

Advisory services

Navigating the era of the empowered consumer*

A conversation among media, content, distribution and advertising executives

*connectedthinking

Working together to
turn uncertainty into
opportunity

In March 2008, PricewaterhouseCoopers facilitated a day-long conversation among 36 leading advertising, content, distribution, and media professionals. Joining them were PwC industry leaders and practitioners from across our global entertainment, media, communications, retail and consumer, and technology practices. The gathering brought together a diverse group of executives to explore the rapidly evolving technologies and changing consumer behaviors that today are creating uncertainty around how companies do business, reach consumers, and monetize products and services.

The objective was not to reach definitive conclusions, but to step out of our day-to-day roles and into the lives of today's empowered consumer and explore the future together. The discussion challenged participants to collaboratively face an uncertain future, despite the divergent interests their individual companies represent. Shining a light into the void and illuminating multiple possibilities and paths forward, executives worked together to forge a fresh foundation of insights into the risks, opportunities, strategies, and alliances that might help companies successfully navigate in uncharted waters.

Executives entered into the experience with similar concerns and questions. Many readily acknowledged the rapid emergence of an on-demand environment in which consumers are in control and companies must deliver on their rising "anytime, anywhere" expectations. At their companies, many were immersed in the business implications of the global explosion of mobile and online platforms, a rising consumer preference for free, ad-supported media, rapidly changing consumer behavior, the rising influence of new, more participatory media, led by social networks, and the trend toward individually customized experiences.

Fueling the sense of urgency is the pace of consumer-led change and the reality that current business models have yet to catch up. Said one content executive at the outset of this process, “We go into every meeting recognizing that the world is flipped on its ear every week.” Another concurred, saying “The consumer mind share and time share is moving forward, yet the advertising community hasn’t caught up.” Advertising executives, too, recognized the need for fundamental and fast adaptation. “Consumption of media has changed entirely. Even if we don’t have perfect measurements for it, we can tell that this shift is real. I worry about people moving too slowly.”

At the end of our day, participating executives said they left the experience with fresh perspectives and greater visibility into valuable next steps for their businesses. Noted one advertising executive, “I realized that as consumers take more control of the information advertisers have about them, the way that we approach or participate in that could be dramatically different. I wrote the note, ‘be inclusive with consumers and make that more operational.’” Another media executive noted the value of big-picture scenario planning. “I’m used to doing red-flag scenarios,” he said. “But exploring how big shifts in the marketplace can affect you, I don’t think today in our business we really challenge ourselves enough to do that.”

Above all, there was a clear sense of the value of collaboration—both across the industry landscape and with consumers themselves. As one content executive noted, “What’s been most valuable is the cross-functional element—just hearing different perspectives from across the whole value chain.” The bottom line? By listening to the next generation of customers and to one another, entertainment, media, and distribution companies can transform uncertainty into opportunity.

“I was overwhelmed by how fast everyone’s taking at face value that consumers will be empowered, that things won’t be pushed to them but customized for them, content will be cheaper or free and advertising will be seamless. The speed of change and the acceptance of consumer empowerment is faster than I anticipated. Being on the pulse and being able to change course is important.”

—Content Company Summit Participant

Roadmap

Engaging empowered consumers p. 8

Content, media, distribution, and advertising companies increasingly find themselves transitioning into an on-demand world, where consumers expect that an ever-widening array of content, information, advertising, and services will be available to them anytime, anywhere—often for free. The rapid emergence of vocal, engaged, and empowered consumers challenges companies to confront the many uncertainties these technology-enabled trends present to their businesses. Through greater collaboration and by embedding relevant digital consumer conversations into their operations, companies can craft innovative strategies for the future.

Exploring the possibilities p. 18

Facing a rapidly evolving future when the consumer will be in control will require unprecedented understanding of the insights, needs, and objectives of both consumers and media companies. Stepping into the lives of next-generation consumers and exploring future scenarios in a collaborative fashion can enhance visibility into what's next and nurture adaptive strategies for success in era of the empowered consumer.

Confronting uncertainty p. 34

Each group of Executive Summit participants was asked to select four critical uncertainties to collectively explore. Participants were not asked to be predictive, only provocative.

What this means for your business p. 38

Ten themes and ten questions to take back to your business.



Unexpected Future
Create another story about the future that is challenging, plausible and relevant.

Alternative Future
Create a different story about the future, and the challenges and opportunities it presents.

ME
What if...
What if I...
What if...

Use the critical sketches. For d

to change

Engaging empowered consumers

Welcome to the era of the empowered consumer, in which companies are challenged to adapt and innovate in a diverse anytime-anywhere (and often free) world

With consumers undoubtedly in control, companies need to step away from traditional business models and collaborate in new ways both with each other and directly with their customers. In a world of tightening margins, a widening array of platforms and content, and an increasingly global reach, success requires facing an uncertain future, building a collaborative roadmap, continually responding to evolving consumer wants and needs, and embracing and monetizing the buzz word of the moment — “change.”

Listening to the wide variety of digital consumer conversations underway today — about your customers, your company and your competitors — and incorporating their perspectives into your organization’s day-to-day operations can help illuminate the path forward.

