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## **Flashpoint**

# The future of home entertainment

Growth in consumer choices and market fragmentation help drive new opportunities for industry

# Growth in consumer choices and market fragmentation help drive new opportunities for industry

As new digital technologies, rising consumer expectations, and shifting cultural habits upend business models, many media companies find themselves struggling to adjust to the ongoing disruption. Consumers are seeking clarity too.

Tremendous growth in content, the increasing number of content players, and innovative offerings in recent years have all helped to keep the consumer firmly in the driver's seat when it comes to decision making. But for consumers, often the big new challenge lies in making sense of the overwhelming choices. At the same time, many companies face a big challenge as they continue to look to maximize the value of their content in the media and entertainment universe that has many more moving parts and possibilities.

As consumers and the industry work to bring clarity to entertainment in the home and beyond, a few trends are taking hold. Cord-cutting continues to become a reality for many households. Meanwhile, many over-the-top providers are packaging channels in novel ways, in an effort to appeal to cord-cutters as well as “cord-never” consumers. And the influence of social networks on entertainment remains strong. That strength has driven many media and entertainment companies to find points of integration with social media—to tighten the bond with viewers and support an experience that goes beyond simply watching a show on a screen.

How can you respond to the developments now taking place across the industry and prepare for new trends that are unfolding? You can start by

examining some of the major forces at work today. Here's a look at some key issues and topics that are in play with entertainment.

## In this issue

- Simplifying choices
- Radical transformation of insights
- Owning the customer
- Small format, big opportunity?

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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 considerations



## Simplifying choices

Consumers have a wealth of choices and are in search of resources to help guide their decision making, which presents opportunities for companies that can help simplify the picture.



## Radical transformation of insights

An explosion in data continues to provide insights that the industry can act on, but new dimensions of data promise to transform insights and give companies new tools for precisely targeting viewers.



## Owning the customer

Although the consumer remains king, companies that can integrate content creation, content delivery, and the consumer experience can effectively “own” the customer and reap big rewards.



## Small format, big opportunity?

As consumers continue to show a preference for binge watching shows, new possibilities emerge for shorter-length content that aligns more with the mobile, digital lives of consumers.

# Simplifying choices

Even as the expectations of consumers continue to rise, many remain perplexed about their options for entertainment in the home or on the go. They might hear tremendous buzz about a new show, for example, but not know which network or over-the-top (OTT) streaming platform carries it. At the same time, many are trying to do their own math to determine which traditional and OTT services to subscribe to—the magic mix of offerings that will bring them a suitable line up of content at the best value.

Many see the appeal of the new skinny bundles that OTT providers are launching—packaged offerings that stream a limited number of popular channels such as the major networks and leading cable channels. But many also remain anchored to traditional pay TV.

The market has become highly fragmented with many different platforms, pricing models, and delivery models. Consumers ultimately still have a lot of questions about

where to go, what to choose, and how to put together the best deal for themselves. This persistent confusion can present opportunities for businesses.

What can you expect? Possibly the emergence of new players that will bring together many sources of content while attempting to make viewing choices simple for viewers. Players that can aggregate or re-aggregate content to deliver variety yet simplicity could find themselves staring at a golden opportunity. In addition to spurring potential consolidation, today's highly fragmented market also could inspire direct-to-consumer breakouts or even embolden new players that could go head to head against entrenched powerhouses.



In Deloitte's latest [Digital Democracy Survey](#) results, nearly half of US consumers reported they now subscribe to a streaming video service. And a majority of consumers value their streaming service subscriptions for watching commercial-free content whenever, wherever, and on their device of choice.<sup>1</sup>

# Radical transformation of insights

Many of today's consumers might be confused about their digital entertainment possibilities, but some consumer aspects—such as viewing behaviors, interests, attitudes, and demographics—are very clear. There's an ocean of consumer-related data out there, and it's growing exponentially as consumers access fresh content, click on ads, use new device types and platforms, engage with brands via social media, and go about their daily digital lives.

Insights have always lain hidden among the data—just waiting to be discovered and acted on. But the vastness of today's data—both structured and unstructured—and the degree to which modern analytics applications can help you sort through it can change the game drastically. Today's data and tools can enable media and entertainment companies to segment audiences into the smallest groups imaginable—and then precisely deliver targeted content and advertisements to those groups.

