



Achieving Digital Superiority

Media & entertainment's uphill battle to transform to digital-first

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Omdia, in partnership with Oracle, interviewed heads of service, marketing, operations, revenue, information, and technology across media & entertainment firms (M&E). The interviews were conducted in May 2020 across the B2C publishing, broadcasting, digital media, filming and entertainment studios, gaming, and sports franchises sub-categories to determine their level of involvement and progress toward digital transformation. The survey also aimed to seek insights to help highlight the critical technologies that enable proactive and relevant digital customer engagements, as well as reveal the barriers to digital transformation.

This resulting Omdia research highlights the business and technological challenges Media & Entertainment firms face in orchestrating engagement with prospects and customers across channels, devices, and their enterprises while monetizing content. It also highlights insights that reveal maturity levels of the core CX capabilities and technologies that are helping to achieve success; as well as future investment plans in emerging technology and digital to enable enterprise omni-channel engagement.

Omdia View

Enterprises face urgent mandate to pivot to digital

Today's M&E consumers not only determine where and when they want to buy and obtain support for their mobile, cable, and internet services, but they are always one click away from switching brands if they are not satisfied with their experience. They expect relevant, personalized interactions driven by their current preferences, recent activities, and latest product and support experiences. They also want to experience their preferred content when they want it and on their platforms of choice.

In response, media and entertainment companies face mounting pressures: they must meet consumers' service demands while monetizing content across the digital sales funnel and creating new revenue streams to stay competitive in the new marketplace. Also, the current crisis has placed an urgent mandate on businesses to digitally transform to interact with consumers where they are. In fact, 59% of respondents cited COVID-19 as the primary digital disruptor affecting their firms. Pivoting quickly will require agility, mobility, and a digital focused business and culture.

At odds, is the high costs to acquire new customers with the high costs to digitally transform. From the survey, 45% of respondents said customer acquisition costs hampered their efforts to digitally transform, while 34% said the cost of transformation served as a barrier to advancement.

To keep pace with the shifts in consumer behavior since the COVID-19 outbreak, firms must work to overcome these barriers. They must evolve consumer expectations through emerging tech and engage with them across multiple online channels in personalized and proactive ways. They must make quick investments in digital CX capabilities like mobile apps, digital assistants, and social media messaging. They also need personalized, connected consumer experiences that build brand loyalty and that have a quantifiable financial outcome.

Because M&E firms were already battling for content and managing inconsistent communications prior to the pandemic, these sectors will struggle more deeply with engaging with consumers consistently and in relevant ways, against the backdrop of a sector that faces several barriers to digital advancement.

Recommendations

- In the age of COVID-19, as customer expectations and competition increase, customer experience should become the competitive differentiator

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- As the battle for content heats up, personalize interactions and marketing to offer tailored content. Also invest in technology like AI that will drive more connections with customers
 - Consumers have adopted new media consumption habits, especially since the pandemic. Therefore, firms must place emerging tech on their investment road maps to meet their expectations
 - As budgets for digital are delayed and timelines for investments are pushed out, assign digital champions to keep the projects top of mind to evangelize potential benefits and outcomes. Tie digital transformation success to enhance customer experience and share relevant use cases across industries
 - For firms that remain in early stages or not started, build a methodical process that starts with automating manual processes. Also, start transformation efforts that impact individual departments before taking it across the enterprise

The State of Digital Transformation

COVID-19: The Dominant Disruptor

The current crisis has placed an urgent mandate on businesses to digitally transform to interact with customers where they are. Pivoting quickly will require agility, mobility, and a digital focused business and culture.

But companies are scrambling to keep pace with the shifts in customer behavior since the COVID-19 outbreak. At the same time, they are having to address evolving customer expectations, digital transformation, multiple online channels, and make quick investments in digital CX capabilities like mobile apps, digital assistants, and social media messaging. They also need personalized, connected customer experiences that build brand loyalty, and that have a quantifiable financial outcome.

The nature of disruption across the sub-sectors fluctuates. For example, gaming, which reported 74% disruption from COVID-19 has seen record sales. Conversely, COVID-19 has dramatically impacted filming and entertainment. With 47% who reported disruption, production is shut down and they are experiencing movie and TV delays as well as dwindling theatrical ticket sales. Yet streaming services have already provided formidable competition to traditional methods of media consumption.

