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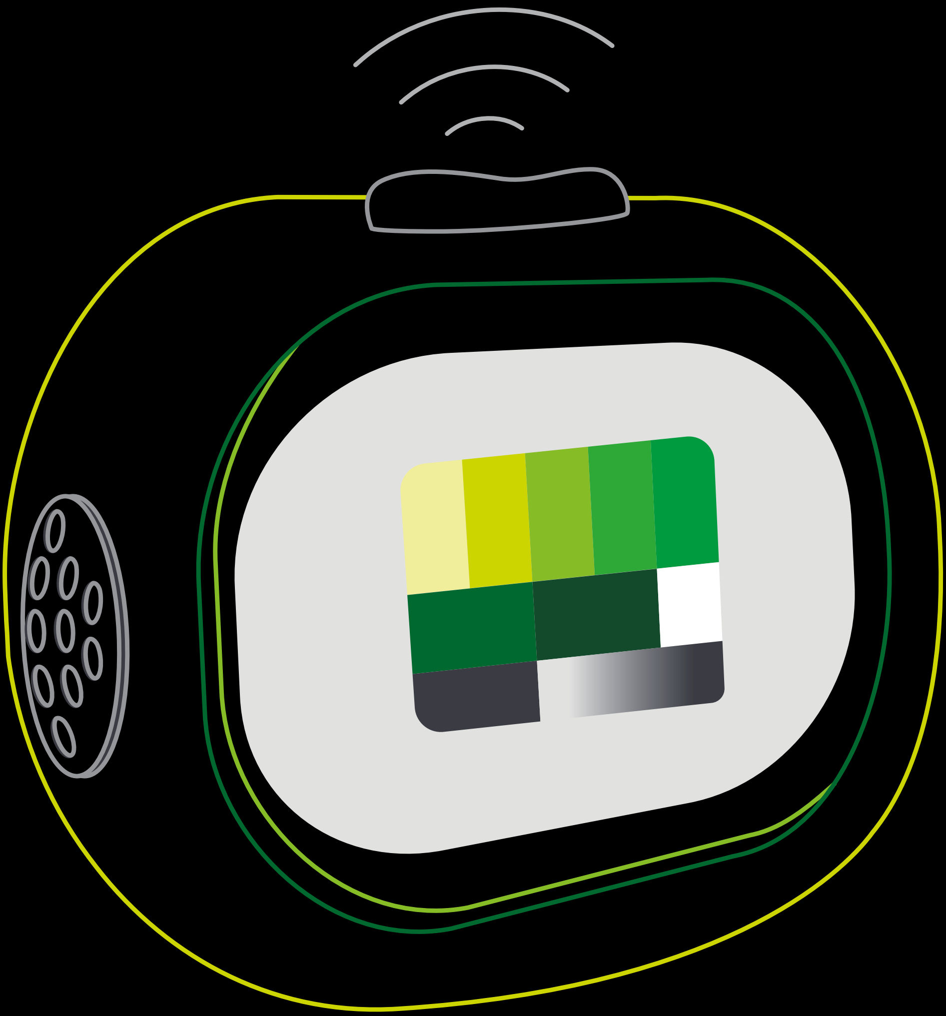

The future of the TV and video landscape by 2030

center
for the long view

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Introduction: a market on the move

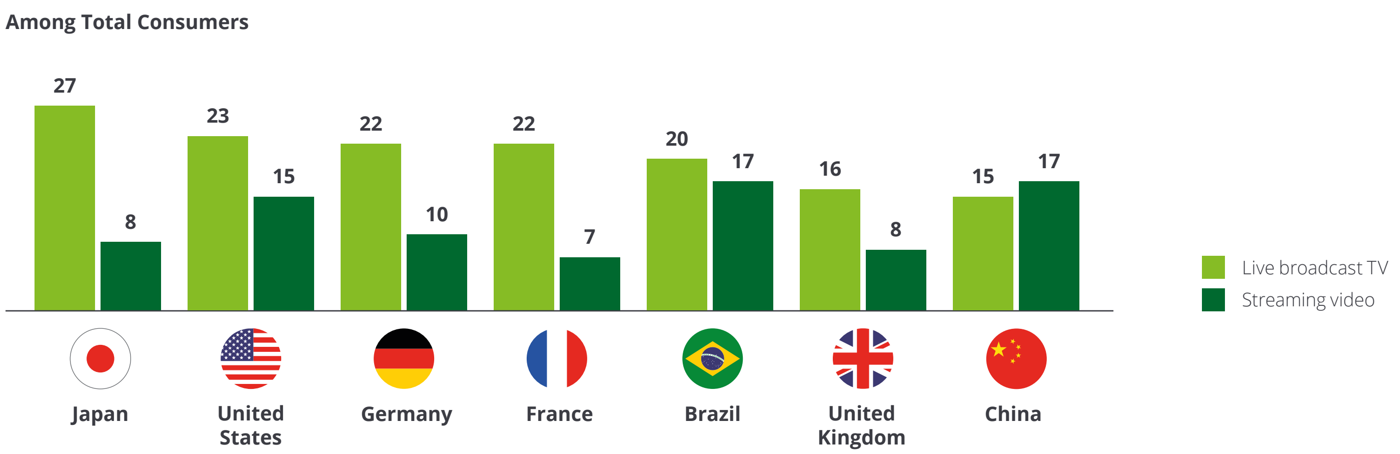
"On-demand-services will disrupt the TV and video industry," "New market players such as Netflix or Amazon will soon replace traditional broadcasters," "Consumers' demand for TV and video consumption is fundamentally changing." Established players are increasingly confronted with this kind of alarming news about their positioning within the future TV and video landscape.

