

Econsultancy

THE IMPACT OF CLOUD-CONNECTED DATA PLATFORMS IN THE MEDIA, ENTERTAINMENT & COMMUNICATIONS SECTOR

IN PARTNERSHIP WITH



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FOREWORD

2020 represented a sea-change in media, entertainment and communications (MEC). It's clear that the pandemic didn't simply increase online subscriptions and streaming activity in the short term. It forced businesses to reassess how they deliver to audiences what they truly want – any content on demand, with the best in customer experience – ensuring that revenue and strategy will run through digital moving forward. It is clear that the era of platform-based, first-person profiles, and data partnerships is upon us.

We at Adobe wanted to explore how the MEC sector dealt with 2020 and is looking ahead. Specifically, we were intrigued to discover how an organization's ability to rapidly adapt to new customer behaviors and demands correlated with their technological approach to marketing data.

To get the answers, we partnered with Econsultancy to conduct primary research on over 200 MEC organizations in North America and the UK with 2019 revenues over \$250M.

This report lays out the research findings, which address some of the fundamental changes that respondent companies are experiencing and make a clear case for approaches to data management that support flexibility in the customer experience, rapid adoption of new capabilities and centralized privacy governance.

The bottom line is that digital drives growth and experience drives digital.

Looking to 2021, MEC companies are expecting digital business lines to be their key drivers of growth, including direct ecommerce, live (virtual) events and digital advertising. The competition for new and recurring subscribers will be fierce and marketers report that the digital customer experience has an impact at every level >

of the buying cycle, from acquisition through retention.

The path forward will rely on superlative content development as well as an evolved capability to build and maintain demand with highly segmented promotions, advertising and content recommendations also being essential.

The impending cookie-less mandate will alter how MEC companies manage and measure digital marketing and customer experience. The good news is that pivoting from the third-party cookie model lets digital marketers focus on building out their first-party customer data and managing it in ways that enhance personalization capabilities.

With first-party data increasingly at the center of marketing and experience, governance is paramount. The study clearly illustrates that platform-based data governance provides a coherent, centralized approach to quickly respond to the ever-changing regulatory landscape.

Audience expectations are now higher than ever and will only continue to evolve, driven by the best of breed experiences they encounter. With digital switching costs low and getting lower, the ability to predict and counteract churn will be the overarching marketing skill in media, entertainment and communications.

The path forward is to provide content within an effortless customer experience that's supported by cloud-connected, platform-based technologies that facilitate true real-time personalization based on highly evolved marketing strategies with digital at their core.

It's a challenging and exciting time. At Adobe, we're proud to support resources like this research to help the MEC community thrive in 2021 and beyond. ■

EXECUTIVE SUMMARY

Although 2020 was a year like no other, challenges for media and entertainment companies were familiar.

The shift toward remote work and global lockdowns dramatically accelerated an existing trend toward digital media consumption and, conversely, resulted in the sharpest ever drop (7.5%) in the number of households subscribing to cable, satellite or telecom TV packages.

In the span of six months, digital adoption leapt forward at a rate equivalent to between five- and ten-years in prior growth trends, depending on business line.

This increase was partially due to consumers who are new to brands and, in many cases, new to online media; 82% of media, entertainment and communications (MEC) executives report that their organizations experienced digital audience growth from new regions, demographics

and/or segments (see Figure 1).

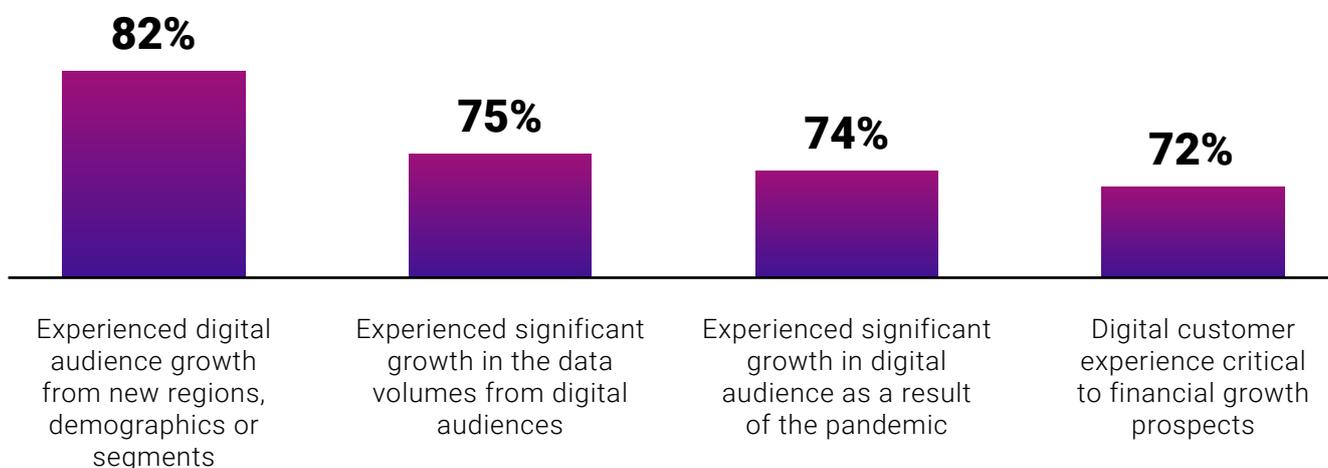
The media companies that could adapt most quickly to new customers, behaviors and expectations were best positioned to take advantage of this digital acceleration.

