mobile. Data localization was also a key theme in creating the first online schedules for BBC World Service and Aidan’s other delivery work at the BBC included digital and business process improvement projects. Aidan can be reached at aidan.prendergast@cognizant.com.
Helping Broadcasters Maximize Their Return on Acquired Rights

by Matt Eaton

Broadcast networks looking to exploit acquired content across a growing number of distribution platforms need to be able to make informed decisions about how to get the best return on their investment or “return on acquired rights.” Many media organizations are looking to implement central Intellectual Property Rights Management (IPRM) systems to improve the control of rights usage and provide better availability reporting, but this is only part of the story.

Return on Acquired Rights, Defined

We define return on acquired rights with this equation:

\[
\text{Return on Acquired Rights} = \text{Income Generated by Content} - \text{Cost of Rights} + \text{Cost of Goods Sold} - \text{Income Generated by Content}.
\]

This article discusses the challenges faced by broadcast networks in terms of rights management, calculating inventory value and scheduling programs across a growing number of distribution platforms. We share practical examples for maximizing return on acquired rights based on planning and end-to-end supply chain management. Finally, we offer key objectives and critical success factors that will help broadcasters achieve improved return on rights, such as operational metrics and cross-platform usage data reporting.

Challenges in Today’s Environment

Broadcasters now face a number of challenges that make effective exploitation of acquired content rights more critical than ever:

The high cost and complex usage terms of content rights across a growing number of distribution platforms have changed the game. Broadcasters must consider their entire supply chain – from acquisition to aggregation to distribution – to ensure they get full value from acquired intellectual property rights.
Increasing Value of Content

According to the Boston Consulting Group,\(^1\) 36% of the global TV industry value falls within rights and production, with another 34% of value going to content aggregation and channels. There has been a marked increase in the quantity and quality of television content production over the past few years, with Public Service Broadcasters and Over-the-Top (OTT) operators investing increasing amounts. For example, Netflix spent more than $100 million to produce the first two seasons of House of Cards.\(^2\) It has been reported that Amazon spent $160 million to produce the first three seasons of Top Gear.\(^3\) The cost of production and distribution rights is increasing for this unique, “tent-pole” content, which means that it is even more important for broadcasters to exploit this content as effectively as possible.

More Distribution Options

Distributing content across Video On Demand (VoD), online and mobile is nothing new. What is new is the number of different distribution platforms and devices that need to be addressed by the broadcasters. The array of distribution channels increases the opportunities to “window” content, where rights are split across geographies, platforms and dates, maximizing the value generated by content.

Calculating the value of inventory for linear Pay TV services is well understood, and most Program Management and Scheduling solutions have long offered broadcasters tools to apply amortization rules to their acquisitions. Amortization is closely related to how an asset is used. For example, 100% based on first transmission for big sporting events, straight line over license duration, or greater of straight line or per play. So, it made sense to track this within the same system that schedules the title. Assets could be written off when their value will struggle to be realized. Similarly, for Pay Per View titles, it is relatively easy to track the income generated against the asset for one or two non-linear platforms.

When non-linear took off in the mid-2000s, many broadcasters resorted to Excel spreadsheets to maintain rights and to plan their schedules. This was adequate initially, but with the rapid growth of non-linear and IP platforms, the exponential increase in the number of spreadsheets with each new signed distribution agreement has made the situation unworkable and an operational (and legal) liability.

Now, as broadcasters utilize assets across an increasing number of platforms, the challenge of calculating the return on their investment increases. Rights owners may impose different royalty terms for different platforms or even try to cross-collateralize revenue across several platforms, or impose minimum guarantees so the broadcaster will need to increase marketing exposure of the titles in order to generate enough revenue to break even.

Keeping Track of Inventory

To effectively track content, broadcasters first need to be able to manage acquired rights to know which titles they can show, when and on what platform. Keeping track
of inventory when there was a single Pay TV storefront was straightforward. Now, broadcasters need to have visibility into what content is available on which platforms and when. These platform windows of availability based on rights type could be imposed by the rights owner or by the broadcaster in order to maximize a title’s exposure.