But will these dramatic predictions really come true? TV and video are indeed facing much uncertainty, and the extent of change in the sector is hard to foresee. Streaming services no longer serve as just a platform for movies and TV shows—they are also investing in producing and licensing their own content. This places them in direct competition with the traditional TV and video industry. At the same time, TV channels and media organizations are starting their own on-demand offerings. Also, large content producers are setting up their own streaming services.
From another perspective, on-demand-services have quickly changed consumers' demand for TV and video consumption.

The Deloitte Digital Media Trends Survey 2018 states that almost 48% of all United States consumers stream television content every day or week.[1] Likewise in the United Kingdom, streaming video services have gained in importance; already, 41% of all consumers purchased such a service in the United Kingdom.[2] Even in the more conservative German TV market, 44% of the population make use of subscription-based video-on-demand (SVoD) at least once a week.[3] With the success of video-on-demand (VoD), consumers increasingly expect relevant content accessible at any time, in any place, and in the format that best fits their needs.

This rapidly changing market landscape makes future predictions difficult, if not impossible. We therefore adopted a more holistic approach—and we now invite you to travel with us to the year 2030 to take a peek at four scenarios envisioning the future of TV and video. Our scenario approach does not aim to predict the most likely outcome but rather illustrates what could plausibly happen in the world of TV and video. It also suggests how today's market players might adapt to deal with the many changes and uncertainties there will be along the way.

Fig. 1 – Average weekly video content consumption (in hours)



[1] Digital Media Trends Survey 2018 (United States) ; [2] Deloitte's Digital Democracy Survey 2018 (global); [3] Deloitte Media Consumer Survey 2018 (Germany)

Scenario thinking

The highly dynamic TV and video market is characterized by emerging new market offerings, disruptive digital players, and rapidly changing consumer requirements. In this uncertain environment, the strategic steps of relevant stakeholders will be crucial factors influencing the future market landscape. What they decide today will have major effects on their future consumer relationships, the market structure, and technological standards.

Conventional strategic analysis seldom manages well in such highly uncertain environments, whereas scenario design is one approach that can look beyond the usual planning horizon of three to five years. While predicting the future is clearly impossible, scenario design isolates the risks and opportunities of certain strategic issues. It helps in developing robust strategies that will work in different potential futures.

It is thus necessary to generate a set of scenarios, each of them describing a specific, plausible world of the future which substantially differs from the others.

The objective of scenario design thus is not to identify future events, but rather to emphasize relevant forces that move the future in different directions. Scenarios are narratives of alternative future environments in which today's decisions might play out: they are neither predictions nor strategies. By making the driving forces visible, strategic planners can consider them and adapt their strategy accordingly.

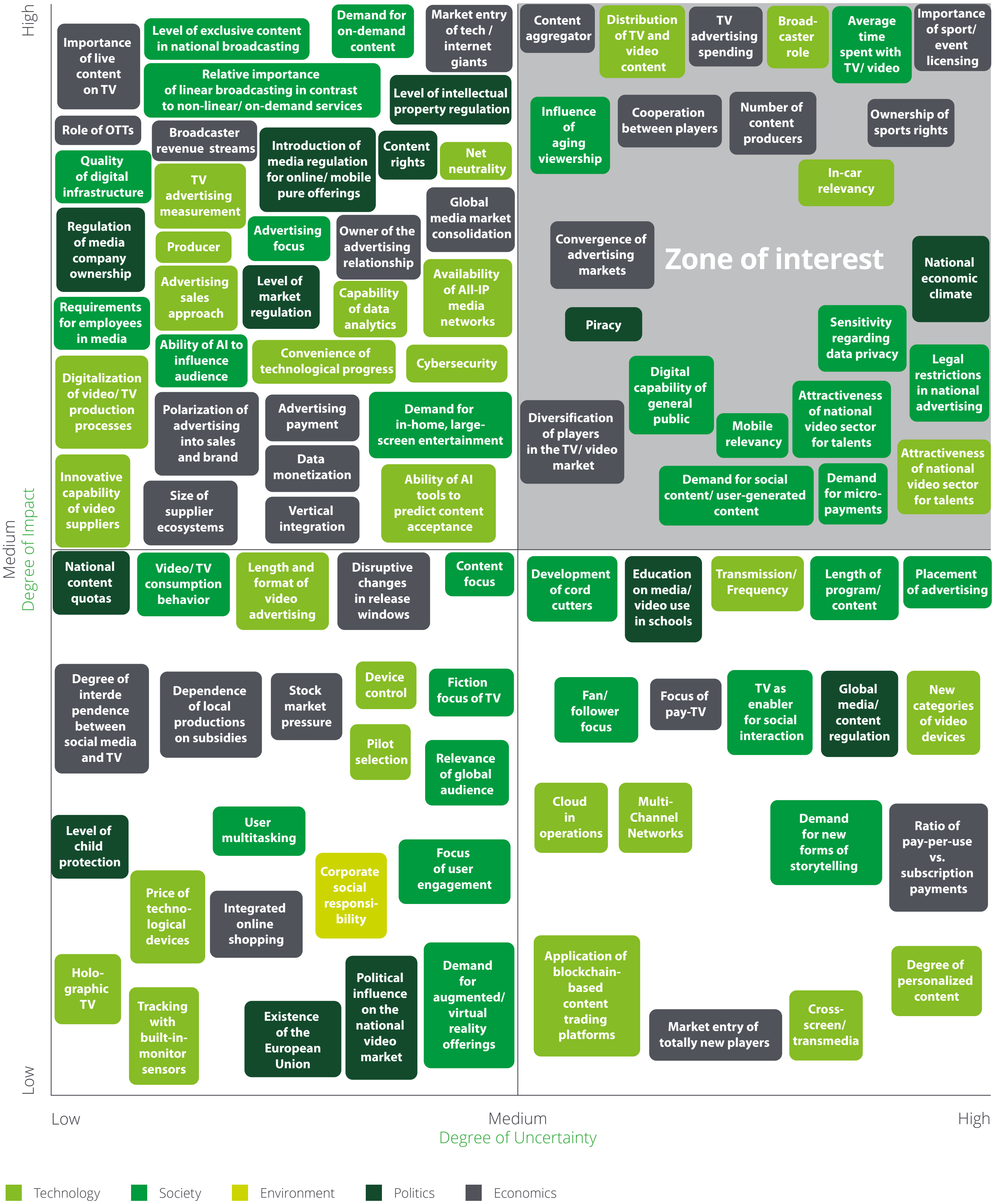
Scenario design is an approach that can look beyond the usual planning horizon of three to five years. It helps develop robust strategies that will work in different potential futures.