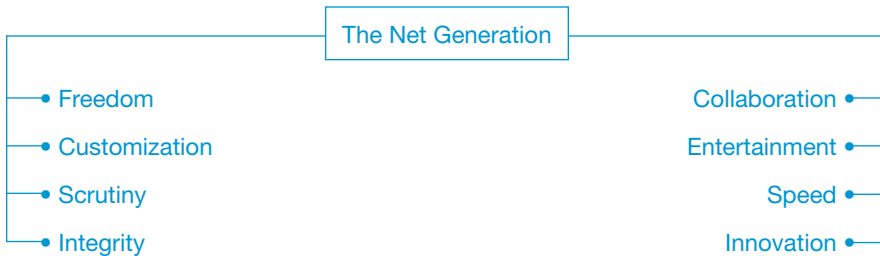
Meet the Net Generation

When 11,000 members of the global Net Generation share their views, companies need to listen—and adapt.

To frame the day’s activities, we began our executive summit with an in-depth presentation on the much-touted Net Generation. The first to grow up bathed in bits, this 88-million strong cohort has “no fear of technology... to them, it’s like the air,” said summit keynoter Don Tapscott, founder and CEO of nGenera Innovation Network (FKA New Paradigm) and author of *Wikinomics* and *Growing Up Digital*. Tapscott and his company routinely study and converse with more than 11,000 members of the under-30 set from around the world.

Don Tapscott outlines what is “normal” daily activity and expectations for the Net Generation based on his studies.

Net Generation Norms (Graphic provided by Don Tapscott)



At the summit, Don spent time in conversation with four prominent Net Gen’ers, and as a result, the myths about “kids these days” came tumbling down.

Motivated. This is a generation of doers. The workplace will have to change to catch and keep their interest. The often slow pace of decision making is frustrating to a generation that wants to fix what’s broken and get on with it. To win the talent wars, work and fun must not be mutually exclusive and the pace of innovation must pick up. On virtually every front, speed matters. Email is the new snail-mail. Real-time text and instant messaging are the new currency of connectivity.



Informed. Less time watching the evening news or reading a print newspaper does not necessarily mean less informed. “I think by not reading the newspapers, I just have cleaner hands. Just because we’re not watching local news or reading newspapers, doesn’t mean we’re not getting the latest information.”

Note to traditional media: Don’t expect the Net Generation to take your word for it. Studying multiple points of view to get at the truth is a common practice for a generation that came of age feeling the need to authenticate online conversations.

Skilled. Because this generation grew up actively engaged with media, their brains are wired differently. Those who dismiss gaming and social networking miss the underlying skills they nurture. One Net Gen panelist, a “lieutenant general” in the popular online gaming community World of Warcraft, noted that while he regularly coordinates a 40-man team, by day he goes to business school, and he sees a connection. “Gaming,” he said, “lets me try out leadership styles and helps me understand that one leadership style for one person doesn’t necessarily work for the rest of the organization.”

Another panelist noted that his younger sister has 500 friends on Facebook, which he believes has helped her develop an aptitude for managing relationships.

Connected. Net Gen’ers spend a significant portion of their non-school time on the computer, whether completing a school assignment or watching videos on YouTube. Around the world, the Net Generation would rather live without television than the Internet. And don’t assume more time in front of the PC cuts into real social interaction. Only their TV time is cut back, because it is too passive to capture their undivided attention (although it’s often a welcome element in their self-created multitasking environments).

Net Gen panelists had some advice to the brand providers that want to build a relationship:

Pull, don't push. While they may skip ads on their DVRs, Net Gen'ers say they still receive plenty of marketing—on their terms. As one Net Gen panelist noted, “It's the responsibility of advertising executives to get us to want to be involved in their marketing.” The best advertising for her generation, “is not pushed on us.” Be interesting,” she says, “and you'll draw us in.”

Be transparent. Net Gen'ers appreciate efforts to leverage their personal information to deliver more relevant content and advertising, but companies must be upfront about how and when they use this data. “If you try and hide it, someone will find out. Who do you want your consumers to hear it from?”

Offer choice—and a deal. If you want to experiment with close monitoring and use of online behavior, allow consumers a choice of whether or not they want to participate. Better yet, give them incentives, such as discounts or free add-on services.

Make information easily accessible. Young consumers say they hear about products and services primarily through word of mouth. Once they hear about your brand, make sure it's easy for them to get information. Panelists specifically gave kudos to Amazon and Progressive Auto Insurance for offering one-stop price comparisons. “Amazon will show you the prices from other stores, even if they are lower,” noted one panelist. “Often, I'll buy from Amazon, because I feel they've earned it.”

Incorporate Net Gen' viewpoints into your operations. As one panelist aptly put it, “We all need mentors twice our age and half our age.”

“World of Warcraft enables deeper socializing. When you were young and hung out at the mall, were you doing quests, working together and solving problems? Probably not.”

—Net Gen Panelist

Consumer shouts and whispers

Consumer Discovery Sessions

To provide summit participants a real-time glimpse into the lives of the empowered consumer, the night before the summit PricewaterhouseCoopers invited 18 New York-based consumers to talk about brands, technology, and advertising. Below are composite sketches that summarize consumer “shouts” and “whispers,” which are clear signals from your next generation of customers about their expectations for your brands.

