STATE OF READINESS
CONTENTS

3 An Introduction to the State of Readiness

4 Media Firms’ Current Priorities

6 Inability to Deliver on Desire for Customer Intimacy

8 Appetite for Richer Content in a Networked World

10 Convergence and the Battle for Control of the Customer

11 In Summary
In November 2009, Oracle Communications, in partnership with future trends consultancy The Future Laboratory, launched Capitalising on the Digital Age, a study into how changes in consumer behaviour brought by the digital world will present telecommunications and media companies with fresh challenges.

A 12-strong panel of global experts, including Martin Lindstrom (author of Buyology) and Hugh Garry (BBC Radio 1 Interactive), considered a number of drivers for change and the impact that future technologies would have on media consumption.

A growing appetite and expectation among consumers for free content, a desire to participate and actively contribute their own content and technological advances such as semantic search of film and video were just some of the influences on behaviour identified.

The panel also took into consideration the emergence of new phenomenon, such as:

- Digitally augmented reality – Video visors and ultimately contact lenses will digitally enhance everyday life into a three-dimensional wrap-around immersive experience
- Contextual branding – Predictive and geospatial software will enable brands to target consumer whims through contextual branding. Current advertising formats and models will become increasingly redundant
- ‘Supertising’ – As multi-screens allow different members of a household to watch diverse content at the same times, ad profiling will be tailored to the individual
- Emotional profiling – Emotional engagement and depth of connection will replace eyeballs as the dominant media trading currency
- Privacy for sale – Consumers will come to realise how important their personal data is to companies wishing to provide them with a world of tailored, immersive entertainment
- Recommendation culture – The digital future will not mean tuning into a particular TV channel; there will be a service that allows you to navigate the plethora of choice, recommending what you would want to consume

In response to these findings, Oracle and The Future Laboratory identified a number of strategies that media firms should consider in response to changing market conditions and consumer preferences to ready themselves for the future. These included the need to gain consumers’ trust as a matter of urgency, to get closer to their customers, further specialise their offerings and to position for partnerships.

Twelve months on, we wanted to discover how important media companies judged these measures to be along with their ability to deliver on them.

The findings are contained in this, our 2010 State of Readiness report. Whatever device you’re reading this on, we hope you find the research as interesting as we do.
At a time when the value of traditional business models is being eroded, media firms need to be smarter about the way they engage with and deliver content to consumers. However, a positive sign for the industry is that the appetite among young consumers for media content continues to grow – a study from UK regulator, Ofcom, found for instance that 16-24 year olds are cramming nine and a half hours of media consumption into six and a half hours of actual time through multi-tasking.

So what strategies do media firms have in place to ensure their continued relevance in this changing landscape?

Our State of Readiness research found that the top five priorities for media firms all revolved around providing a reassuring and compelling customer experience.

Top of the agenda was information security (76%) and providing a compelling user experience (68%). Tailoring offerings to customers’ needs (66%) and building value-added services around content (62%) were other stated major areas of focus for the majority of firms.

Only 28% said that building a paywall around specific areas of content was a priority, showing that many are still unconvinced on the revenue opportunities available through closing off content to the wider web.

**Oracle perspective**

The results show that media firms are heeding many of the recommendations made by the panel of experts from last year’s report and placing the customer at the forefront.

**Bid for Trust:** Commit to and work on gaining trust from consumers as a matter of urgency

<table>
<thead>
<tr>
<th>Top areas of focus for media firms</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information security</td>
<td>76%</td>
</tr>
<tr>
<td>Development of plans to foster deeper levels of trust with your customers</td>
<td>72%</td>
</tr>
<tr>
<td>Making the customer experience as intuitive, human and compelling as possible</td>
<td>68%</td>
</tr>
<tr>
<td>Finding ways to tailor your offerings to your customers’ needs, wants and circumstances</td>
<td>66%</td>
</tr>
<tr>
<td>Building value-added services around all of your content</td>
<td>62%</td>
</tr>
<tr>
<td>Deepening your organisation’s specialism in your core areas of expertise</td>
<td>54%</td>
</tr>
<tr>
<td>Streamline billing systems to make them as seamless and easy to use as possible</td>
<td>44%</td>
</tr>
<tr>
<td>Formation of partnerships with organisations that will enable you to deliver even more appealing, compelling content</td>
<td>36%</td>
</tr>
<tr>
<td>Building paywalls around specific areas of content</td>
<td>28%</td>
</tr>
</tbody>
</table>
The results show a clear commitment to ensuring security, intuitive experiences, bidding for trust and getting closer to the consumer.

