

Media

Our survey hypotheses were designed to solicit opinions. And what they have done is reveal that industry concepts, like paywalls (which many expected to backfire), could become permanent fixtures in the future.

We got a significant nod from the industry, with three-quarters of respondents either strongly agreeing or agreeing that there is a future in monetizing content through paywalls. Just 3 percent disagreed with the hypothesis.

Of course, paywalls are only part of the answer and I believe that we will continue to see other revenue mechanisms, such as advertising-based models, exist alongside. In the US, for instance, “freemium” models, which allow users to access a certain amount of content before having to pay, are being introduced. I expect to see more media companies in Europe adopt these partially paid revenue models.

That said, our first hypothesis suggests that too many companies are waiting for a silver bullet before launching into new media. Many are reluctant to challenge, innovate or trial new concepts to find out what works for their businesses, which could compromise their chances of success in the future.

Nonetheless, 81 percent of respondents either strongly agree or agree that too many business models are rooted in the analogue past and will need to be rewritten. Traditional media is in slow decline and those companies that hang onto their analogue roots will slowly decline with it. They need to accept that yields per consumer are less for digital than for analogue and redesign their operating models. Otherwise, over time, they will lose their market rankings.

It is indicative, therefore, that 19 percent of media companies view “preparing for major business model change” their most important business issue, compared with 11 percent of all other sectors. These companies absolutely know that they need to change their business models, irrespective of whether they want to or not.

As the digital revolution gathers pace, geographical boundaries are disappearing. Multinational marketing services companies, for instance, are sweeping up digital services providers so that they can offer consistent services across the world.

This leaves smaller, niche players, grappling for a hook on which to hang their businesses at a specific point in time. To survive, they will need to either constantly reinvent their business models and service offerings or become part of a larger group.

The 16 percent that disagrees with my hypothesis may well be those companies that currently consider themselves sufficiently nimble and more able to adapt to changing circumstances than the larger players.

Our fourth hypothesis looks at the tension between content and distribution platforms. While the majority of respondents (70 percent) agree that having both is beyond the reach of most companies, my point is that both comfortably coexist and support each other.

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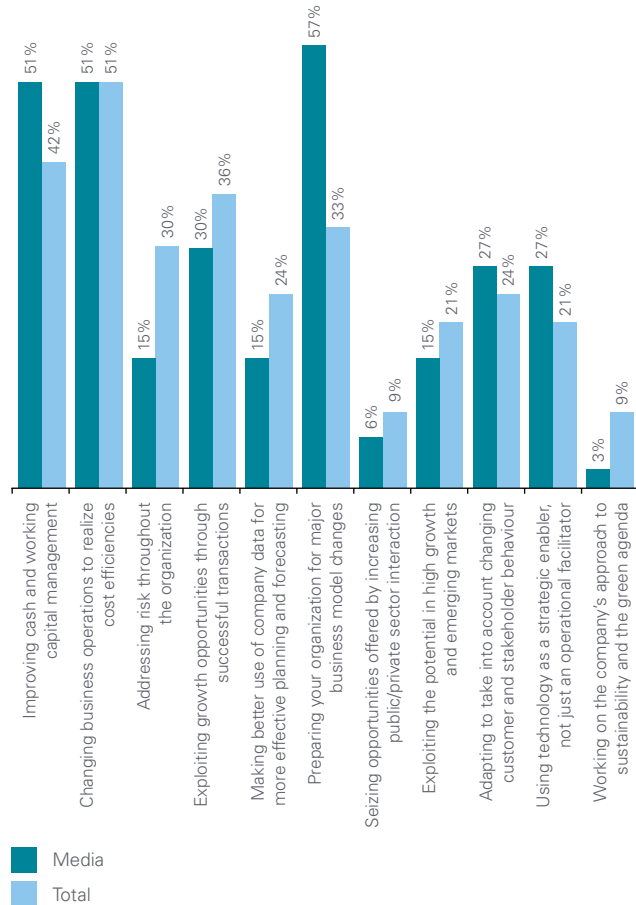
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Media

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Media – Sector Results

Comparison of top business issues for Media with total results



Percentage add up to 300 percent as all respondents had three votes.