The underlying drivers and how we derived them

The foundation of our scenarios is a comprehensive set of underlying drivers that potentially shape the future of the TV and video industry. We therefore conducted expert interviews and made use of our unique external environment analysis based on Natural Language Processing (NLP) algorithms. The resulting drivers were then clustered into social, technological, economic, environmental, and political factors (STEEP) and rated with regard to their degree of uncertainty and their impact on the TV and video industry (see Figure 1).

Traditional TV and nonlinear content offerings will coexist. New and existing players will reposition along the value chain in a partly consolidated market.

Fig. 2 – Driver evaluation according to degree of impact and degree of uncertainty



In this way, we identified the two relevant types of driving forces for our scenarios:

- Drivers with a high impact and with a clearly predictable evolution (see the chapter on Expert Predictions)
- Highly uncertain drivers with a high impact on the TV and video industry.

Those drivers that are uncertain and highly relevant are located in the 'zone of interest', which is the fundamental section for our further approach. The 23 driving forces in the 'zone of interest' have subsequently been tested by measuring their interdependencies and relevance to each other, and clustered according to their degree of relatedness. At the end of this process, a combination of 'critical uncertainties' was chosen, which created the most challenging, divergent, and relevant scenarios. This process led to a scenario matrix, serving as the basis for our scenario analysis. The matrix is built on two axes addressing the critical uncertainties by raising the questions, **"What will the player structure look like?"** and **"Who will have access to customers?"** illustrated in Figure 3.

Fig. 3 – Scenario Overview for the future of TV and video in 2030

The axis **"What will the player structure look like?"** re lects the changing provider landscape in the TV and video industry. This dimension illustrates potential tendencies toward internationalization with global media players perhaps pushing national broadcasters and content producers to the fringes. It also considers the fact that large digital platform companies (DPCs) such as Amazon, Apple, Facebook, Google, or Netflix increasingly enter additional stages of the TV and video value chain by, for example, producing their own content.

The second axis or critical uncertainty that will determine the future of video is **"Who will have access to customers?"** This raises the question of whether broadcasters, digital platform companies, or content producers will be able to leverage a direct consumer relationship—with massive impact on monetization options, either via innovative advertising or paid content models.

We see digital platform companies as the major disruptors in the future TV and video market. By contrast, broadcasters and content producers face the greatest pressure for change.

