Democratized Content is King

Media and entertainment companies must depose traditional content monarchies and embrace egalitarian consumption habits driven by social media and mobility to fulfill desires for a unified experience across all devices and channels.

Executive Summary

The wedding of Prince William and Kate Middleton in April 2011 was a reminder to many about the role of the British monarchy in today’s world. The event was watched by millions, and for a few days, London was the party capital of the world, with many an expert’s hours spent analyzing who wore what and who did or did not make it to the list. The average Briton’s response to all this was, “Oh we love the monarchy… as long as they do not interfere with what I do.”

Bill Gates coined the phrase “content is king” in 1996, and it has stuck, through thick and thin. However, the world of media and entertainment convergence has come a long way since the middle ages of the Internet revolution, circa the late 1990s. Today’s consumer does not like to be told what to watch, when to watch, how to watch. He is spoiled for choices and revolts the moment anyone tries to second-guess his preferences.

In other words, we live in a democratic era where devices, platforms and carriers are continuously vying for a share of our attention – and content is a means of getting that attention. So, like the British monarchy, content is still king, and it helps attract attention, as long as content owners do not dictate terms. Today’s media and entertainment space can be likened to a king in a democracy.

In today’s democratic landscape of digital content consumption, shifting paradigms are the rule rather than the exception. Principles of Web 2.0, cloud, mobile apps and rapidly evolving software and communication technologies have paved the way for an all-pervasive democratic revolution known as social media. At the same time, hardware innovations in the mobile and tablet space are introducing unprecedented levels of connectivity and interactivity, empowering each and every consumer.

Media companies, from film and television to music and print, are feverishly trying to adapt their approaches to this new reality. Business models that worked for decades have vanished, and fresh ideas are the order of the day.

However, usage and revenue patterns emerging from the ever-changing digital world present new challenges to media and entertainment companies. While reach attained in the online/mobile world was unheard of in print, online content does not have the same revenue potential per unit as print or broadcast content; with mobile, it is even lower. Media companies need to accept the following realities while planning for the future:

- Customers are increasingly less likely to go looking for content; content needs to reach out to where the customer is.
• Content consumption is moving from buffet style to à la carte.
• The Internet has stripped media companies of their control over how their products are distributed.
• The lines between different types of media have blurred.
• Media convergence is resulting in new competitors and collaborators in the marketplace.
• Virgin content with no social wrappers is unlikely to engage the millennial generation effectively.
• Simultaneous multi-device customer engagement is the new reality.

This white paper examines the effects of these changes and illustrates potential options that will help content companies remain relevant and, more importantly, solvent.

Social Media, Mobile Devices Take Over the World

In the first decade of this century, content consumption irreversibly shifted to digital. Powered by ever-increasing broadband speeds, 3G and 4G networks and an explosion in the smartphone and tablet markets, the digital content marketplace has overwhelmed all other forms of content distribution. By 2020, the size of the digital universe is expected to be 35 zettabytes, 44 times higher than the 0.8 zettabytes of 2009. Moreover, the international digital content market is expected to grow to $36 billion in revenue by 2014, more than twice the $16.7 billion chalked up in 2009.

Mobile content consumption is expected to increase at a much faster rate than wired consumption in the coming years. From 2012 to 2016, revenue generated by mobile Internet access is expected to grow at 12.2% annually compared with 7.1% for wired access (dial-up and broadband). And consumers are expected to use 4G networks to consume ever increasing amounts of multimedia content. By 2017, mobile video will represent 66% of all mobile data traffic, and 4G connections will account for 45% of global mobile data traffic.

Increased digital content consumption is accompanied by the equally game-changing and all-pervasive emergence of social media. In 2012, social networking accounted for 20% of the total time people spent on PCs, and 30% on mobile devices.

The biggest social networking phenomenon in the world, Facebook, is consuming a growing timeshare of Internet consumption. After performing the seemingly impossible task of dislodging the Google home page as the most visited Internet Web page, Facebook now occupies 17% of consumers’ PC time in the U.S. and accounts for one out of every five page views on the Internet worldwide.