To better understand this changing landscape and the industry's response, Adobe partnered with Econsultancy to explore the relationship between how media and entertainment companies manage customer data and their success across a variety of measures.

This study compares businesses that use a cloud-connected data platform with those relying on in-house platform technology or ad-hoc solutions.

The findings are based on an online survey of 208 senior media and entertainment executives in marketing and marketing-related IT positions based in North America and the United Kingdom. ■

FIG 1. IMPACT OF THE DIGITAL SHIFT ON MEDIA ORGANIZATIONS



Marketing and technology executives at Media, Entertainment and Communications businesses with over \$325m in 2019 revenue. Econsultancy, MEC Survey, October 2020 n=208

KEY FINDINGS

CUSTOMER EXPERIENCE IMPACTS THE TOP OF THE MEDIA AND ENTERTAINMENT FUNNEL

Customer experience (CX) has typically been credited with increasing the value of the engaged customer, with impact on customer lifetime value and retention rates.

But as audiences have increasingly shifted to digital platforms for social interaction, product discovery and research, the impact of CX on prospective customers has steadily expanded.

Today, 86% of respondents in MEC businesses credit customer experience as having a significant or strong effect on growing audiences at the top of the funnel. A similarly large share (82%) says the same about the impact of CX on increasing conversion rates at the point of purchase.

The greater an organization's ability to unify and manage data, the more impact they see from the customer experience throughout the journey.

COMPANIES WITH CLOUD-CONNECTED DATA PLATFORMS REAP THE REWARD OF TIME

As multiple parts of the organization are pulled into customer experience management, the ability to share information, optimize marketing and expedite change is a key differentiator.

Efficient workflow is the unsung capability that separates the most successful media and entertainment companies from their peers, and their technology plays an important role, with direct results manifested in increased productivity and time savings.

Companies using cloud-connected data platforms report significant time savings ranging from 15% to 50% (averaging 25%) in comparison with previous solutions.

THERE IS A FINANCIAL UPSIDE TO UNIFYING DATA AND TECHNOLOGY THROUGH CLOUD-CONNECTED PLATFORMS

Organizations that approach data using a cloud-connected, integrating platform report significantly higher results across several KPIs.

Chief among these is competitive performance, with this group nearly twice as likely to have significantly outperformed their sector in H1 of 2020.

Higher rates of revenue per customer via cross-sell and upsell were also notable, along with a 1.4x rate of churn reduction compared to the rest of the sample (19% vs. 14%). ■

DIGITAL DRIVES GROWTH. EXPERIENCE DRIVES DIGITAL.

