Viewpoint

Business models fragment to engage consumers more directly

In the past, the E&M industry was characterized by a handful of generic, tried-and-trusted revenue models that had proved their worth in each segment. In the industry landscape of 2013, the models for generating revenues will be more diverse, more targeted, and developed on a bespoke basis to suit specific user experiences, customer segments and geographical markets. The outcome will be an E&M industry characterized by a fragmented myriad of business models, with revenue streams tapped into and managed flexibly and dynamically, combining elements such as advertising, subscriptions, sponsorship, and transaction revenues.

This shift will reflect several the themes highlighted in the Outlook – including the advance of consumers' "digital" behaviors, and the emergence of new ad-funded business models underpinned by more targeted, relevant and personalized messages tailored to the individual recipient. A revenue model that works with one particular type of consumer, one particular form of content, or one particular national marketplace may not work with others. So models will be designed and implemented on a case-by case basis to fit the target user, rather than expecting the user to fit around the model.

Managing IP across platforms

This trend will also see revenue models become increasingly cross-platform in scope and reach during the next five years. Currently, most E&M companies derive the majority of their revenues from a limited number of channels. As the migration to online and digital accelerates, effective cross-platform exploitation of brands, characters, titles, programs, or patents will become increasingly critical. This will mean investing in and managing Intellectual Property (IP) assets in a coordinated way across multiple channels to maximize overall profitability.

To do this, companies will need to invest in digitization of archives, more effective rights negotiation capabilities, and search functionality to help consumers navigate their way through the mass of legacy content more easily and thereby monetize it more effectively. They will also have to drive new content hard for mass-market exploitation, including developing better back-end collections management capabilities and exploiting rights more vigorously.

Building communities of interest

One growing manifestation of this trend is that industry players are seizing the opportunity to exploit their IP across platforms and monetize it by building and targeting the communities of interest around it. This is particularly prevalent in sports rights – an area where many broadcasters who initially bought the exclusive television transmission rights to specific sports content are now building multiplatform activities around this content, including discussion groups, online competitions, and Web-based catch-up services. These activities simultaneously strengthen and capitalize on the communities of interest around the particular sport.

As E&M companies consider and plan these investments, a further challenge is the nation-based and highly fragmented nature of media and privacy regulation. Regulation has always presented challenges, not least through ownership restrictions. Over the next few years, as ad-based models become more reliant on personal data to facilitate targeting and relevance, privacy regulation will come increasingly to the fore—especially in such areas as personal confidentiality and opt-in/opt-out ad models. However, our view is that solutions will be found, and that while regulation may sometimes present bumps in the road on the migration to digital, it will not stop progress.

A common factor in many of the most successful models of the future will be the ability to collaborate with partners. Such collaboration takes two forms: (1) collaboration on revenues to open up and exploit new areas; and (2) ongoing cost sharing to operationalize the shared benefits. To be a winner in the world of 2013, the key will be to find an equitable way of sharing both the risks and the rewards for mutual advantage, while also keeping the cost/value equation positive for consumers.

Going forward, we expect that the successful models will be those that provide enough product differentiation from free or low-cost substitutes to generate revenue either from consumers or advertisers or—ideally—from both.