



The show must go on

Pushed by new consumer behaviors and expectations, the media and broadcasting industry is embracing digitalization and an always-online world. Discover how digital entertainment is transforming everything.

Whitepaper



Foreword

Remember going to the movies for the first time? You might not recall the film, but I'm sure you haven't forgotten the feeling. It's the same when you bought your first CD or left your VHS tapes behind as DVDs surged into popularity. Now that streaming's the 'big thing' I often find myself staring at all my Blu-rays and wondering when I'll ever use them.

Things have certainly changed in the past decade.

It's amazing to me that people once had to carry around a massive box to play music outside of their house! What seemed so futuristic then was quickly replaced by the Walkman, then the Discman, the iPod, and MP3s. Now you can stream tens of millions of songs through your phone from services such as Amazon Music Unlimited, Apple Music, and Qobuz!

And it's the same with your favorite TV shows, movies, and even books. We've never had access to so much content in such a fast, convenient, and affordable way. Yes, I said affordable! If your platform of choice is 'roughly' 10 Euro a month, with access to hundreds, if not thousands, of TV shows and movies on demand, just consider what it'd cost you to buy all that on DVD and Blu-ray.

There's no doubt we're spoiled for choice when it comes to entertainment and information.

This is all because of two things. The internet (specifically broadband and, most recently, 5G) and digital technology. Not only have they changed how we watch and listen to nearly everything, but they've also revolutionized how content is made and delivered. This has seen a boom in smart devices, over-the-top (OTT) delivery systems, cloud solutions, and even AI-curated content.

These technologies are transforming and disrupting multiple industries, none more so than media and broadcasting.

Especially when it comes to meeting consumer expectations. Today, it's all about convenience, anytime, anywhere content on any device. We're experiencing a true generational change. It won't surprise me that children born today may never own a physical copy of a movie, CD, or book in their lives.

The industry must be ready for that. What they develop, where the industry will go, and what changes are to come will be an amazing show to watch.

Better get your popcorn ready!



GEORG HANSBAUER,
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Introduction

Change has been a constant in the media and broadcasting industry. From stage to screen, talkies to color, reels to downloads, and DVDs to streaming. Virtually all the content we now consume is digital. Everything is about smart devices, the Internet of Things, streaming, codecs, and video on demand.

FM and AM are being edged out by digital radio¹. Content is now created by anyone. Gamers can play in real-time with people around the world. And time spent with digital media is outpacing traditional media. An eMarketer report expects that by 2023, the average person in the US will spend 8 hours and 20 minutes per day accessing media via digital means, compared to 4 hours and 45 minutes watching TV, reading print materials, or listening to the radio².

How people engage with content is evolving. Rather than have it pushed to them, they now want to decide when, how, and where they access their media. Younger generations are driving this change. They want highly personalized, instant, and affordable gratification with 'all-in-one' convenience. Often on multiple devices.

The biggest enabler of this evolution is digital technology, such as 5G wireless networks, widespread broadband, ATSC 3.0³ (combining over-the-air and over-the-top content), cloud services, IP, artificial intelligence, and increasingly powerful

devices. All are transforming how content is consumed, created, distributed, and monetized.

Consider Comscore's 2022 State of Streaming analysis⁴, which showed that each month, US households watched 5.4 streaming services. Also, ad-supported streaming services are overtaking subscription-based services. People are no longer happy with a single linear service, such as a TV station. They want to access multiple methods to consume media and increasingly expect it to be on-demand.

Such consumer expectations are forcing organizations to rethink their business models to meet these needs, innovate faster, provide memorable experiences, and fend off the competition.

What then are the major changes and challenges? This white-paper looks at both sides of the story, from industry disruption to consumer behavior. It also discusses how to best cater to this growing demand for content while standing out from the crowd.

An audience of one

Demographics are changing. By 2030, it's estimated that half of the world's population will be considered middle class⁵. Because of this growth, as noted by the World Economic Forum⁶, 'demand for new media services focusing on convenience, education, premium content and video-on-demand will grow, particularly in emerging economies.'