While the millennial generation is driving the social media revolution, older age groups are not far behind. As of December 2012, over 50% of Internet users in the 50-64 age group and more than 30% in the 65-plus age group were exposed to social networking (see Figure 1).

Social Networking Site Use by Age Group

![Social Networking Site Use by Age Group](image)

Source: Pew Research Center’s Internet and American Life Project surveys, 2005-2012

Figure 1
Advertisers Follow the Money
As content consumption moves online and onto mobile devices, so do most revenue-generation models. Players across the content creation, marketing and distribution sectors have accepted this tectonic shift and are adapting their business models to favor online and mobile. As the potential for subscription-based revenue generation models for online content remain limited (millennials, in particular, have grown up on the Internet, believing content should be free), companies see advertising as a means for driving digital revenue streams.

Online researcher eMarketer estimated that online ad spending in the U.S. would surpass print advertising in 2012 for the first time ever, topping near $40 billion. By 2016, online spend is expected to nearly double that of print advertising. In the broadcast marketplace too, online ad spending will slowly catch up with TV ad spend by 2016 (see Figure 2).

A study of interactive marketing spend trends over the next four years reveals the increasing dominance of social and mobile. Social and mobile spend is expected to grow at rapid annual rates of 26% and 38% respectively, while search advertising will plateau with an annual growth rate of 12% (see Figure 3, next page).

Most advertisers have already shifted focus from search to social media. Even the biggest search giant Google shifted to social, launched Google+ (to mixed reviews) and even integrated search results. Facebook’s new social media search tool Graph Search is expected to introduce a new dimension to social media advertising.

Display advertising is expected to continue its robust growth, the result of a more engaging multimedia format compared with the pure text format of search-based advertising.

Contending with a Revenue Disconnect
A painful realization of revenue challenges is slowly dawning on traditional media and entertainment companies that have plunged headlong into the digital world (see Figure 4, next page). Online content does not have the same revenue potential per unit as print or broadcast content, and mobile has even less. Here are some eye-opening statistics.

A print newspaper reader is estimated to contribute 18 times the value of an online reader. This is partly due to the fact that most newspapers do not change for online content. But the bigger reason is that an online reader is more likely to go directly to a news article through search and, hence, look at the ads on one page only, compared with a print reader who notices ads on each page of the edition while browsing. Part of the drop is also because digital ads offer improved measurability (in the form of impressions or click-through rate) compared with print ads.

The news is not much better in the broadcast TV space, with a viewer estimated to bring in three times the value of an online viewer per episode. Although online ads can be more expensive than broadcast ads, given their ability to target the right audience, the number of ads shown during programs on the most popular online video sites is approximately only 20% to 25% of what is shown on broadcast TV. Many industry experts believe Internet audiences simply will not tolerate
as many commercials as on TV, although the hypothesis is still unproven.

One-third of heavy Internet users admit to regularly pirating music and video content, pointing toward a gaping hole in monetization strategy for online content.

Social media is not untouched by this problem. Although major online giants have generated ever-increasing amounts of advertising revenue over the last few years, growth is mainly driven by additional content consumption per user. The rate of advertising revenue generation per hour on major online sites has not risen significantly over the last few years (see Figure 5, next page).

Social media penetration of developed markets has reached a saturation point. Most of the growth in social media consumption in the near future will be in emerging markets, such as Africa and Asia, and on mobile devices, which offer much lower monetization potential.

Mobile users are less inclined to absorb, or even tolerate, ads on their devices. The chief reason is the smaller screen size, which renders non-essential information a nuisance. They are also much less likely to click on hyperlinks on mobile. Revenue potential per user on mobile is expected to be limited compared with ads delivered to personal computers. Facebook’s and Twitter’s Sponsored Stories and Promoted Tweets strategies, respectively, are more subtle than display ads, and are believed to be more effective with mobile device users.

