

The end of TV as we know it

A future industry perspective

Television has an inspiring past, ripe with innovation and popular culture influence. Since its coming of age mid-20th century, generations of TV viewers happily embraced their broadcast experience. For the industry, making a connection with consumers was a pretty straightforward, one-to-many experience...until recently.

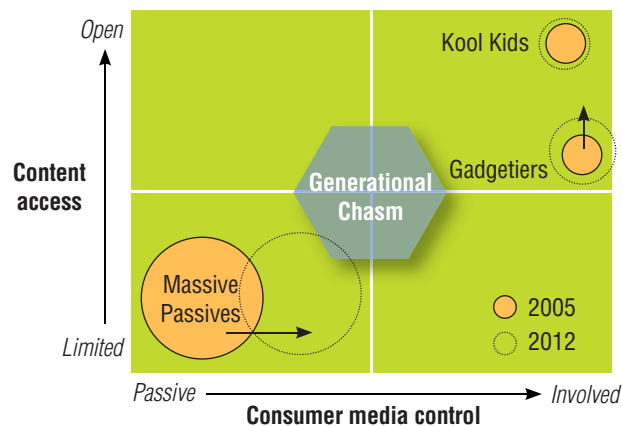
Today, audiences are becoming increasingly fragmented, splicing their time among myriad media choices, channels and platforms. For the last few decades, consumers have migrated to more specialized, niche content via cable and multichannel offerings. Now, with the growing availability of on demand, self-programming and search features, some experiencers are moving beyond niche to individualized viewing. With increasing competition from convergence players in TV, telecommunications and the Internet, the industry is confronting unparalleled complexity, dynamic change and pressure to innovate.

To hone our point-of-view of the mid-term future circa 2012, from both a demand and supply perspective, IBM conducted extensive industry interviews across the value chain and commissioned Economist Intelligence Unit (EIU) primary research in the U.S., Europe and Asia.

Our analysis indicates that market evolution hinges on two key market drivers: openness of access channels and levels of consumer involvement with media. For the next 5-7 years, there will be change on both fronts – but not uniformly. The industry instead will be stamped by consumer bimodality, a coexistence of two types of users with disparate channel requirements. While one consumer segment remains passive in the living room, the other will force radical change in business models in a search for anytime, anywhere content through multiple channels.

The tech- and fashion-forward consumer segment will lead us to a world of platform-agnostic content, fluid mobility of media experiences, individualized pricing schemes and an end to the traditional concept of release windows. Figure 1 illustrates the behavioral differences that will lead to the “Generational Chasm” between the passive mass audience (“Massive Passives”) and leading-edge users (divided into two sub-groups: “Gadgetiers” and “Kool Kids”).

Figure 1. The Generational Chasm: Future state for 2012.



Source: IBM Institute for Business Value.



Given the influence of both segments in the 2012 forecast period, strategists must today work amid fragmentation, divergence and opposition in the market: to optimize across nascent and long-standing business models; across new and traditional release windows; with old and new content programmers; and with both IP and traditional supply chains.

This is the beginning of “the end of television as we know it” and the future will only favor those who prepare today. IBM offers six executive recommendations to get started:

Segment: Invest in divergent strategies and supply chains for bimodal consumer types. Identify, develop and continually refine data-driven user profiles in order to optimize product and service development, distribution, marketing messaging, and service migration. Tailor content, advertising, pricing and reach dynamically.

Innovate: Innovate business and pricing models by creating – not resisting – wider consumer choice with windows, bundles, pricing and distribution. Take risks today to avoid losing position long-term.

Experiment: Develop, trial, refine, roll-out. Repeat. Conduct ongoing market experiments alone and with partners to study “real life” consumer preferences. Invest in new measurement systems and metrics for the on demand world of tomorrow.

Mobilize: Create seamless content mobility for users that require on-the-go experiences. Ensure easy synchronization across devices and without user intervention.

Open: Drive open content delivery platforms to optimize content and revenue exploitation, and to create optimum business flexibility and network cost-efficiency. Position open capabilities to bolster digital content protection with consumer flexibility, and for plug-and-play business upgrades necessary in the fast-changing marketplace.

Re-organize: Assess business assets against future requirements. Identify core competencies needed for future competitive advantage. Isolate non-core business components for outsourcing or partnership. From an external perspective, reconfigure business to exploit market and financial levers to buy, build or team to future competitiveness.

To request a full version of this paper,
e-mail us at
iibv@us.ibm.com

Authors

Dr. Saul J. Berman, Partner, Global and Americas Business Strategy leader, IBM Business Consulting Services

Louisa A. Shipnuck, Global Media and Entertainment Industry Leader, IBM Institute for Business Value

Niall Duffy, Associate Partner, Broadcast Solutions practice leader for Europe, the Middle East and Africa, IBM Business Consulting Services

© Copyright IBM Corporation 2005

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
12-05
All Rights Reserved

IBM and the IBM logo are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both.

Other company, products and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.