Consumer shouts

Be real. Be upfront with me about your products and policies. That thing you don’t want me to know? I’ll find out anyway, and if I hear it from you, I’ll give you credit for being straightforward.

Don’t patronize. If you’re trying to sell me clothes, show me your clothes. Trying too hard to be cool often backfires.

Be relevant to my life. I know that we no longer live in a broadcast world. I expect a personalized, two-way relationship.

Don’t expect me to take your word for it. I don’t take anything at face value. Make it easy for me to get objective information about your company and your products and services. I trust my friends and open communities of independent scrutinizers—not you or any one source of information.

Respect my personal space. Entry into my most personal communities—my social networks and my cell phone—is by permission only.

Entertain me. I want information, but I prefer to be entertained. Whether I’m watching a TV show or a pitch for your products, make me laugh and I’ll remember you fondly.

Don’t forget the basics. Quality and value still come first. Provide a good service at a great price, and you are most likely to succeed.

“One of the whispers I’m hearing is that ‘relevant’ means not just relevant to who I am, but *where* I am and what I’m doing at that time.”

—PwC Summit Participant



Consumer whispers

Consumer “whispers” are subtle and fresh potential clues of what’s to come. Here are two our group heard in New York. Passing fads or fresh ideas? You decide.

Save me from myself. When asked about the possibility of enabling commerce via cell phones, several consumers had an intense reaction that surprised many summit participants. “I would get kicked out of the house,” one consumer noted. “I would be ordering stuff that’s useless. Now, you don’t have a limit because it’s on your phone.”

When I call tech support, don’t ask me to reboot. Could this tech-savvy generation cause a tech-support train wreck? Noting the frustrating series of basic requests they often must navigate with tech support before getting to real solutions, one youth observed that “there should be a different line if you know what you’re talking about.” An innovative solution likely would require more effort. Fleeting gripe or a fresh opportunity to differentiate from the pack?

“As you think about the connected consumer, you tend to think about ‘the wow.’ I was really struck by the basics— just getting those technical benefits right.”

—Advertising Company Summit Participant

Exploring the possibilities

Stepping into the lives of next-generation consumers and collaboratively exploring possible future scenarios can enhance a companies' ability to successfully navigate the many uncertainties presented by the era of the empowered consumer.

Facing an uncertain future where the consumer is in control will require unprecedented understanding of the insights, needs, and objectives of companies across the media spectrum.

During our day of exploration, executives were asked to identify a set of critical uncertainties facing the industry, assign a provocative name to their scenario, and map out potential risks, opportunities, outcomes, and implications should these uncertainties become realities.

Some teams chose to explore the most likely scenarios, while others chose to analyze more extreme predictions of what the future might hold. While not always probable, each of the circumstances explored in the following pages was believed to be plausible. (For a complete list of the uncertainties explored, see page 36.)

These scenarios are not meant to be exhaustive or predictive, nor do they speak to the formal views of any organization, including PricewaterhouseCoopers. They demonstrate only that provocative ideas and analyses can come from bold collaboration across the entertainment, media, advertising, and distribution landscapes.

Future visions

Each executive team was asked to identify four critical uncertainties, contemplate the future their four factors might combine to create and assign their scenario a no-holds-barred name. As you see below, each team chose its own unique path. Turn the page to read more about their nine distinct journeys.



Leapfrog growth

- Dominant platform for media will be based on today's technology
- Consumers will regard advertising on mobile as fair game
- Consumers support media indirectly through advertising
- Expanding market opportunities driven by growth



The tipping point

- Transition to an "on demand" world happens quickly
- Consumer spending influenced by advertising that is well timed and relevant
- Consumer's preferred platform for media fragment
- Advertising as we know it moves into the background



Power of consumer choice

- Prices consumers pay for media keep falling toward zero
- Privacy evolves toward greater variability by age and culture
- Consumers will prefer media that lives on servers
- Consumption of user-generated content will continue to grow



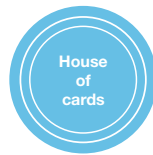
Consumer Nirvana

- Dominant platform for media is different from today's technology
- Consumer spending influenced by advertising that is well timed and relevant
- Advertising as we know it moves into the background
- Prices consumers pay for media keep falling toward zero



H#ll in a handbasket

- Intellectual property is a declining source of revenue
- Transition to an "on demand" world happens quickly
- Prices consumers pay for media keep falling toward zero
- Google becomes a creator of original content



House of cards

- Consumer's preferred platform for media fragment
- Prices consumers pay for media keep falling toward zero
- Transition to an "on demand" world happens quickly
- Google remains a connection between consumers



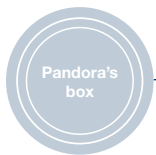
Dr. Evil is the consumer

- Advertising market as we know it today collapses
- Consumer spending influenced by advertising that is entertaining and easily shared
- Consumption of user-generated content will continue to grow
- Interactive computer/video games will grow



Glued to my network

- Advertising as we know it moves into the background
- Consumers will regard advertising on mobile as fair game
- Commercially people find media and products through social networks
- Interactive computer/video games will grow



Pandora's box

- Advertising as we know it moves into the background
- Brands will primarily be built around experiences and events
- As mobile grows as media platform carriers become one of many
- Intellectual property is a stable or growing source in BRIC

Open source innovation

Will the next great thing at your company come from outside its four walls? Riding the next wave of collaboration.