Then combine this with digital natives (see below) who expect everything from their technology. The call for digitally-enabled services and products can only grow.

It is also putting unprecedented control in the hands of individuals. If they don't like any content, they have multiple ways to access something else. News can come from social media. Videos from content creators on platforms such as YouTube. Books and magazines can be sent directly to their paperless device. People around the world are also increasingly using video games as a prime source of entertainment. The number of active gamers is expected to be over 3 billion by 2023⁷.

They also have immediate access to reviews, comments, and ratings. And, importantly, can quickly give their own reviews themselves.

The customer is always right

The terms 'customer journey' and 'customer experience' are now business-as-usual. Go back several years and they were always a top trend. Now it's an everyday reality. Businesses of all kinds must do their best to make the experience and the journey (at every touchpoint) positive, memorable, and seamless.

This is especially true when it comes to digital solutions. They don't like your app? They'll just try another. They're a subscriber but they want to save money? If you don't have an alternative pricing structure, they'll switch to another or use an ad-supported video-on-demand service. Recognizing this (after experiencing their first ever drop in subscribers) Netflix announced a partnership with Microsoft in July 2022 to help them introduce an ad-supported subscription plan⁸.

Do people have issues with a podcaster you pay? They can simply leave. Spotify has arguably lost about 19 percent of its users, and experienced a loss of US\$2 billion in stock, over just such a thing⁹. Not showing what people want on your cable service or over-the-air station? There's an app for that.

Media consumers are more connected and can access a world of curated content. Far beyond anything delivered by linear broadcasters This is giving them more power. Digital technologies, more widespread broadband, and increased providers –

including social media – are creating more choice. That means giving them what they want. When they want it. How they want it.

Our new digital world expects nothing less.

The future is digital

Before Covid-19 the pace of digital adoption was growing at a steady pace, but lockdowns and social distancing provided a real boost. Pupils could easily face-time with teachers. Employees could work remotely. SVOD, music, and all kinds of streaming surged. In the first year of the pandemic, 22 percent of consumers paid to stream a first-run movie, with 90 percent saying they would likely do so again¹¹. 2020 also saw subscriptions to video streaming services pass 1.1 billion worldwide¹². This growth continued throughout 2021 (to 1.8 billion¹³).

Such figures were also seen with music streaming as subscribers worldwide climbed to 523.9 million¹⁴ in 2021 (up from 400 million in 2020). These are only the numbers for subscription services. YouTube alone has over 2.6 billion active users¹⁵.

As we move away from the pandemic, digital is the 'new normal'. While people will go back to public events and venues, the digital genie is very much out of the bottle.

The convenience, number of options, and always-on availability are attractive to consumers. As is the social, interactive, and immersive experience around their entertainment. Particularly for younger generations.

Everyone's streaming

Young and old are adopting a digital lifestyle, and while there is a digital divide between generations, it is closing.

Millennials and Generation Z are often seen as Digital Natives. People who have known digital products throughout their lives. They are now joined by Generation Alpha (those born from 2010 onwards), who are, even at such a youthful age, entirely familiar with smartphones, tablets, and gaming devices such as the Nintendo Switch.

Following up closely are the so-called Digital Immigrants: Generation X, Baby Boomers, and the Silent Generation (or Traditionalists).

All of whom, with varying levels of digital literacy, use digital solutions. The primary difference is in how many, for what purpose, and how long. Older users may rely more on email to stay connected, whereas younger generations lean toward social media.

- Forty-four percent of Gen Alpha consider a mobile device to be their favorite toy¹⁶.
- For 40 percent of Gen Zers, a working Wi-Fi is more important than a working bathroom¹⁷.
- Seventy-nine percent of Millennials sleep with their phone by their beds and over half check it at least once per night¹⁸.
- Seventy-four percent of US Gen X are on social media¹⁹ (with Facebook the preferred platform²⁰).