Hypothesis 1:

Until recently, most media companies have only paid lip service to the digital revolution. Too many companies have been waiting for a solution rather than embracing the challenges that are facing them. Companies need to adapt, embrace the future and allow themselves to make mistakes – in order to inform themselves as to what will work for their own businesses. Many business models therefore remain rooted in the analogue past, not the digital future and such models will need to be rewritten in order to succeed in the digital world.

Hypothesis 2:

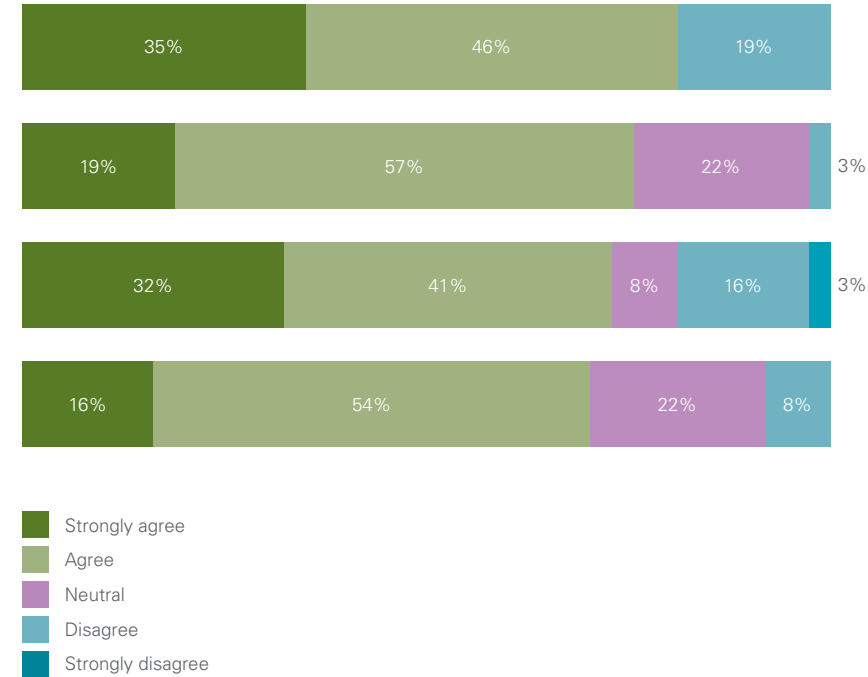
There is considerable interest around monetising content through pay-walls. These are still early days and the concept remains unproven to many. Pay-walls will be a firm part of the future for the media industry, although there will undoubtedly be a 'mixed ecology' with other models (based on volume and advertising) co-existing alongside pay-walls.

Hypothesis 3:

The digital revolution is driving media to becoming increasingly global. Geographic boundaries are less relevant and the global opportunity is both an opportunity and threat for media companies. Those that do not embrace the global opportunity run the risk that they will find themselves in the hands of a larger, more internationally focused player.

Hypothesis 4:

The debate around the value of content versus distribution and vice versa remains as relevant today as in the past. What would a media company prefer – 'must have' content or a 'killer' distribution platform? In an ideal world, the answer would be both but with this being beyond the reach of most companies, the balance of power fluctuates, almost on a case by case basis, between the two.



Further info

The SiCW Business Leaders survey Exec Summary is available at: www.kpmg.eu/businessagenda

A suite of videos and kitcards, on the top themes is available online. This includes Jeremy Kay outlining what the Board is thinking about in terms of changing their business operations to realise cost efficiencies; and Andrew Ashby on how companies can improve cash and working capital management. To view the information please go to: www.kpmg.eu/businessagenda

“Eighty-one percent of respondents either strongly agree or agree that too many business models are rooted in the analogue past and will need to be rewritten. Traditional media is in slow decline and those companies that hang onto their analogue roots will slowly decline with it.”

David Elms