A major retailer has a challenge: In one week, it needs to present 25 original ideas to a business partner halfway around the world. The company needs innovative ideas—fast.

Rather than buying the local Starbucks to hyper-caffeinate its own busy workforce, the retailer calls on the Big Idea Group (BIG), a global community of 14,000 inventors and creative problem solvers. Within 24 hours, the client has 290 proposed concepts. An additional 24 hours later, prototypes are ready. The company walks into its ultimately successful meeting in China with 25 big ideas and appears to have barely broken a sweat.

BIG CEO Michael Collins joined our executive summit to talk about outsourcing innovation. With technology bringing collaboration costs down, open-source innovation offers tremendous new efficiencies to companies around the world. Currently, there are 150,000 open-source applications underway today. Could they prove disruptive to traditional business models? Absolutely. But they also could point the way to how companies adapt, embrace, and capitalize on this new way of doing business.

Products for leading brands increasingly are being developed outside the four walls of the company. “No longer is Wall Street raising its hands and clapping when a company says it is spending \$8 billion on R&D,” said one participant. “Open innovation is about how you get to ideas faster and more efficiently. It’s recognizing that a good idea can come from anywhere and creating structures that can recognize good ideas more efficiently.”

Scenario 1: “Leapfrog growth”

Scenario participants

- Advertisers
- Agency
- Content providers
- Device

What if growth is driven by emerging markets, consumers prefer free content, relevant mobile ads are fair game, and the dominant media platform is one we know today?

One jaw-dropping fact inspired this team: 261 million cell phones subscribers in India as of March 2008. Is this new world of customers and mobile ads in play? Definitely worth a closer look. This global, mobile society is borderless, informed, and always seeking to stay connected. Innovative uses of technology can come from any corner of the globe. Technology is reliable, optimized and efficient. Business models rely on higher volumes to enable pricing moderation.

Content is bifurcated. At one end, we see efforts to capitalize globally on mega-hits. At the other end, we see the continued rise of nonprofessional content. The battle lines have been drawn: can UGC command ad dollars, or will those dollars flow to the continuously emerging stream of professional-grade content that looks good on traditional televisions. Once the ad-supported model prevails on mobile, its modern-day dominance solidifies.

Possible events include consolidation of mobile handset manufacturers, the fine-tuning of algorithms that enable innovations such as individual targeting and global film launches. User-generated content receives major entertainment industry recognition. As ads become more effective and markets globalize, consumer demand grows. Google and YouTube emerge as genuine peers to traditional media heavyweights. Everything becomes contextual from the ads on your mobile phone to the Internet you search online.

In a global marketplace, are brands adequately accounting for local cultures and rules? In the content free-for-all, how do companies differentiate? Winners are GPS-enabled mobile search, and ad ventures in tune with next-generation strategies. Most threatened are distribution companies that lack a mobile connection to the consumer and, if there remain inadequate global protections, rights holders will also be threatened in an environment where content flows freely across borders and media platforms.

Scenario 2: “Power of consumer choice”

What if prices keep falling toward zero, privacy concerns vary by age and background, user-generated content continues to grow and consumers prefer to store their media lives on remote servers rather than personal devices?

Consumers are in the driver’s seat, but in a “free” world, can content and distribution companies put gas in the car? Or do consumers turn to one another for entertainment, community, and a more real experience? The popularity of YouTube and the rising ubiquity of social networks might be early indicators of this world’s arrival. This future is entrepreneurial, chaotic, and full of variety, with ever-changing business dynamics.

Expect a “rich-get-richer” star system. Intellectual property models change. Companies must adapt to lower margins and new business approaches. Work itself is redefined by this more collaborative, tech-savvy generation.

Expect continuing convergence in the entertainment, media and, communications space as companies seek strength in numbers and complementary assets and skills. More R&D shifts to the “clouds” to enable a server-based environment. Collaboration among users grows more sophisticated and unleashes a geyser of innovation.

As user-generated content grows into a substantial portion of television content, Washington raises an eyebrow: Should the Federal Communications Commission oversee it? Within three years, one targeted advertising effort is viewed as going too far and a precedent-setting privacy lawsuit emerges.

By 2013, as personal data moves around the world, there is rising demand for a global watchdog. The music business begins to turnaround as it embraces new business models. Large towns deploy free Wi-Fi networks. Print versions of newspapers are too costly to produce. Television becomes even more interactive as a powerful two-way connection to the home becomes the norm. Unable to maintain its closed culture in a connected world, China faces a political crisis.

Scenario participants

- Advertisers
- Agency
- Content providers
- Distribution companies



With everything free and on-demand, consumers face info-tainment overload, favoring companies with robust capabilities to help consumers navigate technology and filter content to easily customize their experiences. Companies must maintain transparency and trust and identify ways to undo mistakes.

In a fast-changing environment with smaller margins, there are fewer filters for advertisers. This means more risk that brands might become associated with off-brand content. But the greatest risk remains the inability or unwillingness to cede some control and ease away from traditional business models.