For older generations, the pandemic accelerated their use. Baby Boomers, for example, embraced curbside/pick-up apps and turned to telemedicine options²¹. And, not surprisingly, smart TV purchases took off for everyone with 7 out of 10 US homes now owning at least one²². A strong indication of streaming's growing popularity.

The industry is a long way from video-on-demand becoming the primary way to consume content but, in a decade, all of those Generation Alpha children will be in their twenties.

Many will have only watched TV in the morning before going to school or heard a radio while being driven there. The TV may be on but they're more interested in and engaged with what's happening on their mobile devices.

The clock is ticking.

“Against a backdrop of consumer-choice overload, it's increasingly difficult to win and hold their attention. Since the most effective way for media companies to grow is by reaching and delighting audiences, the central mission of media companies must be to place consumers at the center of all strategic decisions.”

MCKINSEY & COMPANY¹⁰

The business of show business

There's little doubt that consumers are hungry for all types of content. And as streaming services expand their global reach, they have potentially millions of customers to cater for. There are also a growing number of diverse providers looking to grab their fair share by creating and distributing their own content.

This is putting more pressure on traditional media companies. As noted in a recent Forbes article²³, *“Many different types of companies are entering the market. For example, there are direct-to-consumer over-the-top (OTT) services such as DirecTV Now or Sling TV, which generally involve repackaging linear television networks, putting them on broadband and charging a fee. Then you've got challengers like Amazon, Facebook, Google and Netflix, which have the technological infrastructure, audiences and, most importantly, ad serving capabilities, now investing tons of money in creating original content.”*

Companies must also compete with user-generated content on various social media platforms. The top five most-watched individual 'YouTubers' have over 300 million subscribers²⁴. Two of the most followed TikTok influencers have over 140 million subscribers each²⁵. On Instagram, Cristiano Ronaldo alone has 466 million followers²⁶.

That means there is a lot of different content vying for people's attention.

Watch to your heart's content

The term 'content is king' is traditionally used when discussing online marketing. It is now expanding into the world of entertainment, which makes it no surprise that the global streaming device market is poised to reach US\$100.19 billion by 2027. Smart TVs are expected to make US\$290.3 billion that same year²⁷.

These devices need digital content. Lots of content. A never-ending stream of content across demographics and markets.

For many, this will involve using media-tech companies like BBTv²⁸ to expand their libraries and help create, distribute, and monetize original content. For others, it means producing their own, such as Disney Plus's The Mandalorian.

It also means purchasing rights for existing content, whether TV shows, podcasts, music, or movies. For many subscribers, this can be the primary reason to use a specific service. It can also be one of the reasons for subscriber churn when the show they signed up for is removed. In a 2020 Deloitte Digital Media Trends survey²⁹, this accounted for 17 percent of sub-

scribers canceling their service. 11 percent churned because of a lack of new content, and 24 percent because they had finished watching a show or series they had subscribed to watch.

The consumer has so much choice and so many options to choose from, that they can easily move on to the next thing. Streaming content is one area where the psychological term 'Paradox of Choice' doesn't always apply. It's often felt that having more choices will make you happier and more choices means you can pick exactly what you want. However, the paradox is that too much choice can also create stress, indecision, and dissatisfaction. Just watch any child trying to pick a flavor of ice cream when there are dozens of choices.

But today's world is changing. People can happily spend hours scrolling through Twitter, flicking through dozens of TikTok videos, watching people restore old watches on YouTube. Even checking out the latest photos of their favorite stars on Instagram. Whenever they want.

When it comes to digital entertainment, choice isn't something people worry about. It's expected. And it must be personal.

The benefits of content curation

One of the biggest benefits of a digital world is the amount of data that can be collected about a consumer. Every stream or

download is recorded. Every click on a button. Preview watched. Show or song searched for. No matter the device or channel, it can all be collected and analyzed.