Because media and entertainment firms were already battling for content and managing inconsistent communications, these sectors will more deeply struggle with engaging with customers consistently and in relevant ways, against the backdrop of the crisis.

Highlights:

COVID-19 is a sizable industry disruptor; while other detractors were close in rankings

- COVID-19 ranks at the top, with 59% who said it was the largest disruptor
- 34% said battle for content:
- 34% said convergence between high-tech and media companies
- 33% said increased competition
- 33% cited the shift to digital

Firms are mired by cost and complexity

Becoming a digitally enabled and consumer-centric organization is arguably one of the most important strategic decisions an enterprise can make. Without a consumer-focused mindset and operational model, companies risk falling behind. But it involves a foundational shift in organization and culture. Embracing this major undertaking and maintaining the discipline to follow through will likely mean the difference between future success and stagnant survival.

For many media & entertainment firms, advancement around digital transformation is stalled around the cost and complexity associated with technology deployment and reshaping organizations internally. Forward-thinking firms recognize that to overcome the complexity of managing digitally enabled organizations, they must first develop action-oriented, intelligent, and adaptive enterprise foundations. Digitally literate leaders see the need for operational restructuring to more easily thread digital capability throughout the enterprise, to create a coherent and adaptive system of value creation and the delivery of consumer outcomes.

Highlights

The cost of digital transformation stalls digital progress for M&E firms

- 45% said the cost of digital transformation is the biggest barrier
- 36% said the complexity of transformation
- 35% said the cost of customer acquisition stalls efforts

Multiple digital systems add to the complexity

With legacy system modernization there is no silver bullet. It's difficult to transform these systems and the goals aren't often clear when embarking on this effort. The key to remain ahead of the curve is changing before it becomes urgent and firms are forced to change.

Many of these systems have been around for years and their functionality is not well understood by the organization. This makes it even more difficult to transform these systems with low risk and high confidence. These systems were often designed for an era when change cycles were measured in months or years and not weeks or minutes. The key to successfully transforming these systems is to adopt a change mindset where these systems are wholly replaceable.

The most successful organizations have learned to disrupt themselves before their competition or the market demands change. This proactive approach enables them to determine the value in their legacy systems and rearchitect them for an era that demands rapid iteration.

Highlights:**Multiple systems plague M&E firms**

- An average of 24% of firms have 3-4 systems
- An average 25% of firms operate between 5-6 systems
- An average 19% of firms run between 7-8 systems
- 13% have between 9-10 systems
- The 'acquire' and 'empower stages' have a greater number of companies citing 5-6 systems.
- The 'fulfill' stage reports the greatest number of system, with 28% reporting 5-6; 19% citing 7-8, and 15% reporting 9-10 systems

Large enterprises and mid-size companies have more reduced system complexity

- 14% of firms with revenue greater than \$20 billion report having more than 10 systems; 19% have less than 1 to 2 systems
- Conversely, 28% of firms that earn \$50 million to \$249 million, report having 1 to 2 systems

The Majority of M&E Firms Remains in the Early Stages of Digital Transformation or Haven't Started

The road to enabling a digital workforce and CX engagement isn't an easy one. As reported earlier in the study, progress is hampered by the cost of digital transformation, the complexity, and a reliance on legacy systems, among other factors.

Despite these challenges, it's a matter of, 'transform now or be left behind.' Tackling the hurdles to digital transformation and embracing digital change have never been more important.

The survey asked respondents to rank their progress toward digital transformation and while many remain in early stages, a substantial amount report they are 'proficient' and 'leading.'"

Highlights:**Digital rankings run the gamut, from 'leading' to 'haven't started'**

- A combined 56% of respondents remain in early stages or haven't started their digital transformation efforts

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- An average of 41% are in early stages
 - 15% said they haven't started
 - In a positive side, 40% said they are in advanced stages.

Digital investments lead to faster product launches; market differentiation

Digital can no-longer just be about automating the existing processes, it should be the catalyst for connecting content and data across the enterprise so it flows from idea, to design, creation, marketing, sales and all the way to delivering consistent, engaging omnichannel consumer experiences.