As formidable as this scenario appears at first glance, opportunities remain. In a connected, global society, goods and services can have a broader reach. There are greater opportunities to know your customers and better engage them both as buyers and, potentially, as co-creators who have a say in future product development.

The winning formula: quality plus integrity plus a compelling consumer experience. In this reality, companies must be nimble and flexible and have a global orientation. The big winner, of course, is the consumer. But opportunities exist for the companies most willing to adapt to the world around them.

Scenario 3: “H#ll in a handbasket”

What if prices continue to fall toward zero, the on-demand world emerges quickly, Google becomes a major content player and intellectual property becomes a declining source of revenue?

More likely: Prices are stable and Google steers clear of big content plays. But since we rarely get the world we expect, this team explored an alternate universe, where the heat is on.

With Google transitioning from collaborator to direct competitor, expect disruption. With the rising dominance of Google’s free, ad-supported content model, the rise of the Net Generation, and rampant deal-making between content and technology firms, is there evidence that this world may be emerging?

Amid an avalanche of content, the advantage goes to companies that leverage discovery tools, particularly for video. Trusted communities rise in value as consumers discover content through word of mouth. Yet advertising grows in importance, since it fuels free business models. Quality of content suffers as revenues for development grow scarce.

Perhaps Microsoft buys Yahoo. Perhaps others seek similar alliances, challenging Google’s dominance. Look for the emergence of the “my channel” concept, where individuals act as programmers of their own content. Expect advertising to monetize this trend.

The Holy Grail would most likely be a system that allows for aggregating consumers in a way that replaces declining revenues from traditional business models. Ultimately, the winners would be advertising tech ventures that unlock the value of an individualized, free, on-demand world. And the most threatened would be the companies that cannot adapt.

Scenario participants

- Advertisers
- Content providers
- Distribution companies

Scenario 4: “*Dr. Evil* is the consumer”

Scenario participants

- Advertisers
- Agency
- Content providers
- Distribution companies

What if consumer spending is influenced primarily by entertaining ads, advertising as we know it collapses, and video games and user-generated content keeps growing?

Welcome to the rise of the “prosumer”—the consumer as producer of content. Advertising in this setting is highly personalized and experiential. Gaming is mainstream entertainment, and advertising models are on the move.

What if what we know today as the video game breaks free and becomes a more collaborative, active, and engaged user experience that deeply influences other content and media?

This is an innovative, personalized, direct-to-consumer viral world. Society grows highly connected and collaborative. It is open, transparent, curious, participatory, and socially conscious. Content moves seamlessly across agnostic devices. Economies of scale enable lower-priced transactions. Branded entertainment moves to the forefront.

This world would witness a decline in scripted content, a mega-merger of a top search company and gaming brand and, ultimately, the death of the 30-second spot. One risk is that consumer interest in the novelty of producing content will cool. The winners in this scenario would be those who marry gaming and UGC with deep consumer insights; distributors with both wired and wireless services, and consumers themselves.

Now, if only the transitional costs could be kept to the sum of “one million dollars” that was demanded by the memorable (if not inflation-adjusted) *Dr. Evil* of the Austin Powers film franchise.

Rise of the 'Pro-Sumer'

Kiss that couch potato goodbye. Today's consumer is active, engaged and increasingly a producer of content.

MySpace has 220 million members. A new blog is created every second of every day. What's next? According to Tapscott, "Social networking is becoming social production and beginning to fundamentally change the way we innovate and the way we engage with the rest of the world."

Today, he says, the Internet is evolving into one computer enriched with many services. "Every time you go on the Web, you are programming the Internet. Essentially what we have today is one global computation platform for collaboration."

While the full-length feature film hasn't changed much in its basic architecture, we routinely see people today insert themselves as active heroes in their own stories, guiding narratives and plot outcomes in the video game industry.

This interactivity is most prevalent among the Net Generation. While on average, baby boomers watch 24 hours of television per week, Net Gen'ers turn on the computer and create individual multitasking environments. "The TV may be going in the background. But rather than being a passive recipient of someone else's broadcast, they are reading, collaborating, authenticating, and telling their stories," Tapscott explains.

Virtual worlds also reflect the rise of the pro-sumer. More than 90 percent of the product of popular virtual world Second Life is created by its inhabitants. Even television with a twist is emerging. Current Media teaches its online user community to create their own news clips. Through collaborative filtering, the most popular make their way to broadcast on the company's TV network, where nearly half of all content comes from Current Media's community of consumer/producers.

Scenario 5: “Pandora’s box”

Scenario participants

- Advertisers
- Content providers
- Distribution companies
- Technology

What if advertising integrates seamlessly with other content; the mobile platform opens; intellectual property is a stable or growing source of revenue and brands are primarily built around experiences?

This group chose to explore a future they deemed likely—one that is dynamic, opportunistic and dis-intermediated. In this birds-of-a-feather society, people with like interests congregate and collaborate. Transparency is a way of life for consumers and businesses. Technology is ubiquitous and delivers anytime-anywhere satisfaction. Collective interests lead to greater collective responsibility, making socially conscious behavior the norm. And, Pandora’s proverbial box opens when economic models shift as the cost of collaboration virtually disappears.