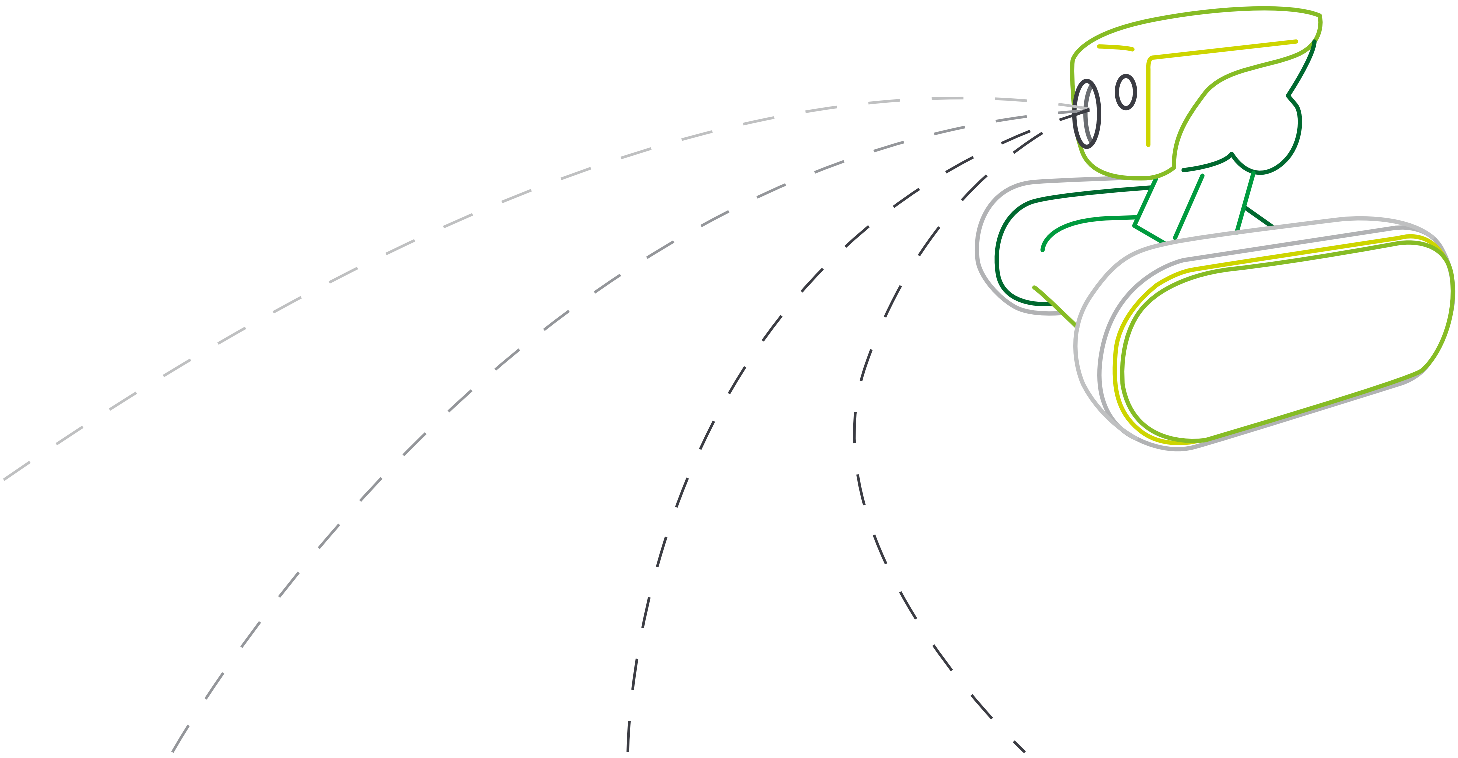
Expert predictions: what we are certain about

As mentioned above, our scientific scenario approach identified a group of relevant influencing factors that our experts predict will have a distinct evolution. These factors will also have a significant impact on the future of TV and video as well as relevance for all four scenarios. The statements below outline this impact:

Digitalization will change content production, distribution, and recommendation functionalities.
All-IP becomes the standard for TV and video distribution. Fiber infrastructure and 5G networks will handle the massive increase in digital traffic caused by an increasingly flexible and mobile use of media offerings. Beyond that, they will strongly drive the digitalization level of video production processes. Artificial Intelligence (AI) and analytics become key elements of smart content discovery with intelligent recommendation functionalities.

Traditional TV and non-linear content offerings will coexist.
Linear and on-demand content will be equally important and will coexist peacefully. Video-on-demand will soon become mainstream in all population groups; at the same time, linear TV remains significant. Especially live content such as sports and major events will preserve the high importance of traditional, linear television.

Advertising becomes targeted.
TV and video advertising will adapt to new formats and increasingly focus on personalized ads. Leveraging consumer data will enable stakeholders to hyper target their ads and content, and thus maximize customer experience and value. However, the extent of targeted advertising still depends on regulation and consumers' willingness to share their data. Advertising marketing will be something between a fully automated process and individual sales negotiations.



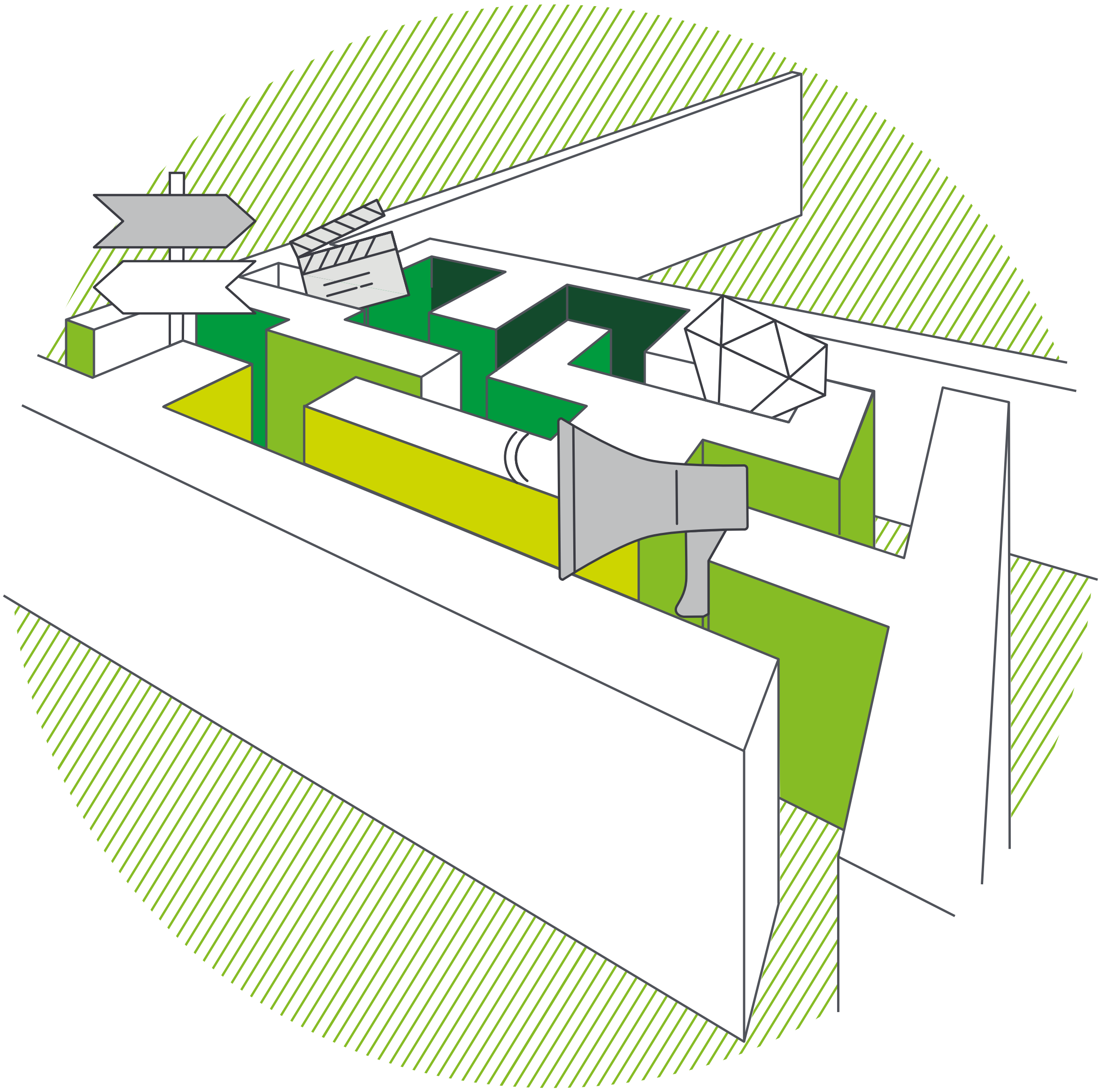
There will be moderate market regulation overall.
Market regulation will be more moderate compared to the highly regulated media industry today. The lower level of regulation for online and mobile offerings leads to a reduction of the regulatory pressure for all market players, especially for the traditional media companies. In particular, lower regulatory pressure will lead to a higher level of freedom when it comes to cooperation between market players and concentration of media ownership. Net neutrality will continue to exist.

