

Joining the inner circle of trust: harnessing the revenue potential of the connected consumer

The connected consumer: the 15-second download

- 5 As entertainment and media companies increasingly cross traditional boundaries to compete in each other's core area, the race to achieve relevancy to the individual consumer and a greater share of lifetime value is expanding across all industry segments and into other sectors.
- 10 Those players that achieve relevancy can join the consumer's 'inner circle of trust'. To stay there, they'll need to apply innovation and agility to keep pace with the multi-faceted evolution of tomorrow's consumer.
- 15 Achieving and sustaining a place in each consumer's inner circle will require companies to deliver against four imperatives, grouped around connecting, curation, content, and consumer preferences.



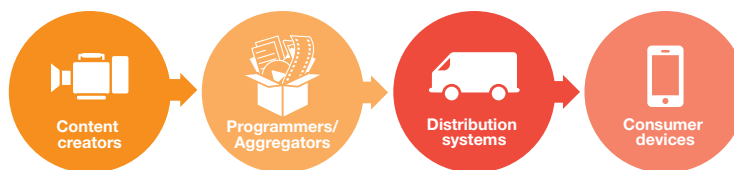
Today's consumers expect to access content whenever, however and wherever they want it across multiple screens and often while consuming multiple pieces of content simultaneously. Our *Consumer intelligence series*¹ research shows that 79% of people in the US view a mobile video at least once a week (*Mobile advertising: What do US consumers want? Cross-country comparison*²), and over 60% of US consumers consider on-demand services important when choosing a subscription package (*Product and services innovation for TV and the Internet*¹). In their race to understand these new consumers, meet their needs and monetise their evolving demands and behaviours, companies across the entertainment and media value chain have been applying innovation and agility, and crossing the old dividing-lines between segments.

The results are clear. Online video distributors are creating premium content, and using it to drive

Fig. 1: The entertainment and media value chain has evolved

Traditionally, the entertainment and media value chain flowed in a linear, predictable pattern.

The traditional entertainment and media value chain



Today linear doesn't work. The value chain needs to be fluid and more adaptable to change.

The evolving entertainment and media value chain



1. www.pwc.com/consumerintelligenceseries
2. www.pwc.com/us/mobileadvertising

Source: *Game changer: A new kind of value chain for entertainment and media companies*, PwC

subscriptions while also licensing it to traditional broadcast networks in some territories. Content companies are going direct to consumers via online and mobile, bypassing established distributors. Telcos are snapping up premium content and using it to drive subscriptions. And advertisers are creating and distributing their own content (See Fig. 1).

Monetising lifetime value through relevancy...

Put simply, everyone is trying to 'eat everyone else's lunch'—expanding choice and reducing cost for consumers, while boosting competitive pressures in a new customer-centric value chain that allows for a customised and personalised relationship. As various players scramble to capture as large a share as possible of each customer's total lifetime value, the competitive dynamics are being further complicated by the entry of a wider array of participants. This trend is intensifying the battle intensifying battle for the end-customer joined by competitors not just from entertainment and media, but from across the entire ecosystem of digitally connected companies—from retailers to utilities, and from device manufacturers to app developers to health providers.

The key competitive advantage that these diverse players are now scrambling to achieve has moved beyond the customer 'experience' to customer 'relevancy'. This aim is no longer to target a consumer segment with an experience designed loosely for that group of people. Instead, companies are looking to drill down to an individual level, engaging and capturing the interest, imagination and spending of a specific individual at a specific time in a specific

place and context, by delivering the message, offer or content that is most relevant to them at that very moment.

...by joining the consumer's 'inner circle of trust'

Companies that fail to achieve this degree of relevancy will find themselves supplanted in their own value chain by rivals that succeed in doing so. And those that do achieve relevancy will be able to join the consumer's 'inner circle of trust'—positioning themselves to capture a greater share of that individual's lifetime value as a consumer.

Sophisticated analysis and application of customer data and the resulting insights will be key to achieving this, while taking into account sensitivities around personal privacy. Our four-country *Consumer intelligence series* comparison of mobile advertising in China, Brazil, the US and UK—*Mobile advertising: What do consumers want? Cross-country comparison*³—shows that between 20% and 30% of consumers in each market say mobile ads 'cross the line into their personal space', with respondents in Brazil and China voicing the least concern. At the same time, consumers—especially in growth markets—are willing to share their personal data if they see value for themselves in doing so, and trust the company collecting it to behave responsibly. Having gained entry to the consumer's inner circle of trust, companies will need to continue to innovate and exhibit agility to stay within it.

