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Flashpoint

The future of home entertainment

Big changes are under way for entertainment, but the script is still being written. Here's what to watch.



An entertaining future

Entertainment today comes at consumers as rapidly as they want it — on demand and on the go. Over the last decade, the media industry has turned out massive amounts of content and users have widely embraced new technologies for consuming that content — from smartphones to streaming platforms. The result? A rich and dynamic new era for home entertainment.

Today's abundance of quality content and the rich tools for accessing it belies the reality, however. A lot of uncertainty remains. New technologies can lose their luster as new tools emerge. Methods for connecting consumers to content can arise quickly — and become archaic just as quickly.

The script for home entertainment is one that will be continuously written and rewritten in coming years. Knowing exactly what the future holds is impossible. But preparing for future possibilities is not. Understanding the forces at play can help smart companies prepare for a dynamic entertainment future. Here's a look at some of the key issues emerging.

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About *Flashpoints*

Every day brings new ideas and possibilities to the Technology, Media, and Telecommunications sectors. *Flashpoints* is your tool for gaining the context you need to make sense of these critical developments — as they emerge.

Key observations



Growth of content

A massive amount of high-quality content in a multitude of formats continues to emerge, giving audiences plenty of options for consumption — and raising questions about how best to package content as well as how to get it discovered by the audiences.



Technology evolution presents new possibilities

Evolving tools and platforms will require new decision-making on many fronts — from regulatory matters to business models to strategic partnerships.



The power of the consumer relationship

As the consumer's role in media consumption becomes increasingly powerful, real success for content producers and distributors lies in owning the relationship with the consumer.



Hedging bets

Amid many questions about the future of home entertainment, industry players are pursuing multiple options to help ensure future success.

Growth of content



It's difficult to overstate the amount of entertainment content being produced today — and the amount of content in the pipeline. Widespread digitization has created a parade of content that is massive, diverse, and growing. And it's being heartily consumed by audiences via the Internet and a wide variety of new devices. This proliferation of content raises important questions about trends that have yet to unfold — as consumers piece together highly personalized entertainment experiences from the wealth of options.

What will consumers gravitate toward? The power of the theatrical blockbuster — to drive entertainment sales and to drive the bulk of demand — begins to

fade as consumers tap the rich variety of emerging content, in formats that range from a single 15-second mobile video to entire TV series designed to be binge-watched. The importance of the traditional ratings approach also begins to fade.

The large amount of high-quality content and the variety of content changes the equation for determining what content matters. Increasingly, variety — and personal content experiences cobbled together from that variety — matters. Given all the options, how do you package content? New possibilities include developing even shorter formats and crosslinking home entertainment with social and sensory platforms. Expect to see high-quality, professionally

produced content in new formats — very highly tailored to the platform and packaged with new consumption models in mind. For example, look for things like 15-minute offerings (rather than traditional 22 minute programs) that a mobile audience can consume quickly — or that a viewer can easily consume in multiples.

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Technology evolution presents new possibilities



As the amount and variety of content grows, so does the number of vehicles through which it is delivered. From screens on wrists to new ultrafast fiber providers at the curb, today's audiences have more tools through which they can access entertainment — especially while on the go.

Emerging technologies are drastically altering the picture. For example, the pervasiveness of technologies for entertainment delivery has enabled greater “time shifting” — meaning viewers can consume entertainment when they want to, not according to a preset schedule. And the impact is very real — with 2015 marking the first

year that consumers under 25 watched more content on their mobile devices than on their TVs. Such technology-driven changes will require industry to rethink advertising models and how to effectively introduce new programming. What technology or mix of technologies (e.g., promotional tools within a platform, apps, social media) do you use to effectively reach the most consumers — and the right consumers?

New technology developments also will require industry to remain on guard for the impact of regulatory decisions. What does a shift toward or away from net neutrality, for example, mean for any individual technology, for those who deliver content via that technology,

and for those who consume it? New technology and the impact of new technology-related regulation ultimately will influence the partnerships that emerge to exploit evolving opportunities.

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The power of the consumer relationship



In today's evolving realm of entertainment, the consumer is king —

and the relationship with the consumer has become increasingly critical. With a multitude of choices, consumers have become extremely powerful. If they choose to move toward a certain platform, that migration can have a significant economic impact on the players — and it can shift the power from the content owners to the distributor.

The power of the consumer and those who own the consumer relationship requires organizations to think strategically about building new relationships. How, in the context of

“the powerful consumer,” can you modify your business model and align relationships with your business goals? For some industry players, exclusive content offerings will be one option for connecting more tightly to consumers. Other players may seek to enter new lines of business that put them closer to the consumer.

Wrapped up in the power of the consumer is the power of the consumer's information. Who owns it, and how can they use it to target opportunities? As analytics technologies grow increasingly sophisticated, their importance to the industry should grow — offering content owners new tools to help identify their “best” customers.

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Hedging bets



Businesses that have been paying attention to the unfolding dynamics of content, technology, and the consumer understand that multiple potential scenarios lie ahead. We're in a rare time — a time in which traditional business models coexist with new and emerging business models. With that understanding, businesses are hedging their bets — investing in multiple relationships and activities that may lead to winning opportunities.

Some are developing exclusive relationships that will position them well for scenarios such as a weakening of net neutrality, or the entry of a new competitor. Others are seeing consumers' preference for a subscription-

based content model rather than a per-transaction model, and they are lining up relationships that will help them exploit opportunities that align with that preferred model. Many companies are still placing bets on advertising-supported models. And many content owners are developing direct-to-consumer channels rather than relying on a third party to distribute their content.

As the industry continues to ponder the home entertainment scenarios that might shake out, expect to see many alliances and many experiments. Not all these activities are necessarily indicators of “the direction” of the industry. Many are simple hedges against an uncertain future.

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Let's talk

Understanding where home entertainment is heading remains challenging to predict, making it difficult to determine the direction — or directions — your business should take. But an ability to read the signs and to put in place strategies for multiple possibilities offers a potential path to success. Want to know more about what the future of entertainment might hold and what it could mean for your business? We should talk.

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