Advertising and direct revenues will remain most relevant.
Generating new revenue streams is rather difficult for the protagonists in the TV and video market. Innovative offers such as demand-based pricing for content will not prevail to a major extent. In addition, consumer data will be only partly used in monetization. There are only a few new data-driven revenue streams for broadcasters, as consumers show only a moderate willingness to pay with their data.

New and existing players will reposition along the value chain in a partly consolidated market.
The global media industry will be partly consolidated. Stakeholders will make use of strategic mergers, acquisitions, and alliances to strengthen their content quality and distribution capability. Moreover, numerous market players will shift along the value chain by expanding their businesses. Broadcasters will not only focus on their core competencies but also occupy some other positions in the value chain. Over-the-top (OTT) services become more important in the future TV and video market, whereas tech players play a minor role. Looking at content production, both traditional studios and non-traditional providers will be part of it.

Journey into our four scenarios

The following scenarios demonstrate how different the future paths of the TV and video market could be. Let us explore each one individually to see how they differ and what risks and opportunities might arise in the future.



Scenario 1

Universal supermarket

In this scenario, a few **global digital platform companies** have taken over the leading role in aggregation and distribution from national broadcasters. They control the TV and video market and have entered all steps along the value chain, including creation, aggregation, and distribution of content and the direct customer relationship. Like large supermarkets, each of the digital platform companies offers an extensive range of global and national content, only differentiated by some exclusive productions and sports rights.

Broadcasting as we know it today has disappeared. Since video content is distributed in all-IP (Internet Protocol) and mainly online over the Internet, broadcasters have been through a painful process of change. They have evolved into pure creators of largely national or specialized content without any stakes in distribution or customer relationship. They are now a supplier of their own channels and streams to the digital platform companies' universal supermarket. However, broadcasters remain a relevant part of the video landscape. Consumer demand for relevant content such as news or local(ized) formats has saved their existence.

At the beginning of the market transformation process, consumers were overwhelmed by the quantity of content available and the proliferation of content providers. That confusion quickly evolved into frustration. Subsequently, global digital platform companies exploited their technological capabilities to develop smart selection and recommendation, supported by artificial intelligence.

In addition, they initiated the consolidation of the vendor landscape. The financial capabilities of the global digital platform companies allowed them to acquire exclusive sports rights and produce global blockbuster content, displacing comparatively smaller players such as broadcasters and content creators from important stages of the value chain.

Advertising, as well as consumer relationships, has also shifted to the digital platforms. Broadcasters are dependent on the revenue shares from digital platform companies and cut off from direct paid content and advertising revenues.

Advertising agencies and traders have disappeared, rendered irrelevant by digital platforms' direct models of ad trading. Beyond that, their technological prowess helped in implementing new, personalized, and interactive forms of advertising.

In this scenario, regulators did not take significant steps to monitor and control the digital platform companies' market strength. Though the market is consolidated, access to local content is widely regarded as guaranteed. From the regulator's perspective, the digital platforms are doing a decent job in catering to different cultural tastes and providing quality local content.

Scenario 2

Content endgame

In the 'Content endgame' scenario, large global **content owners** are the winners of the market transition. They have integrated vertically along the entire value chain and started to withdraw and withhold content from digital platform companies and distribute via their own channels, bypassing the platforms and establishing direct customer relationships.

Content has become the main differentiating factor in the video market, while technologies such as distribution, search, and recommendation are considered a commodity.