Data is king and content is its queen - in many ways this is true in our world today. In 2008, we see collaboration across the value chain. Competitors are working together to deliver a more powerful experience, while still competing in their core content or service creation. Companies from different parts of the value chain are also collaborating to deliver the complete experience to consumers. Within three years, low-cost content and media will be the norm and value will be created by building unique experiences. In five years, technology and daily life may well fully integrate. Products will become disposable as consumers chase, not to the next new thing, but the next new experience that connects them more easily and automatically to content, other people, and even advertising relevant to their interests.

This world favors tastemakers and aggregators of premium experiences. Expect the emergence of life concierges—services that make it all easy, accessible, and unique.

Opportunities surface through collaboration across categories. Decisions are data-driven and directly responsive to consumers. The winners merge technology, data, and search. Most threatened are those that do not embrace collaboration and innovative approaches.

Scenario 6: “The tipping point”

What if ads integrate seamlessly with other content, consumers prefer multiple platforms and relevant advertising, and the on-demand world emerges quickly?

This is the world we live in today in many ways, and its all about you (as *Time* magazine declared in 2006). This is an integrated, personal and self-selecting world of actively engaged consumers who prefer to seek out products, services, content, and information rather than have it served to them.

Society is dominated by large groups with common interests, and a culture of openness and authenticity prevails. In politics, we see increasing grassroots participation and accountability.

Early signs of this world’s emergence could include a ‘broken’ broadcast television upfront where substantial blocks of advertising for the fall television season go unsold. Later developments include a major city going without a daily print newspaper.

Here too, consumers are active producers of content. The bar for customer service reaches new heights with rising expectations that consumer perspectives will be incorporated into products and services. Risks revolve around lack of brand control and keeping busy executives in touch with the needs and views of the Net Gen consumer.

Can devices themselves become more individually consumer-centric? What about branded entertainment? Brands will spend less per lead as advertising grows more efficient. Most threatened are content providers and device manufacturers that risk commoditization if they fail to develop direct, dynamic customer relationships of their own.

Scenario participants

- Advertisers
- Agency
- Content providers
- Measurement

Summit participants were asked if they believed consumers in the future would store their content on personal devices or on remote servers. By a 10:1 ratio, executives said that the future of anytime-anywhere content— from movies to medical records— lies in remote Internet cloud technology.

Scenario 7: “Consumer Nirvana”

What if prices keep falling toward zero, the dominant platform of the future is different from what we know today, and relevant ads integrate seamlessly with other content?

In this free, relevant, and seamless environment, content revolves effortlessly around consumers’ lives. Consumer transactions become permission-based, driven by opt-in interactions. Technology is user-friendly and intuitive. New economic models dominate, and key emerging markets gain global influence. The current deregulated environment remains largely intact and continues to drive innovation.

Free, customized online video threatens the traditional cable subscription model. Both content and advertising reflect an increasingly intimate understanding of individual consumers.

Three years out, a new dominant platform emerges—one box that delivers all media at any time and almost always for free.

Objectivity, trust, and validation are prerequisites for relationships between brands and potential customers. Consumers understand what technology makes possible and expect to be continually delighted by innovative content, delivery methods, business models, and customer service.

Middlemen must re-position themselves in the value chain as direct-to-consumer relationships prevail. As costs go up and revenue declines, new markets are vital. Growth hinges on new ad revenues, satisfied customers, and diversified content. Winners pull it all together for consumers and brands, working at the intersection of data, navigation, and consumer behavior. Consumer nirvana and status quo nightmare: technology makes it possible, but bold, adaptive strategies might just make it viable.

Scenario participants

- Advertisers
- Agency
- Content providers
- Distribution companies

Scenario 8: “House of cards”

Scenario participants

- Advertisers
- Agency
- Content providers
- Distribution companies

What if Google remains a connection tool rather than a content competitor, the on-demand world emerges quickly, consumers continue to embrace multiple platforms, and content prices keep falling toward zero?

The group exploring this scenario didn't believe it was likely to come to pass; rather, in their opinion, prices will stabilize and the on-demand world will emerge at a steady pace. Nonetheless, they felt this more disruptive world was worth exploring.

Business models must change as consumers demand more free content. This leads to an open-source world in which companies and consumers collaborate to create everything from software programs to content. Production costs fall. Brand owners have deep insights into individual consumer behavior and preferences. In this open, seamless world, pressure mounts to resolve intellectual property rights issues of value and fair use. Ultimately there is a flight to quality and consumers prove willing to pay for a premium experience.

Potential milestones—Apple delivers the “killer app” by unlocking its iPod and making its code available to collaborators. Rather than one breakthrough at the Consumer Electronics Show, 10 emerge—half of them from shockingly young inventors. Regulatory issues over rights are largely resolved.

Advertising agencies are vulnerable if aggregators and media owners believe they can speak directly to consumers. But agencies that offer deep-dive consumer insights can capitalize by helping companies establish one-to-one relationships. Opportunities also abound for those who can aggregate content across both broadband and wireless platforms.

Can consumers brand your company?

Many companies listen to their customers, but are they truly ready to share control of their most precious assets?

A major carmaker asks consumers to take footage of the company's sport utility vehicles and craft their own commercials. The result? An avalanche of negative user-generated ads claiming SUVs harm the environment. When incorporating consumers into your brand, the path from nice idea to strong execution can be treacherous. Representatives from leading brands and a top ad firm discussed this dilemma at our summit.