Placing information security at the top of the list is a sensible ordering of priorities with this being the necessary first step to achieving many of the others. Consumers will refuse to trust or engage with brands that fail to reassure them about the safety of their financial and personal data. And organisations have only one opportunity to get this right – the slightest whiff of a data scandal will be enough for customers to give brands the cold shoulder. Brands will have to find ways of providing consumers with the reassurance that their information is safe. This takes on a new dimension with the emergence of location-based services where the individual’s physical presence is at stake. The consumer suspicion that greeted the launch of Facebook Places highlights just how sensitive an area this will become.

The challenge is in having in place the necessary safeguards against threats, both from within and without the organisation, without inconveniencing users. Security will have to get smart, with contextual information becoming part of the process, and systems grading levels of security for different services.
As highlighted in the previous section, media companies have over the past year begun to focus on the strategic measures identified in last year’s report, with the top five priorities for media firms all revolving around providing a reassuring, compelling and trustful customer experience.

Media firms were also ambitious in the types of services they were looking to provide with 84% planning on the development of content personalised to each individual and 68% planning location-based services.

However, the survey revealed that media firms’ customer management systems currently lack the insight to effectively deliver these services and foster deeper relationships with customers. Fewer than half (48%) of those surveyed were able to monitor customers’ interactions with the organisation across all channels.

When it came to providing the more advanced level of intelligence needed to deliver a tailored service to customers, the systems also fell short:

- Only one in six (16%) media firms is able to provide insight into individual customer behaviour
- Less than a fifth (18%) are able to automatically run analyses of customer behaviour to spot trends
- Only one in five (20%) is able to provide recommendations to customers based on their interactions across all digital channels

The findings also indicated that media firms are wasting valuable resources, with 30% of media firms having to manually integrate information from separate systems. And just 24% of media companies have one customer management system that contains all customer data that provides a single, consistent view of an individual’s previous behaviour and preferences.

For many media firms this is all new. Many are used to a one-way interaction with their audiences where they were previously able to push out content to largely anonymous audiences on their terms. Digital media changes and expectations of personalised service change this – media companies need a deeper insight into their customers’ preferences and the ability to manage a two-way interaction with them.

In order to effectively tailor services across multiple channels, the whole business (particularly sales, marketing, and customer service departments) should be coordinated and structured around addressing the individual’s

Oracle Perspective

Media companies appreciate that it’s no longer enough to put content out there and trust that people find it. The results show that they’re taking very seriously the need to get closer to their customers. While they have the right intentions, it doesn’t seem they have the building blocks in place to provide the personalised service they’re hoping for.
very unique needs. Media firms should start to consider how they are going to interact with consumers on their terms, and at a time and on a channel of their choice.

Organisations that automatically integrate systems from across the business can begin to view the customer from a total lifecycle perspective, rather than as separate interactions in sales, service or marketing. Once achieved, then firms can begin to gain that deeper understanding into the types of integrated offers and campaigns that can encourage consumers to loosen their purse strings and foster long-term goodwill.

With customer information flowing effectively across the business, new avenues for customer engagement can be created. The development of new customer service points – such as focus groups and communities – can allow customers even more choice in how they deal with the business and feed yet more customer intelligence into the organisation.

Media firms need to move quickly to remove the barriers to gaining the deeper customer insights that make all of this possible.