While these strategies have been successful to an extent, there is a long way to go before they can match the returns offered by ads on PCs. For example, in 2012, more people used Facebook on mobile devices than on PCs for the first
time in the company's history, whereas revenue generated from mobile accounted for just 23% of total ad revenue. Even by 2016, mobile advertising revenues are expected to account for only 15% of the global Internet advertising market.

Impact on Media and Entertainment Companies

Media and entertainment companies are experiencing the following implications to their business:

- **Media companies that try to lift-and-shift their revenue generation models from offline (print, broadcast, etc.) to online platforms are in for a rude shock.** The revenue generation potential of traditional streams (like subscription, vanilla ads, etc.) is not the same in the digital world.

- **With the rise of social platforms and app-based content consumption on mobile and tablet devices, customers in the future will be increasingly less likely to proactively seek content** (i.e., visit individual Web sites, etc.). Instead, content needs to reach where the customer is (on social platforms and mobile).

- **Content consumption is moving from buffet style to a la carte.** Users will decide what they want to consume; content creators cannot push sundry material and expect to monetize it (as with the traditional print and broadcast world).

- **The Internet is stripping media and entertainment companies of control over how their products are distributed.** The Internet disrupts their ability to create media scarcity by delaying product distribution. This threatens the fundamental profit engine of the media and entertainment business. Case in point was the furor over "read-it-later" apps, such as Readability, Instapaper and Read-It-later, which allegedly impinge on a publisher's rights by transforming written content, albeit for the reader's convenience.

- **The lines between media types have blurred.** In a world of content consumption through apps, the user will not know or care if they are buying a movie, game, music track or news article. Users will not pay for each type of media separately but will pay for a uniform experience delivered across all formats. The silver lining is that apps can help push control back into publishers' hands.

- **Media convergence is resulting in new competitors, as well as collaborators, in the marketplace.** As a news publisher now needs to compete with a broadcast house, a music label and a Hollywood studio to gain digital user attention, it needs to work with technology companies such as Apple and Google to take its products and services to them.

- **Virgin content with no social wrappers is unlikely to engage the millennial generation effectively.** Today's youth has Facebook and Twitter in its DNA and is increasingly likely to leverage social media in all aspects of life - official and personal. While most Web pages possess social sharing add-ins, media companies need to devise ways of leveraging social media to the next level. (Read our white paper "A Brave New World of Connected Media" for additional insights.)
Simultaneous multi-device customer engagement is the new reality. 41% of tablet owners and 38% of smartphone owners use their device daily while in front of the TV screen. Not only are they simultaneously posting about the content they consume on social media, but they’re also shopping and looking up relevant program and product info.

Preparing for the Future
The following recommendations can help media and entertainment companies move forward.

Content:
- The quality of packaging and delivery will draw higher premiums. Traditionally, the quality of content received the highest premium; however, the digital user of today expects a feature-rich, personalized, interactive and intuitive content consumption experience. As a result, digital products cannot be replicas of print and broadcast products.
- “Relevance” is the byword of the future. Hybrid algorithms need to be devised to suggest the most relevant content to a consumer based on a combination of demographics, psychographics, social networks and past consumption patterns across devices and media.
- Established media and entertainment companies need to leverage the long-tail revenue generation potential of legacy content they have developed over decades. When tied to relevancy algorithms, legacy content can reap rich dividends.

Distribution and delivery:
- As users consume more content across numerous digital devices, they expect a uniform experience. While providing such an experience, companies can provide new subscription models, such as “pay once, view anywhere.” Such subscription models can extend beyond digital entities into the print and broadcast world, as well.
- Use of social media-based analytics will drive targeted content distribution in the future. Content delivery needs to change from “one-to-many” to “one-to-one.” Despite privacy concerns, over 50% of consumers worldwide are willing to provide information about themselves online or via a mobile device in exchange for something of value – as long as it is transparent and in exchange for perceived value.