Focus on the horizon. "Companies that succeed long term consistently believe that certain values transcend day-to-day pressures," said Brett Shevack, vice chairman, brand initiatives, BBDO New York. "The consumer is our boss. Companies need to not only respect this fact, but invest in it."

Consumers value real connections. "As we open up our brands, we say that we're not perfect, and our consumers begin to understand that we are no longer fully in control," explained Mary Page Platerink, director of global customer strategy for The Coca-Cola Company. "The minute we begin regulating and taking down the bad, it becomes less dynamic."

Honesty strengthens bonds. "Only a good friend will tell you that you have a bad haircut," said Anne Murray, senior director of marketing communication at Southwest Airlines. "Consumers like having a voice in the brand. They will go to extraordinary lengths to help the brand succeed because they feel part of the community."

Scenario 9: “Glued to my network”

Scenario participants

- Advertisers
- Agency
- Content providers

What if people find media and products through social networks and word of mouth, advertising becomes integrated, gaming grows, and mobile ads are fair game?

This is a richly interactive, transparent and personal world. Consumers become brand advocates. Privacy rules must be respected. Society is friendly and global. Technology is server-based, delivering content anytime, anywhere.

Your network is always with you and creates an environment unique to your personal needs and interests. User-generated becomes users-generated, as mass-collaboration shapes our personal and professional lives. Companies become embedded in their customers’ lives and embrace the economics of relevancy, moving away from traditional one-way broadcast models.

Social networks become ubiquitous tools in virtually all consumers’ lives. Technology barriers between devices and platforms come down and broadband capacity is virtually unlimited, unleashing the full HD/3D potential of Web 3.0.

Consumers want a seamless environment, low prices, and personalized content and advertising. The risks are by now familiar: Loss of brand control, the need for new business models that adequately monetize content, and reduced barriers to entry with rising collaboration and user-generated material.

Opportunities include access to everyone at any time, closer consumer relationships, and rapid innovation in a shared, open world. Distribution companies and aggregators win. Print newspapers transition entirely into the virtual world.

Confronting uncertainty

Each group of Executive Summit participants was asked to select four critical uncertainties to collectively explore. Participants were not asked to be predictive, only provocative.

Most likely to proceed?

Our uncertainties are like coins—toss them in the air and you have two potential outcomes. With some, our executive teams gravitated to one particular side of the coin; with others, some teams opted for “heads” while others chose “tails.” Will intellectual property be a declining source of revenue or an area of future growth? Will the dominant platform of the future be one we know today or something entirely new? Only time will tell, of course.

Popular uncertainties with one endpoint chosen

	Leapfrog growth	Power of consumer choice	H#ll in a handbasket	Dr. Evil is the consumer	Pandora's box	The tipping point	Consumer Nirvana	House of cards	Glued to my network
Consumer's preferred platform for media fragment						•		•	
Advertising as we know it moves into the background					•	•	•		•
Prices consumers pay for media keep falling toward zero		•	•				•	•	
Consumption of user-generated content will continue to grow		•		•					
Transition to an “on demand” world happens quickly			•			•		•	
Interactive computer/video games will grow				•					•
Consumers will regard advertising on mobile as fair game	•								•

Popular uncertainties with both end points chosen

	Leapfrog growth	Power of consumer choice	H#ll in a handbasket	Dr. Evil is the consumer	Pandora's box	The tipping point	Consumer Nirvana	House of cards	Glued to my network
Dominant platform for media will be based on today's technology and will be different than today's technology	•						•		
Intellectual property is a declining source of revenue and a stable or growing source			•		•				
Google remains a connection between consumers and becomes creator of original content			•					•	
Consumer spending influenced by advertising that is entertaining and easily shared and well timed and relevant				•		•	•		

Here you see the complete set of uncertainties generated. Which do you see as most likely and which could have the greatest impact on your business?

Market uncertainties—Conversation can lead to change

End point	Uncertainty	End point
Has converged around a single primary device	The consumer's preferred platform for media display	Continues to fragment toward a growing number of platforms
Will be based on today's available technologies	The dominant platform for distributing and receiving media	Is likely to be quite different from today's technology
More pronounced	Culturally based preferences among audiences/consumers become	Less pronounced
Directly through subscriptions and pay-per-use models	Consumers primarily support the media they consume	Indirectly through advertising and other models
Comes further into the foreground, becoming more visible and ubiquitous	Advertising as we know it	Moves into the background, becoming integrated into other content or experiences as seamlessly as possible
A stable or growing source of revenue for rights holders	Intellectual property is	A declining source of revenue for rights holders
Keep falling toward zero	The prices consumers pay for any individual media product will	Stabilize at or near current levels
Western Industrialized Countries (WICs)	Expanding market opportunities are primarily driven by commercial growth in	Emerging giants such as Brazil, Russia, India, and China (BRIC)
Continue to grow as a proportion of people's media consumption	Consumption of user-generated content will	Stabilize or decline as a proportion of overall media consumption
Algorithms	The commercially dominant way people find media and products that interest them will be through	Social networks/word of mouth
Happens more quickly than we expect	The transition to a fully "on-demand" world	Happens more slowly than we expect
Programs and products	Audience attention will be primarily built around	Aggregators and channels
Uniformity across all groups	Privacy concerns will evolve toward greater	Variability by age and cultural background
Surprisingly quick	The transition to full addressability for media platforms will happen	Surprisingly slow
Regional/local market	Strategies for reaching/creating relationships with consumers will more importantly vary by	Age cohort or other non-geographic considerations
Becomes a creator of original creative content	Google	Remains a connection between consumers and other content of all kinds