Gearing up to engage tomorrow's consumer

As well as sustaining relevancy to consumers today, companies' innovation will also need to evolve

offerings to meet the needs of tomorrow's consumers. A clear attribute will be rising demand for always-on connectivity across a widening array of devices. But within these overall dynamics, three specific evolutionary trends are gathering pace.

The first is that people will no longer accept time-based or geographical windowing of content or any other service or experience. In the pre-digital world, movies or TV shows were released or broadcast in their home market first before being made available to the rest of the world. Today's consumers see such restrictions as unfair and indefensible, and will simply bypass them to get the content they want digitally via legal or—if necessary—illegal platforms.

The second trend is that consumers are accustomed to being able to search instantaneously and interactively for any content, products or services they want, and receive recommendations in return based on their own tastes and interests or on choices made by their friends. Our research shows that 63% of US consumers now look for content recommendations online (*Video content consumption*⁴). And this expectation is spreading beyond online pioneers such as Amazon, Netflix and Facebook to all forms of media, and indeed to all the providers that consumers deal with in every area of their lives.

The third trend is the escalating importance of the 'second screen'. Some 55% of US respondents to our *Consumer intelligence series* research say they use a mobile device while watching TV—and 56% of these are using it to consume content related to the TV show, whether via a content-specific or third-party app (*Video content consumption*⁴). Many

3. www.pwc.com/us/mobileadvertising

4. www.pwc.com/consumerintelligenceseries

are even going beyond the second screen to engage with multiple screens concurrently. Such profound behavioural shifts raise the question of whether the ‘second’ (or even multiple) screen is now actually more important than the ‘first’—and the race is on to understand how it can be more fully monetised in future.

Four imperatives for relevancy

As these three trends continue to shape tomorrow’s consumer, four imperatives have emerged for companies to achieve customer relevancy and trust. These are:

1. Connecting with the consumer

Success lies in speaking to—and providing solutions that meet—the individual needs and interests of the consumer. This means reaching the consumer at the right time and place, and delivering content the consumer wants in the way they want it, so they are compelled to pursue the desired course of action. This type of engagement starts the process of entering the consumer’s circle of trust. But while achieving relevancy, companies must also remember that there is a fine line they must not overstep on privacy.

2. Building an audience: Content discovery and curation

Companies need to deliver a superior viewing experience including user-friendly content curation. Consumers want to be able to find content they know or like across multiple channels and platforms, easily, quickly and at the lowest possible price. They also want to discover new content—and are increasingly looking for recommendations, whether from recommendation engines or friends.

3. The battle for content: Meeting consumer expectations while driving profitable growth

Customers are consuming more content than ever before on multiple screens, and are increasingly demanding more than just traditional content. Companies are competing to produce and/or licence relevant content in an era of short-term, non-exclusive distribution deals. The combination of customer demand with limited content availability is creating more pressure than ever. One solution that consumers value, but where the costs are high, is producing original programming.

4. Advancing relationships: Consumer preferences shape the value of experiences

With consumers becoming ever more demanding and seeking personalised experiences, gone are the days when companies could get away with telling consumers what they will receive. Instead, customers are only willing to accept content and services on their own terms—exhibiting a growing preference, for example, for customising their TV package, and an increasing readiness to watch ads instead of paying fees. Companies need to really understand their consumers’ evolving preferences along multiple touch points in the continuum.

Any entertainment and media company—or indeed any business—that delivers against these four imperatives can access the ultimate destination: the consumers’ inner circle of trust. The prize will go to those who can get there first in the most cost effective manner, and then maintain their position within the circle. The race is on.

Ten questions to ask:

- 1. Has your business ventured beyond its legacy content, sector or business model to reach the connected consumer?*
- 2. If so, in what ways—and with what degree of success?*
- 3. Do you deliver direct to the consumer or via intermediaries/distributors—and might that change?*
- 4. How have the competitive dynamics and players in your core market changed in the past few years?*
- 5. Do you believe that your business achieves ‘relevancy’ that has enabled it to enter at least some customers’ inner circle of trust?*
- 6. If so, how have you achieved this? If not, how do you aim to do so in the future?*
- 7. Do you recommend choices that your customers might like?*
- 8. If so, how do you generate these recommendations? If not, are any of your competitors doing this?*
- 9. What’s your strategy for the ‘second screen’ and ‘multiple screen’ revolution?*
- 10. How well do you feel your business understands its customers’ evolving preferences?*

Outlook insights: an analysis of the Global entertainment and media outlook 2014–2018
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