Revenue:
- As the revenue potential of each individual medium decreases, media companies must create a far greater number of avenues of revenue generation from a single piece of content, as well as be open to sharing the spoils with a far greater number of partners (device manufacturers, third-party app developers, media distributors, content aggregators etc.). Monopoly over the revenue potential of content is a thing of the past.
- As pricing preferences of online and mobile consumers are extremely heterogeneous, monetization models also need to be customized for individual customers. Companies need to find a balance between making payment options as non-intrusive as possible, yet simultaneously keep them transparent.

Moving Forward
In our view, successful media and entertainment companies will do the following:

Know thy customer: From newspapers to broadcasters to studios, a common thread is emerging: the days of commoditized content are over. Unless media and entertainment companies endeavor to know what their customers are thinking on a real-time basis, they will gradually lose the ability to invest and monetize relevant content and opportunities. Tools have recently emerged that mine conversations on popular social media platforms, as well as analyze user sentiment. Media and entertainment companies can use these tools to listen to the pulse of their audience. Hearing the voice of the customer is important in every industry, but for media companies, it is hyper-critical. Companies that know what type of content their customers are seeking stand a better chance of delivering it to them quicker.

Exploit “F-commerce”! Almost every brand has a Facebook page today. Media and entertainment companies should use these pages for commerce (preview, order, checkout) and not just information exchange. Examples include companies such as BabyAndMeGifts.com, Ettitude, Livescribe, etc., that are making use of Facebook APIs to enhance e-commerce offerings, structuring Facebook stores and installing plug-ins to improve user experience, as well as combining social campaigns with F-commerce to extract the maximum benefit. Various options include downloadable apps...
that allow viewers to transact within a company’s existing Facebook presence (e.g., Ecwid Payvment), catalog applications that organize products but link back to an existing online store (e.g., Storefront Social), integrated e-commerce platforms that include extensions for Facebook commerce (e.g., BigCommerce) and tailored development environments for Facebook commerce (e.g., 8th Bridge). Obvious benefits are two-fold — reaching customers where they are usually present and leveraging social recommendations without the extra effort of visiting multiple URLs and logins.

- **Use the power of apps to provide innovative solutions:** Apps should be used to provide the entire bouquet of offerings around a piece of content to the consumer. Examples include trailers, games, merchandise, etc. for a motion picture. Targeted apps should be released around a major product debut. Apps can also provide customized offerings, building on social data captured across platforms.

- **Leverage emerging technology:** Rapid technological advances are making the creation of apps and cross-platform offerings easier than ever before. Technological solutions built around HTML5 can easily convert Web apps to native apps on the fly. These have the same transformational potential as blogs that revolutionized e-publishing half a decade ago.

- **Format data correctly:** With the rise of content aggregators and custom publishing apps such as Flipboard, Pulse, etc., content creators must ensure that their data format is flexible enough to be picked up by all common aggregating engines and publishing apps. Keeping a close eye on companies such as Apple, Google and Facebook that are driving the course of software and hardware innovation is a must.

- **Utilize a second screen:** The level of social interactivity on online articles (live Twitter feeds, friend recommendations, etc.) can be extended to the broadcast world through second-screen apps. While consuming video content on TV or the Internet, users can receive a more interactive experience by engaging in conversations with friends and fans on the content. They can see what their friends are watching, consume additional content that is not available in broadcast mode and even purchase content on the fly, based on recommendations and downloads from their network. Relevant algorithms, for example, can be deployed to cross-sell related TV shows.

- **Social care:** Brands need more focus on customer service via social media. Customer feedback on social media is fundamentally different from other modes, in that it has the potential to change the perceptions (positive or negative) of a large customer base in a very short period of time. Customer care operations, therefore, need to be tuned to listen and react more closely with voices in social media.

**Footnotes**


Ibid.


The buying and selling of goods or services through Facebook.

About the Authors

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