Big content owners with strong program brands and global reach target a global audience with costly blockbuster productions and benefit strongly from economies of scale. Smaller producers have been pushed out of the market. The variety of content has decreased, but the quality of global productions has reached new dimensions.

Broadcasters have survived by shifting their focus solely to the creation of strong local formats. They have evolved into suppliers to the big global content owners and benefit from the protection of national regulators.

Digital platform companies have retreated to becoming pure distribution channels, focused purely on technical delivery. The digital platform companies' business model has changed fundamentally since consumers are no longer paying for a specific platform, but directly for their preferred content. Apart from advertising, freemium services have become a relevant source of revenue for digital platform companies.

As content really is king in this scenario, global content owners negotiate directly with advertisers. New ad models on a global scale have proved to be beneficial for content owners and international consumer brands. Finally, advertising partnerships have been established in the market, with sponsoring and content marketing being the most important examples.

Scenario 3

Revenge of the broadcasters

In this scenario, **national broadcasters** have successfully accomplished their digital transformation and secured a strong position in the TV and video ecosystem. Broadcasters have evolved into digital platforms, established direct customer relationships, and delivered on-demand content. During the transformation process, broadcasters developed excellent digital capabilities. They have entered new services, such as targeted advertising and recommendation functions, which had previously been dominated by the digital platform companies. Furthermore, the high relevance of content for a national audience puts broadcasters in a superior market position, supported by regulatory measures such as content quotas.

National broadcasters and global digital platform companies coexist in the market. This guarantees a great richness of content. While national broadcasters focus on local quality content, digital platform companies supply global productions and blockbusters. Viewers can chose whether they want to watch linear or non-linear content from global or national sources.

Apart from several content partnerships, technological alliances have also shaped the market. All-IP network operators helped broadcasters during the transformation process with their expertise in digital media distribution and by leveraging customer data. With their national footprints, network operators and broadcasters are ideal partners serving the same regional markets. The alliance resulted in an efficient distribution of content via high-performance platforms with smart access to customer data.

In this technologically advanced scenario, broadcasters are gaining valuable customer insights that are highly relevant to advertisers. The collected user data would be an effective enabler for fully personalized advertisement, but advertising is part of a strong regulatory framework with strict data privacy rules. Advertising agencies have remained in the market and are helping broadcasters implement innovative ads within the legal guidelines.

Broadcasters also benefit from strong media regulation at a national level as local content production enjoys firm regulatory support. The strict national and European regulatory regime is the answer to the threat of globally dominant digital media companies. With corresponding measurement systems, broadcast industry bodies have secured a strong national media industry.

Scenario 4

Lost in diversity

In our fourth and final scenario, the TV and video market has evolved into a **diverse ecosystem** with no dominant players. Instead, consumers are served by numerous distribution platforms, a great richness of content, and a steady turnover of players in the market. Demand for national content remains strong, so partnerships between global and local players are widespread. The clear distinction between content production and distribution is another key characteristic of this scenario.

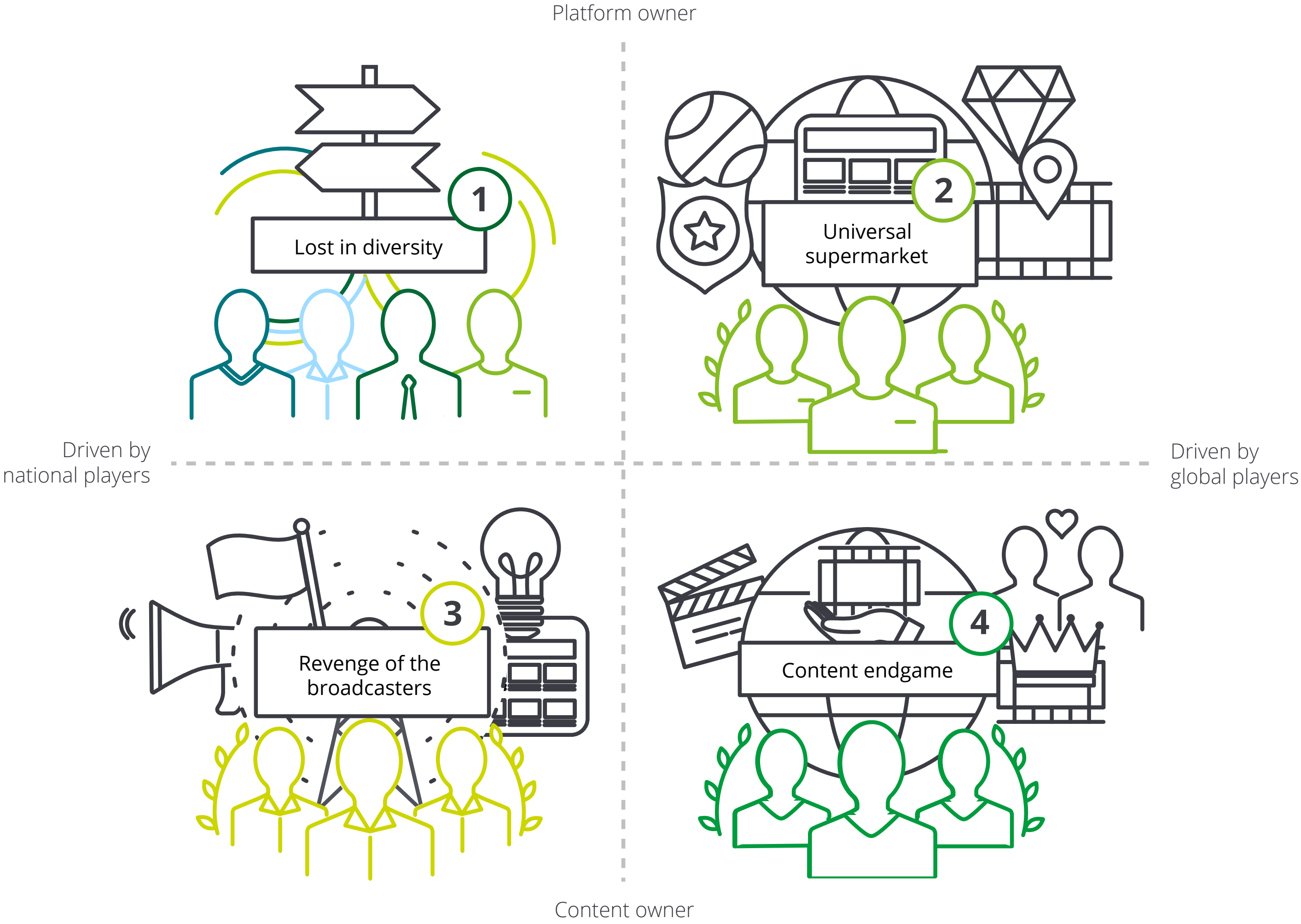
Everyone does everything in this scenario. Global digital platform companies have established direct customer relationships. Telecommunications providers, broadcasters, and content producers have also successfully created their own digital platforms. Digital platform companies contribute global formats such as high-profile series. To provide relevant local content they also forge alliances with local producers. Network operators act as super-aggregators. They provide access to content and structure the market from the customer's perspective by offering guidance across platforms. Consumers are only interested in content and therefore tend not to be loyal to any one platform.