End point	Uncertainty	End point
Maintain their current media consumption habits	As today's teens and 20-somethings grow into their 30s, 40s, and beyond, they will	Become more like their elders
Today's incumbent providers who have the resources to adapt to a growing number of micromarkets	The increasing use of analytics to measure media consumption will primarily benefit	Non-traditional providers who are discovered to have surprising advantages as compared to traditional outlets
Well timed, well placed, and relevant to the consumer's interest	Consumer spending will tend to be more influenced by advertising that is	Entertaining, memorable, and easily shared
Information and entertainment media	Brands will primarily be built around	Experiences, events, and other non-media channels
Vary by media	Costs of reaching consumers will tend to	Equalize across all media
Largely stabilizes economically and technologically around models available today	The advertising market as we know it today	Collapses as advertisers withdraw from current arrangements in favor of new ways to create and maintain relationships with current and potential customers
High and a durable source of protection for incumbent distributors	The cost of building out and maintaining distribution infrastructure is likely to be	Disrupted by new technologies that put current technologies at a cost disadvantage
Grow significantly, taking both share of mind and share of wallet from other media	Interactive computer/video games will	Remain a part of the media mix, but in a similar proportion to what we see today
On their desktops, set-tops, or in their mobile devices, where they will organize and manage it as they like	Consumers will tend to prefer media that lives	On servers they can access instantly anyplace, anytime, on any device
Quick, effective, low cost, and available on demand	In an increasingly complex environment of devices, networks, and content sources, consumers will be motivated by customer care that is	Delivered as a high-value part of a differentiated consumer experience
Fair game, especially if it is relevant to them or would reduce the cost of their mobile service	Consumers will regard advertising on their mobile device as	Off limits, insisting that the mobile platform is "private"
Carriers remain the primary gatekeepers for mobile services	As mobile grows as a media platform	Carriers become one of many service providers as media companies, device manufacturers, and others access mobile consumers directly

What this means for your business

10 questions to take back to your business



1. *Net Generation.* If consumers who grew up digital look not only at content and media differently, but advertising and brands, what does this mean to our company? How do we stay in tune with their expectations and demands at every level of our company?
2. *Customer metrics.* If eyeballs and impressions are yesterday's yardsticks, are we taking advantage of new tools to better get to know our customers? Do we have the right alliances when we don't have in-house technical skills? And, are we respecting the new rules of privacy so we are not only relevant to our customers, but able to gain and *keep their trust*?
3. *Customer accountability.* In the age of the empowered consumer, are we holding ourselves accountable for meeting customer expectations? Now that we are listening to their conversations about our brands, what are we doing with this intelligence? How can we make their input part of the DNA of our day-to-day operations?
4. *Collaboration.* If collaboration is key to the future, are we building the right alliances today? What kinds of companies do we need to know and understand better? Is our culture and way of doing business open enough to succeed in this collaborative world? If a good idea can come from anywhere, are we adequately tapped into open-source *networks*?
5. *Interoperability.* One clear "shout" from consumers is that they will insist upon a seamless, hassle-free experience while enjoying content across various platforms and devices. Can our company create a competitive advantage here? Are we doing enough to facilitate this progress and capitalize on this consumer imperative?
6. *Letting go.* We heard that companies at greatest risk are those unable or unwilling to adapt their business models and embrace empowered consumers. Are we clinging to traditional ways at the expense of new opportunities and our long-term health? If necessary, are we truly ready to make bold changes to respond to our customers?

7. *Sharing your brand.* How does our company get comfortable with less control over what content surrounds our brand in the “wild west” of new distribution outlets? Can this risk be mitigated or do our expectations need to change?
8. *Regulatory risks.* What are the regulatory risks in this emerging climate? If non-broadcast channels become commonplace, will the government seek jurisdiction?
9. *Harnessing the clouds.* Have we put enough thought into the debate about whether consumers will store their content on their various devices or on remote servers (clouds) that enable anytime, anywhere access? What are the implications to our business?
10. *Global.* Many see the lion’s share of growth occurring in rapidly developing nations that have a fast-growing middle class. In a world where margins may be tighter, are we positioned to pump up the volume in new markets?



Recommended reading

How consumer conversation will transform business
www.pwc.com/em

Consumer intelligence series: The speed of life
www.pwc.com/em

Global Entertainment and Media Outlook: 2008-2012
www.pwc.com/outlook

Be Counted
www.pwc.com/becounted

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Southwest Airlines
Sprint Nextel
Thomson Corporation
Time Warner Cable
T-Mobile.com
Velocity Interactive Group
Verizon Communications
Virgin Mobile USA
Vivendi Games
Warner Music Group
Windstream Corporation
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