Many of the 'digital leaders' cited the ability to launch new products faster and enhance their market differentiation as the primary benefits of digital transformation. That's because digital provides a connective tissue that enables information to flow across the digital supply chain. This creates a more efficient digital supply chain and results in an increase in the value of a firm's digital assets.

This is ultimately what's helping firms in the advanced stages of digital deployment achieve faster product launches and enhanced market differentiation.

Highlights

Many M&E firms report being proficient in digital omnichannel engagement:

- 48% said they are proficient
- 38% are leading
- 13% are in early stages

'Leading' and 'proficient' firms report having faster product launches

- 46% said the ability to launch products faster
- 42% said enhanced market differentiation vs the competition
- 40% said improved integration with the rest of systems (finance, content supply chain)

The digital media sub-sector leads in digital transformation; film & entertainment lags behind

The customer experience has become the leading competitive differentiator. To win in this environment, organizations must ensure that their CX initiatives are able to deliver personalized and relevant interactions at every customer touchpoint – especially through digital. But if there are gaps in the customer experience along those journeys, this will have a cumulative effect on customers' perception of the brand.

As digital transformation success becomes intimately tied to customer experience, that emphasis will continue to drive business investments in digital transformation. This is especially true as organizations increasingly transition from building internal competencies and improving efficiency to delivering value by finding optimal audiences, creating new revenue streams, and delivering customer lifetime value.

Highlights:

Gaming and digital media are leaders in digital transformation efforts

- In gaming, 48% report they are leading in digital transformation and 43% are proficient
- 54% of digital media respondents are leading and 42% are proficient
- In film, only 16% said they are leading, 50% are proficient and 34% remain in early stages

Increased sales, loyalty, and NPS top digital business objectives

Digital transformation offers organizations an opportunity to engage modern buyers and deliver on their expectations of a seamless consumer experience regardless of channel or place. That's positive for M&E firms, who cited an objective of increased sales from their digital transformation efforts.

Firms looking to drive sales have a raft of digital technologies to choose from to improve the selling power of a business. These include activities such as sales automation, CRM, online presentations, digital documentation etc.

In short, digital selling is an important component of the sales process, while using social networks provides scope in increasing revenue. If media firms don't want to get left behind, training their staffs to understand and harness the power of digital technologies will generate leads by enabling them to branch out to consumers on these platforms.

Highlights:**'Increase in sales' is top business objective for digital transformation**

- Most sub-sectors look to increase sales with their investments: 43% of B2C publishing wants to increase sales, as do 50% of digital media, 44% of film & entertainment, 41% of broadcasting
- 54% of sports franchises look to increase advertising
- 44% of gaming want to increase loyalty
- 48% rank 'increase sales and subscriptions' as their top two business objectives for investing in digital
- 35% want to increase advertising as their top two objectives
- 31% want to reduce the cost of sales

5G will accelerate consumer engagement via emerging technologies

While meeting consumers' expectations was challenging before the crisis, the process has only grown more complex. During this crisis and afterward, consumers will not only want, but demand, effortless experiences, digital engagement, self-service, conversational interactions, and seamless omnichannel engagement.

5G will serve as a foundational element for personalized and relevant consumer engagement, that delivers a predictably easy and rewarding experience for consumers across most channels— both physical and digital. 5G is going to impact business at a level that few technologies ever have, providing wireless at the speed and latency needed for complex consumer engagement solutions. Additionally, once fully deployed geographically, 5G will help emerging markets realize the same 'speed of business' as their mature counterparts.

With the speed of transformation being essential, a coherent approach to consumers must be taken. Then, M&E firms will view 5G as a necessity for continued survival going forward.

Highlights:**5G leads in top desired tech investments**

- 60% said they are considering 5G connectivity in 2021
- 43% cited chat bots and digital assistants as a consideration
- 41% said they are considering next-best action

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- 39% said blockchain is a consideration

Next-best action/AI will see the biggest investments in 2021-22

A journey begins with an anonymous user. In the absence of a unified consumer view, it is challenging to send personalized messaging. Providing a seamless consumer experience across channels and delivering real-time personalization requires enterprises to be able to link offline and online behaviors and attribution.