National broadcasters capitalize on the consumers' huge appetite for local news, sports, movies, and series. Broadcasters who started their digital transformation at an early stage are using their own platforms for content distribution. Others have established partnerships with platform providers, with the general trend towards co-productions between broadcasters and global digital platform companies. All in all, national broadcasters remain independent and maintain their livelihood by various revenue streams.

In this vivid and dynamic market, advertising agencies continue to have high relevance. They systematically allocate advertising budgets and provide guidance within the complex TV and video ecosystem. As digital platforms facilitate personalized advertisement, agencies had to acquire comprehensive data analytics skills. In this way, they became indispensable advisors for advertisers.

The primary concern of regulators in this scenario is the preservation of local content and media companies. With their regulatory decisions, they have strongly protected national broadcasters and put them in a position to compete against the digital and financial muscle of the large global digital platform companies.

Fig. 4 – We clustered the main trends and drivers and prioritized two main forces influencing the future...



1

The TV and video market has evolved into a diverse ecosystem with no dominant players and a steady turnover of market participants.

2

National broadcasting has been replaced by a few global digital platform companies.

3

National broadcasters retained their place by successfully accomplishing their digital transformation.

4

Global content owners can leverage a direct consumer relationship, which places them in the driver seat.

Taking a closer look

Looking at the final set of scenarios, we see DPCs being the major disruptors in the future TV and video market. By contrast, broadcasters and content producers face the greatest pressure for change. We will therefore take a closer look at the strategic options for those two stakeholder groups.

Even though our four scenarios are highly divergent, a few overarching implications are highly relevant for all of them. Firstly, broadcasters and content producers can no longer rely on their current market positions. To safeguard their business models and future revenue streams, they need to be open to cooperation and alliances, even with their direct competitors. Joint production, distribution or even platforms are appropriate measures for countering the threat posed by the DPCs. In parallel, regulators need to become less restrictive when it comes to alliances between equally positioned players within the TV and video value chain. Broadcasters and content producers must work towards convincing regulators to permit such cooperative models.

Beyond that, established broadcasters and content producers must continuously invest in their technological skills. Technology has become a core element of their business processes, and mastering them is a prerequisite to being well-positioned in an increasingly digital video market landscape. As a result, traditional players must attract digital talent as well as creative minds; in addition to technology, attractive and creative content certainly remains king.

Next to these overall implications, we have different distinguishing factors in each of the four scenarios, which affect the actual options for broadcasters and content producers. Depending on the respective scenario, stakeholders must draw appropriate fundamental conclusions. However, the risk potential for each market player must be analyzed separately in order to develop individual strategic options.

Universal supermarkets

In the Universal supermarket scenario, broadcasters and content producers need to focus on the implementation and positioning of strong content brands. This branded content must be used to improve bargaining positions when negotiating partnerships with content distributors. Also, content brands should seek more international licensing and leverage. To secure additional revenue streams, broadcasters and content producers must extend their business models beyond the TV and video market into other fields, such as merchandising.

Content endgame

Larger content producers need to invest more strongly in international content production--directly or via subsidiaries--to keep pace with their big global counterparts. Besides this focus on content, larger producers must strengthen the fields of customer relationships and advertising-marketing in the Content Endgame scenario.

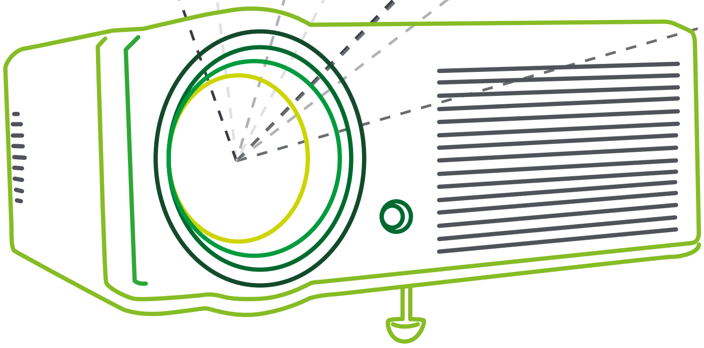
Smaller broadcasters and content producers need to position themselves as inimitable national partners for global players through unique, local, and strongly branded content. Furthermore, they must explore alternative distribution channels through strategic alliances with DPCs or IP network operators.