The real-time analysis of such 'big data' provides invaluable insights into what consumers are watching, doing, and interested in. This provides unique opportunities to deliver relevant, meaningful, and individual experiences in real-time.

Netflix's 'Play Something' feature is one example. Found either beneath your profile name, on the navigation menu, or (most cleverly) on the tenth row of your homepage, it asks the question 'Not sure what to watch?'. If the answer is yes, clicking the Play Something button, as Netflix explains, means 'you'll be instantly met with a series or film we know you'll love based on what you've watched before'.³⁰

Looking beyond just massive amounts of content, such curation provides an experience. Hopefully a positive one. Even if it's all based on an algorithm that analyzes data using artificial intelligence and machine learning. The challenge is ensuring that the automated content doesn't feel automated.

Consumers may be spoiled for choice, but they expect nothing less. Standing out from the crowd means providing as much

quality content as possible. Content that it is personalized, relevant, and on-demand.

It is also about building a relationship with customers where their needs are understood, and their preferences are acknowledged, if not specifically catered to. The experience is everything.

Beyond TV and Radio

The shift towards digital-only content and delivery systems is highly disruptive. From a single channel (or a handful), broadcast media must now consider how to deliver content across potentially thousands of different devices wherever their audience is located.

While traditional TV and radio broadcasting is far from disappearing, it must evolve to stay relevant in today's streaming-focused world, especially for younger audiences. There are simply too many different competitors offering alternatives. This was expanded on by Deloitte in their 2022 Digital Media Trends 16th edition report³¹:

"Across all five countries surveyed—the United States, the United Kingdom, Germany, Brazil, and Japan—Gen Z respondents cited playing video games as their favorite entertainment activity. More generations may catch up. For UK Millennials,

gaming is a close second to watching TV and movies at home, and Japanese Millennials rank playing video games as second to browsing the internet. Similarly, use of social media is high and skews toward younger generations. Social has become a gateway for video, music, news, gaming, and the communities and content creators that keep it all moving."

Much of this can be placed on the 'broadband effect'. According to an Apper 360 report³², *"IP has sparked a revolution across the entire content production and broadcasting value chain, enabling new ways of creating, contributing, and distributing content, and we are seeing how attitudes to IP are being viewed in contrast to traditional TV services. 66% of respondents believe that streaming services will grow, and traditional pay TV services will decline—a lot or somewhat."*

Vaudeville producers once downplayed the popularity of silent films. Those studios then ignored 'talkies'. Directors of black and white films later scoffed at color. Just as video and DVD rental services shrugged off streaming. All were wrong.

Traditional entrants cannot ignore today's digital revolution.

Within the next ten years, as the middle-class dominates the world, Generation Alpha enters working age, and most consumers stream their shows, movies, music, books, news, and more, how viable and relevant will they be?

Innovation never stands still.

The OTT advantage

This can be seen in the rapid adoption of OTT services and devices. Valued at US\$110.1 billion in 2018, the market's projected revenue is expected to pass US\$438.5 billion by 2026.³³ More powerful and more affordable smart devices are driving such growth. This is further enhanced by the ever-growing coverage of 5G and its ability to provide super-fast streaming. For consumers, streaming is increasingly essential.

That's why OTT is proving so popular. Whether a gaming console, a smartphone, or an Amazon Fire TV stick, they deliver content the way the consumer wants. If they want to watch their favorite show in the kitchen, their tablet is perfect.

Prefer the 'big screen' experience? They'll start up their smart TV.

For broadcasters looking to expand their coverage to newer platforms and audiences, OTT is a proven solution. But wait, there's more.

AI, 5G, cloud-based delivery, hybrid networks³⁴, big data, and Software-as-a-Service (SaaS), are helping to drive innovation and deliver fast, dependable, secure, and scalable solutions.