Knowing the value of content is key to actively maintaining large catalogs of titles. For example, if no subscribers watch a title over several months, then the asset is taking up valuable space on the content distribution network (CDN) and should be removed. One of the challenges of managing a large catalog of titles across multiple platforms is it becomes more difficult for consumers to find content. Using enhanced metadata and recommendation engines are ways for broadcasters to personalize their services by pushing the right content to consumers at the right moment. This relies on an extended formal metadata schema based on a taxonomy that can be easily navigated by search or recommendation engines.

In summary, the lack of a centralized rights management system combined with operational planning tools present a threat to the profitability of broadcast operations. Failing to have the proper organization, processes and systems in place raises cost of goods sold due to the additional manual work, heightens the chance of mistakes and ultimately increases the likelihood of breaking acquisition agreements.

Maximizing Your Return on Acquired Rights

Simply put, return on acquired rights equals the income generated by the content minus (cost of rights plus cost of goods sold). By increasing the return on acquired rights, the broadcaster lowers operational costs while raising potential revenue (either through buys, views or advertising).

Everyone knows that not all content is created equal; however, the value of content is often forgotten within operations. In our experience, titles like “Toddlers in Tiaras” often end up being given the same treatment as “Titanic,” even though they may have very different costs and revenue potential. Understanding the value of content throughout the supply chain not only helps prioritize operational processes but also informs decisions regarding storage and long-term archiving.

To maximize return on acquired rights, the editorial and operations teams need to plan how best to utilize the content they’ve acquired. Planning for non-linear platforms is therefore critical from several different perspectives:

- **Keeping content fresh and relevant.**
  Editorial teams need to make decisions about how to refresh content across the different platforms and make it relevant to viewers. This is ideally based on an understanding of customer buying behavior (either through analytic reporting or some other feedback loop), making room for new content. They also need to be aware of content where rights are expiring soon so they can squeeze the last remaining revenue out of the exhibitions.
Promotion. Editorial and marketing need to be aware which titles need to be promoted in the coming months – how can content be cross-promoted over different platforms? The increasing popularity of Day and Date deals where VoD license windows coincide with DVD sales windows are a good example of this.

Fulfillment planning. Operations needs to plan non-linear content to manage processing volumes and lead times. How does content need to be prioritized in order to make it onto the platform in time to coincide with promotional material? How many new HD titles will need to be processed next month and how will you secure the needed resources? Equally as important is the need to plan for streaming and storage capacity.

Key Objectives and Critical Success Factors for Return on Acquired Rights

To manage return on acquired rights effectively, the key objectives of broadcasters should be to:

- Lower the cost of goods sold by delivering content to existing platforms more efficiently.
- Deliver content more quickly and more responsively to customer demands.
- Deliver content to future distribution platforms quickly and cheaply, leveraging existing content, systems and business processes.
- Reduce exposure to rights infringement, tighten controls on legal compliance and exploit more fully the rights acquired.

In order to deliver effective return on acquired rights for content across multiple platforms requires coordinated changes to people, processes and systems, including:

- Centralized intellectual property rights management system allowing accurate reporting on the availability of rights, including windowing, blackout periods and legal compliance but also containing information about maximizing exposure and exclusivity for customers.
- Operational metrics to measure cost of processing an asset. This is reliant on linking assets for different platforms to a parent program so that operational metrics can be reported to provide an accurate cost of goods sold.
- Collaboration across the organization so that planning, scheduling and operational teams and processes are joined up to actively manage content on both linear and non-linear platforms.
- Consistent metadata and unique program ID across platforms to enable better content curation.
- Common usage data reporting tool across platforms.
- Financial reporting across cross-platform royalties, to see a single view of revenue across linear and non-linear distribution channels.

Together, these elements not only allow broadcasters to measure their return on acquired rights, but also improve them over time.

Looking Ahead

Faced with managing content of a higher value and a growing number of distribution platforms, broadcast networks are under pressure to maximize their return on acquired rights. Although a centralized IPRM system is a great start, it is important to consider the operations around the entire supply chain to ensure people, processes and systems are working to exploit content effectively. To do this, broadcasters need to consider the cost of goods sold, obtain aggregated usage reporting across all their platforms and create a single financial view of cost vs. revenue at a title level.
Footnotes

3 http://www.telegraph.co.uk/on-demand/2016/11/18/the-grand-tour-episode-one-tweaked-bbc-noses-and-other-five-talk/

About the Author

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