Revenge of the broadcasters

In this scenario, broadcasters must keep an eye on the general conditions of the video market. They need to be aware of their political role and must exert influence to prevent adjustments in the the regulatory framework towards a less strict regime.

Lost in diversity

In the Lost in Diversity scenario, broadcasters and content producers must clearly place the emphasis on their own strengths. In a world in which everyone does everything, only a strong, focused strategy and appropriate investments will secure the future market existence of broadcasters and content producers.



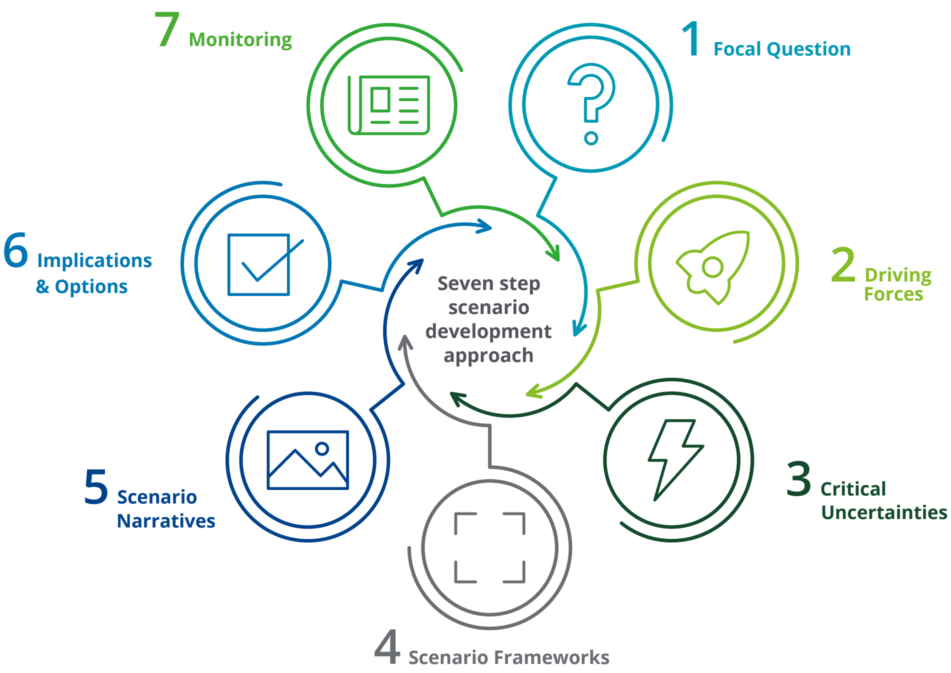
Methodology

The methodology of this study is based on the proven scenario approach first employed by Shell, and then perfected by Monitor Deloitte. A seven-step scenario development approach (see image) applies the guiding scientific principles of objectivity, reliability, and validity. The study is the outcome of a series of interviews, questionnaires, and workshops involving TMT experts from the Deloitte EMEA network and industry professionals as well as experienced scenario practitioners from Deloitte's Center for the Long View (CLV).

Scenario design starts by identifying the focal question of the underlying issue. Since we could tell an infinite number of different stories about the future of the TV and video industry, we first had to agree on the issue or strategic challenge we wanted to address. This enables us to support our TMT clients' decision-making in an appropriate way. Scenarios are tools for shedding light on the strategic challenge, while the focal question sets the scope of the scenarios. In the present case, we focused on the question, "What will the TV and video landscape look like by 2030?"

Scenarios are a way of understanding the dynamics that shape the future. Therefore, in a second step, we pinpointed the forces that drive the focal question. Driving forces are fundamental sources of future change. They shape the course of events and history and dramatically enhance our ability to imagine future scenarios. These drivers can be grouped into five categories, known as STEEP forces. This stands for Social, Technological, Economic, Environmental, and Political forces, and more than one can apply to any given issue. In order to derive our driver list, we also conducted expert workshops using Deep View, an AI-based trend-sensing and analysis machine. Deep View helps to avoid the bias of traditional approaches, which often have built-in tendencies based on the character, mood, or preferences of the scenarists.

Fig. 5 – Center for the Long View Scenario methodology



As a part of the workshop series, in a third step we identified the critical uncertainties for the focal question. Not all driving forces are uncertain, some may be pre-determined. These are the trends already in the pipeline, unlikely to vary significantly in any of the scenarios. Critical uncertainties are driving forces with the potential to tip the future in one direction or another. They have two fundamental characteristics: they have an unusually high impact and are uncommonly uncertain or volatile. Initially, all uncertainties appear unique, but by stepping back, we can reduce uncertainties to clusters that serve as the building blocks for creating our scenario sets.

The scenario framework was developed in the next step by focusing the entire list of related uncertainties into two orthogonal axes. We then defined a matrix consisting of crossing and independent axes that allowed us to define four very different, but plausible, quadrants of uncertainty. In the underlying study, we used "What will the player structure look like?" and "Who will have access to consumers?" as critical uncertainties.

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