What media firms’ customer management systems enable them to do
Records customers’ contact details and monitors all interactions across all channels – all information stored in one central repository: 48%
Records customers’ contact details and monitors all interactions via several but not all channels (e.g. not possible via mobile or online): 46%
Provides recommendations to customers based on the context of each interaction across some channels: 38%
Allows teams to follow the same customer relationship strategies across all service channels (online, call centre, retail and mobile): 36%
Coordinates and tracks marketing campaigns and loyalty programmes with results from all channels (e.g. web, mobile and retail) tied to individual customer data: 30%
Provides recommendations to customers on products and services based on the context of each interaction across all channels: 20%
Integrates customer responses from social media tools back into enterprise systems: 20%
Provides detailed insight into individual customer behaviour – e.g. where they are, what they spend money on, and what content or applications they access: 16%
Automatically run detailed analyses of customer behaviour to spot macro-trends and patterns and identify customer segments: 18%
The previous report foresaw how, in the long run, digital media will be characterised by alliances and partnerships between companies that specialise in their own areas. A particular opportunity was identified for companies that could become ‘orchestrator of the dance’, helping customers to navigate the sea of digital choice.

The vast majority of media firms had existing partnerships with IT and internet companies (70%), web portals (78%) and other media and entertainment companies (78%) with these numbers increasing to 86%, 96% and 96% when asked about what they had planned. The survey also highlighted the major growth areas for content partnerships:

- Social media – rising from 64% currently to 90% planning these partnerships
- Mobile apps developers – from 42% to 80%
- Content aggregators – from 42% to 70%
- Creative consumers or ‘pro ams’ – from 24% to 56%

The report also revealed ambitions to become the ‘orchestrator of the dance’ with 72% planning on services to support consumers in navigating the vast range of content.

Media organisations acknowledged the importance of being able to deliver this content across multiple channels with 78% currently taking steps to do this.

Overlooking Smarter Billing
Less importance however was placed on managing
the resulting revenue streams. Smart billing, one of the priorities identified previously, was not considered a major focus by the majority of media firms despite the fact that 76% of companies planned to introduce new digital payment services. Fewer than half (46%) had developed billing systems to collect and allocate payment for additional content provision.

Indeed, the research revealed that a large number of media firms lacked the capability to bill customers for content and value-added services when the opportunity arose - 46% of media firms were unable to process micropayments, 26% couldn’t cater for subscriptions and 18% couldn’t handle one-off payments.

Payment aside, a quarter of media firms (26%) fully lacked the agility to respond to rapid change in business models and accommodate new revenue streams, although 12% had in place plans to overhaul their systems to give them this flexibility.

Oracle perspective

Media companies understand that the industry is evolving and that they need to evolve with it. State of Readiness confirms how widespread plans are to provide consumers with richer, specialised content through partnerships with third party content developers, media specialists and emerging professional amateurs. Extending their network and the range of content available however brings a new level of complexity. Businesses will increasingly need the control and flexibility to manage and charge for any service or event according to payment type, network or geography.

In their enthusiasm to provide consumers with greater choice, many media firms have overlooked the importance of having the right systems in place to prepare for the complexity that this approach entails.

With new types of content and the different ways available to consume media, new billing models are equally as in demand as the actual content itself. Billing systems need to adapt to reflect changing revenue models within a company.

The more third parties involved, the more sophisticated the procedures to assign revenue need to be. Telcos have been particularly good at this by providing flexible billing options such as pay-as-you-go, subscription and micropayment, to facilitate different purchase patterns. However, the majority in the media industry are not set up to accommodate this.

Significantly, for media companies, this inflexibility means that potential revenue from consumers who want to purchase some, but not all of their services, is lost. Media companies who have the correct systems in place to deal with this demand will be well placed to profit. For example, offering people the ability to buy an England football shirt while they’re watching an England match, or the latest album from Kings of Leon while watching MTV, could open up new revenue streams.

Having the right systems in place to make this possible will not only make media companies more profitable, but also provide the capability to track and understand individual consumer purchasing patterns. This will help media companies develop deeper and more accurate understandings of their customers — crucial in their efforts to win customer trust — while at the same time ensuring that all their partners get paid accurately and on time.
CONVERGENCE AND THE BATTLE FOR CONTROL OF THE CUSTOMER

Oracle’s 2009 study, Capitalising on the Digital Age, examined the impact that economic, cultural and technological change would have on all companies engaged in the provision of digital content. With digital content driving the convergence of media, entertainment and telecoms industries, the strategies recommended applied equally across all sectors.