SaaS and the cloud can provide cost-effective content delivery, disaster recovery, asset management, and content monetization. While hybrid networks enable organizations to deliver content using different media delivery networks that best suit each region being targeted. This can include the internet, satellite, or dedicated fiber.

Through these technologies, the media and broadcasting industry can develop and provide highly personalized, high-quality digital content that boosts loyalty. Wherever their customers go they can watch or listen to what they want. That's a powerful incentive for consumers to stream. And a great way for providers to expand their audience.

That doesn't mean it's easy.

Ensuring a repeat performance

Having the greatest content in the world doesn't automatically translate into success. There are several factors to consider. Both from a technical perspective and a customer viewpoint.

The end goal, however, is the same. To provide the best user experience. Not just when streaming but at every stage of their journey with a service or product. Everything should run smoothly at the highest possible quality. The content might be great but if the customer dislikes the product's user interface, encounters bugs and reliability issues, or experiences high latency, churn may not be far away.

The ghost in the machine

One fundamental issue that must be solved is latency. Consider your website. Even a 100-millisecond delay in your sites load time can impact conversion rates by 7 percent³⁵. That's a 0.1 second delay.

In 2018, Google analyzed the data of bounce rates from 11 million mobile ads' landing pages³⁶. Their findings also showed that latency can severely impact revenue.

"As page load time goes from:

1s to 3s the probability of bounce increases 32%

1s to 5s the probability of bounce increases 90%

1s to 6s the probability of bounce increases 106%

1s to 10s the probability of bounce increases 123%"

If a user consistently experiences lag, buffering, or bottlenecks with your offer, it is highly likely they will go somewhere else. This is no different if there are reliability problems. The service may have great content, lightning-fast streaming, and an award-winning-level interface, but that means little if it isn't reliable. Regardless of the device, or its operating system, where it is being used, or its level of internet connectivity, users want, and expect the best quality every time.

Not working once can be annoying, but twice? Maybe three times? How many until the user moves on?

Things also become more complicated when solutions are used on a range of devices and operating systems. Being certain that your device works in various environments with diverse users and multiple devices is clearly important. As is knowing that it provides a wonderful experience.

Focusing on the user experience

In many ways, the consumer's experience begins before they even use your product. That's why it's essential to provide a consistently positive experience at every step.

The questions that must be asked are numerous:

Was the registration process seamless, easy, and secure?

Were subscription options and pricing clear? What happens during payment? Are your menu options clear and easy to find? Does your search functionality do what is expected?

Does the user interface make sense and is it intuitive? Are there appropriate parental and/or user controls?

Are playback functions working correctly (play, pause, etc.)? What about audio? Picture quality? Is everything synchronizing properly? Do you offer different resolutions? Are your recommendations appropriate?

Each must be appropriately addressed, which includes comprehensive testing, to deliver an outstanding experience that gives you a competitive advantage and that reduces churn.

Every scene's a showstopper

There are only a few industries as innovative and change-ready as the media and broadcasting industry. Many within the industry are already embracing our digital future, and those who are starting can see the enormous potential that streaming, OTT, and the various VOD services can offer. Any audience or niche, with the right content and a positive user experience, can be found and monetized.

From e-sports, to live yodeling concerts, and the latest Nollywood blockbusters, there's an audience out there waiting to stream, download, and enjoy the show. They just want to do so on their own terms. If the experience isn't 100 percent what they want, they're more than happy to cancel their subscription and look to another provider.

This is the true challenge. Keeping them engaged, happy, and turning them into loyal customers. In the best scenario, this means turning them into true advocates / brand ambassadors of your solution.

In the end, the quality in which they receive their show, their favorite music, and even their books, is just one piece of a larger, more complex puzzle. All must come together to provide an exceptional, hyper-personalized experience. One that leaves them feeling empowered, happy, and most importantly, valued.

This can only come from intimately knowing their need and wants, and by thoroughly testing every point of their journey to ensure it is optimized and provides exactly what they expect.

Only then can you build a lasting fan base.

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