When do viewers tend to watch a particular show? When do they switch devices—from a big screen to a small screen, for example? What interests do their choices indicate? What actions are they taking on social media as part of a broader experience around your content? Each action at each touchpoint represents data that hold value. The challenge lies in interpreting the data and making it actionable.



Sixty-seven percent of consumers find mobile ads on their phones to be irrelevant. More than half of surveyed consumers say they would be willing to receive advertising on their smartphones based on location. Making ads more relevant—especially geographically relevant—and making the first few seconds of skippable ads more compelling could help advertisers get through to more consumers.<sup>2</sup>

# Owning the customer

Big industry mergers in the works will likely tighten the bonds between the creators of content and the owners of delivery networks. Net neutrality issues aside, an organization that can operate at the intersection of content creation, content delivery, and the consumer experience stands to reap great rewards. Such an organization could have unprecedented “ownership” of the customer.

It could get deep, detailed insights into customers. It could advertise to them in a hyper-targeted manner. It could drive them to its own content or to partners’ content—and sell ads or additional services around that content. It could control the overall consumer experience and track the relationship every step of the way—knowing who uses which device to access which content.

The consumer is still king and still exercises immense choice. But companies that can dominate in the sphere of creation, delivery, and experience can determine the choices laid before today’s consumer kings and help influence the consumer’s decisions. Consider the kind of direct-to-consumer moves a major studio could make, without going the way of a merger or acquisition. Breaking off an over-the-top venture, for example, could give it even greater ownership of the consumer and the consumer experience. But what would such a move mean for aggregators, existing direct-to-consumer players, and other content creators and studios? And would such a breakout inspire other studios to follow suit?



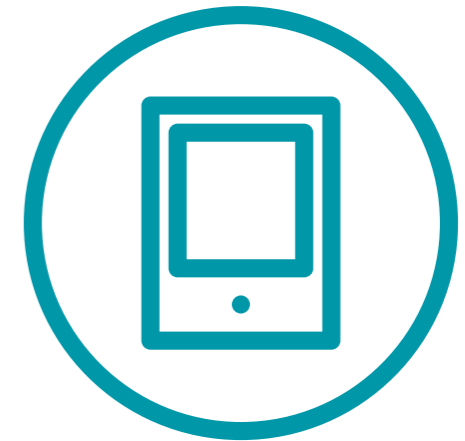
According to a [survey by AdAge and Neustar](#), only around 23 percent of respondents said they believe they are currently using their data management platform to its fullest capacity.<sup>3</sup>

# Small format, big opportunity?

As consumers continue to show a preference for binge watching content and as more creators step up to meet the demand, the definition of bingeable content stands to change. Today's hyperconnected consumer can view content in many places beyond the home—on public transit, while waiting to pick up the kids after school, in a physician's waiting room, in a coffee shop while waiting to meet a friend. Traditional-length bingeable content doesn't necessarily align well with these windows of connected availability.

Shorter-form content—12-minute episodes, for example—could make it easier for a consumer to “snack” on content. They could effectively binge watch a series during these brief, daily “content snack” windows. For content creators, there's a legitimate opportunity to capitalize on the binge-watching trend and to fill in the cracks with short-form content that a viewer can consume throughout his or her day. Advertisers, meanwhile, can come along

for the ride—with new shorter ads that are perhaps no longer than six seconds. Viewers already are watching six-second video ads before hitting the “skip this ad” button. Why not get a full advertising message out in six seconds and link it to a short-form, bingeable piece of original content?



A recent [Nielsen Home Entertainment report](#) states, half of Americans are now watching short-form content (e.g., clips from TV programs, news segments, user-generated content, music videos).<sup>4</sup>

# Let's talk

As entertainment in the home continues to undergo an evolution and as the industry seeks to get ahead of challenges, your organization may face big decisions on technology enablement, market opportunities, and more. Staking out a leadership position will likely require more than a vision for what's possible. It also will require an ability to develop insight-driven strategies and to execute them effectively. We can help. If you want to know how you can unlock new value and gain an edge in today's rapidly changing environment, we should talk. Contact us to get the conversation started.

In the meantime, be sure to check back for a monthly dose of the latest issues driving the future of technology, media, and telecommunications companies.

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