With that in mind, the survey simultaneously questioned 50 telecoms executives from the same countries and found that telecoms firms were considerably more focused than media companies when it came to the delivery of tailored content, fostering deeper customer relationships and catering for different billing models. Telecoms operators also had considerably more agility in being able to respond to rapid changes in circumstances.

The full findings will be released in November, but the lessons from these preliminary insights are clear.

**Oracle Perspective**

With the availability of content across digital channels, the boundaries between formerly distinct market sectors have over recent years dissolved and brought organisations from disparate industries – media, telecoms, and entertainment – onto overlapping territory.

In the UK, media and entertainment company, BSkyB, has for a number of years now offered broadband and fixed-line phone services, while in its home market communications giant, France Telecom, offers a cinema channel over its TV service and recently failed in a bid to buy the news title, Le Monde.

As a result of such developments, there is an uneasy dynamic between telecoms and media firms where either partnership or fierce competition prevails according to market circumstances.

The previous report highlighted a unique advantage enjoyed by telecoms firms in getting to know their customers intimately – they own the billing relationship, know where the consumer is, what they spend their money on and which content or applications they download. That puts them at an advantage for tailoring future immersive experiences to the individual.

The counterbalance is that, despite this advantage, telecoms firms are still in danger of being viewed by consumers simply as the ‘dumb pipe’, merely the conduit for consumers to enjoy the information, social networks, entertainment and services at the other end – the place where the real commercial value resides. And here is where the media firms hold the upper hand.

What is clear from the findings however, is that both media companies and telecoms operators are looking to achieve the same goals: building customer intimacy and offering personalised services based on individual customer preferences. The telcos have a head-start in many respects and media firms should be looking to make up this ground.
One year on from Capitalising on the Digital Age and disruptive influences continue to appear on the media horizon. Google continues to make inroads into the distribution of content and advertising across multiple channels with the ascendancy of its Android mobile platform and, perhaps more ominously for some media firms, in following Apple with the announcement of a TV service. After the PC and the smartphone, the battle between the tech giants has now clearly switched to the front room for supremacy over the customer experience.

In the print media, the paywall imposed in July on prestigious UK newspaper, The Times, by Rupert Murdoch’s News International is dividing critics. While analysts, media buying groups and publicists are doubtful of the viability of the model, the move also has some influential supporters including Sir Martin Sorrell, chief executive of WPP. In his view, “paywalls are essential, because we think giving away content for free, particularly if consumers value that content, makes no sense.” In light of our research, a more telling insight into the motives behind the move came from Greg Hadfield, former head of digital development at Telegraph Media Group: “The Times and The Sunday Times have a near-unique opportunity to build a one-to-one communication with someone about whom they know their name, email and credit card number.”

Whichever route media companies decide to go down – whether in partnering with the tech giants, erecting paywalls or some other avenue – what is clear is that now is the time to act. If they see their future in delivering a personalised experience, then they need to be able to get right under their customers’ skin. If they plan to capitalise on a rich network of partnerships, then they need the operational support to facilitate this.

Media companies must begin now to define their place in the changing landscape. While their roles may be far from well established, having the correct capabilities in place and operational will give them maximum flexibility to adapt to what will continue to be rapidly changing market circumstances.

Methodology

Research for the State of Readiness Report was conducted during August 2010.

For the research, Vanson Bourne surveyed 50 senior IT executives at media firms in Western and Eastern Europe and the Middle East. The research questioned five executives in the United Kingdom, France, Germany and Italy, four in Italy, Holland, Belgium, Denmark, Sweden and Turkey and three in Poland and the Czech Republic.
For more information, please contact:

Nicole Forte
Senior Director, Industry Marketing, Oracle EMEA
nicole.forte@oracle.com