To succeed in this increasingly digital world, marketers need the ability to distill information about their consumers to understand their buying journeys, but also proactively orchestrate relevant offers and communications at the right times and places in their journeys.

AI and next-best action top the planned investments over the next three years. By applying AI throughout the consumer journeys, M&E firms can orchestrate next-best actions at the right time and in the right places. They can personalize the experience, predict next steps, and proactively respond with the most appropriate content or interaction.

Highlights:

Firms plan to move data management and AI and analytics to the cloud in 2021-22

- 20% plan to move AI-powered chat bots
- 32% will move next-best action
- 20% will move contextual targeting and data management platform
- 16% will move customer data platform and analytics

State of cloud adoption

Cloud adoption linked to cost reductions, employee effectiveness, customer loyalty

There are many benefits of migrating to the cloud: financial savings, increased agility, tighter security, and uninterrupted service, just to name a few. But one often overlooked benefit is the improvements it brings to the consumer experience and the positive effects this has on user trust and satisfaction, and brand engagement.

Overall, M&E firms expect to reduce operating costs and increase consumer loyalty and employee effectiveness. A cloud platform's ability to more easily connect and scale their data capabilities and operating systems should help them achieve these goals. In doing so, the cloud will broaden the consumer engagement environment where consumers expect immediate, unlimited and uninterrupted access to information, products, or services.

Migrating to the cloud provides the tools and services businesses need to participate in with today's competitive, on-demand marketplace, enabling M&E to enhance the consumer experience and reap the rewards of consumer loyalty and efficiency gains as a result.

Highlights:

Cloud adoption correlates to faster product launches, enhanced market differentiation, and enhanced systems integration across all sectors

- 54% of digital media firms in the cloud can launch products faster
- 50% of sports franchises report enhanced market differentiation
- 62% of B2C publishing firms report improved M&A's

Digital leading firms that operate in the cloud report faster product launches and can more easily unlock customer value, compared with on-prem firms

- 46% of digital leaders in the cloud said they can launch products faster, compared to 29% of digital leaders who operate on-prem
- 39% of digital-leading firms in the cloud can unlock new customer value, compared to 14% of on-prem firms
- 41% of cloud-operating firms reported improved integration with existing systems, compared with only 14% of on-prem firms

M&E firms look to the cloud to reduce operational costs

- 47% want to achieve operational cost reduction
- 43% want to improve employee effectiveness
- 42% want an increase in consumer loyalty

'Emerging tech' ranks as top criteria when choosing a cloud vendor

- 42% rank 'innovative emerging technology (IOT, AI, blockchain),' as their top three criteria when choosing a cloud vendor
- 38% said 'competing on price' was among the top three criteria when selecting a vendor
- 37% said 'vendors' products tailored to their category' is primary criteria
- 34% said breadth of partner ecosystems is top criteria when choosing a vendor
- 31% said 'reliability against SLAs,' was a top factor

B2B advertising is the top industry capability for choosing a cloud vendor

- 40% of respondents ranked 'B2B advertising' as the top criteria when choosing a cloud vendor
- 36% look for a B2C blended sales and service platform when choosing a cloud vendor
- Having a media products catalog ranked last in criteria with 15%
- 36% of sports franchises rank it first

Emerging tech plays a leading role in cloud vendor selection

M&E firms are witnessing a paradigm shift due to technological advancements. The earliest adopters of the digital technologies which are making the most out of it. Media & entertainment firms in this survey have their sights set on investments in emerging tech, with many saying that's the criteria in selecting a cloud vendor.

They are realizing that emerging technology can play an important role in how their organizations are perceived by the next generation of employees, in terms of providing the right tools for their workforce to compete and win in the marketplace.

For example, IoT is driving business changes by providing the data needed to improve marketing, increase sales, and decrease costs. And AI is already significantly impacting the way consumers interact with businesses via intelligent websites and bots, and these

tools are becoming increasingly commoditized and integrated into daily work. Companies employing AI technologies can use resources with far greater efficiency.

Staying relevant with consumers requires M&E firms to gain real-time insights about their behaviors and preferences and the ability to engage with them at the right time and right place with the right content. Those firms that quickly embrace and adopt the emerging CX technologies that digitize, personalize, and automate consumer interactions will future-proof for the long-term.

Highlights:**Emerging technology leads in vendor criteria**

- 42% of overall respondents said 'having an innovative roadmap leveraging emerging technologies' as their top three criteria for cloud vendor selection

Firms want to differentiate with emerging technology

- 56% said they want emerging tech to differentiate themselves in the category
- 52% said to automate processes to reduce costs
- 51% said to enable (hyper) personalized interactions and engagement

2021 Investment Plans

COVID-19 will Affect Budgets and Timelines

The survey results suggest that budgets for the year are going to end up considerably lower than for 2019 no matter what happens to tech in the next few months. Digital products and services can help firms cope with an unprecedented slowdown, build a foundation of consumer trust, and ensure consumer loyalty when things get back to normal.

As some cloud implementations get delayed to enabling spending on in-house systems, the global crisis could also boost cloud computing and cloud-managed services as CX increasingly becomes a competitive differentiator. One thing that seems very certain in the next few months is that CIOs—and the companies that sell to them—will have to deal with a great deal of uncertainty.

Highlights:

Firms planned largest transformation investments pre-COVID

- A combined 44% of respondents had planned to invest between \$11M and \$50M on transformation efforts pre-COVID-19
- A combined 23% had planned to invest between \$51M and \$100M pre-COVID-19

Post COVID-19, budgets are now delayed

- Now a combined 44% plan to delay their investment, with 31% who said they will delay less than six months and 13% plan to delay by more than 12 months.
- 33% reported no change in investment plans
- 15% of 'digital leaders' will accelerate investments
- Firms rated as 'proficient' will mainly maintain existing plans or delay by less than six months
- The firms that haven't started will delay more than a year

Filming, entertainment studios report the biggest investment delays

- An average of 31% will delay investments by less than six months
- An average 27% will maintain existing investments
- Only 13% will delay by more than a year

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- A combined 69% of firms will delay investments

Most firms are designating small portions of their budgets on digital CX

- The majority of firms (61-80%) only plan to invest 11% of their total budgets on digital CX
- Between 21% and 60% plan to invest a combined 74% of their budgets on digital CX

Conclusion

There's no question that digital engagement is mandatory when delivering today's marketing, service, and customer experiences. Customers have come to expect hyper-personalized experiences along with the ease of doing business from any digital device.

COVID-19 has propelled M&E firms into a new reality, and their actions taken now, and in the future, will likely influence future purchasing and customer loyalty.

As this study reveals, firms still face numerous barriers to digital transformation and meeting customer expectations. Yet, when they clear those hurdles, the opportunities are vast.

To navigate this rough terrain, they must stay the course with their digital investment plans, understand the gaps in technology along the seven stages of the customer journey, embrace emerging tech like 5G and next-best action that will bring a competitive edge, and continuously review and update business objectives to match the changing criteria. By staying the course, M&E firms will surmount any digital impasses and enhance their overall customer experiences.

Appendix

Methodology

Omdia, in partnership with Oracle, interviewed heads of service, marketing, operations, revenue, information, and technology across media & entertainment firms. The interviews were conducted in May 2020 across the B2C publishing, broadcasting, digital media, filming and entertainment studios, gaming, and sports franchises sub-categories to determine their level of involvement and progress toward digital transformation. The survey also aimed to seek insights to help highlight the critical technologies that enable proactive and relevant digital customer engagements, as well as reveal the barriers to digital transformation.

Author

Mila D'Antonio

Principal Analyst, Customer Engagement

Mila.dantonio@omdia.com

Get in touch

www.omnia.com
askananalyst@omnia.com

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We create business advantage for our customers by providing actionable insight to support business planning, product development, and go-to-market initiatives.

Our unique combination of authoritative data, market analysis, and vertical industry expertise is designed to empower decision-making, helping our clients profit from new technologies and capitalize on evolving business models.

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We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Omdia's consulting team may be able to help your company identify future trends and opportunities.

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