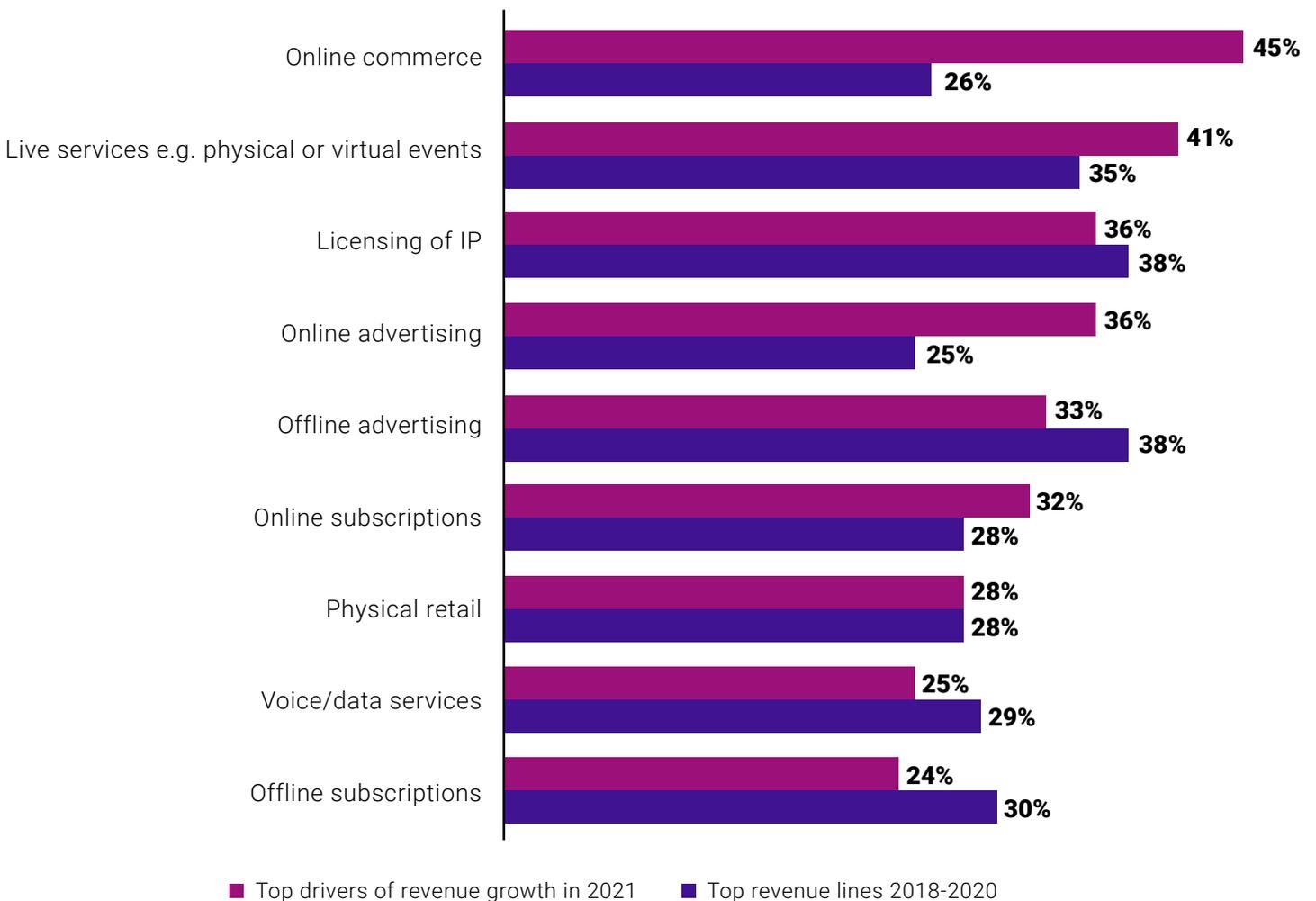
Digital customer experience is a familiar priority for media companies. In 2020, Trends research, MEC executives identified “Ensuring high-quality experiences on any device or channel” as their marketing organization’s top goal.

But the digitalization of MEC relationships has further accelerated as the logistical and socio-economic side effects of the pandemic

spurred new adoption and churn.

Looking to 2021 and beyond, media markets can expect continued disruption as the role of digital continues to expand. The increasingly permanent role of remote work, coupled with the loss of the third-party cookie and widening 5G availability will combine to upend the model for many media brands.

FIG 2. SHIFT TO DIGITAL/ON-DEMAND REVENUE LINES FOR GROWTH



Marketing and technology executives at Media, Entertainment and Communications businesses with over \$325m in 2019 revenue. Econsultancy, MEC Survey, October 2020 n=208

The already fuzzy line between the offerings of telecoms and media companies will disappear entirely.

But regardless of the type of content and how it is ultimately delivered, the most reliable shift is in how consumers approach their media decisions and consumption.

The digital experience is now the driver of success across the entire customer journey, driving discovery and conversion as well as satisfaction and retention, even for offline activities.

For businesses planning their evolution, continuing to parse the 'digital' business from traditional product lines is moot and a dangerous approach to strategy.

GROWTH EXPECTED FROM DIGITAL BUSINESS LINES

Asked to look to 2021, media and entertainment companies identify digital commerce, live (if largely virtual) events and online advertising as the three fastest expanding drivers of revenue growth (see *Figure 2*).

The shift from offline products is unsurprising, but it underscores the challenge faced by traditional media companies in reorienting their businesses around digital experience while contending with a rapidly changing ecosystem.

The last three quarters of 2020 have seen digital audiences grow as advertising dollars have shrunk; this is also channeling a rising share of MEC companies into online subscription plays.

The competition will be fierce for that recurring revenue as current growth rates are unlikely to continue beyond the first quarter of 2021 as economic constraints combine with a gradually reopening world.

The winners in new subs and retention will have invested in growth and reorganized themselves for a digital-first ecosystem.

86%

OF RESPONDENTS CREDIT CUSTOMER EXPERIENCE AS HAVING A SIGNIFICANT EFFECT ON GROWING AUDIENCES AT THE TOP OF THE FUNNEL

- The best performing companies in 2020 are nearly 20% more likely to be increasing their overall marketing investment than companies that kept pace with or lagged their sector.
- They are focused on optimization and efficiency for existing content plans while the rest attempt to catch up. Top performers are half as likely (20% vs. 41%) to be increasing their investment in new programming/content/proven franchises.
- Top performers are in-housing marketing and experience; they are 51% more likely to have absorbed elements of these functions than the mainstream in 2021.

EXPERIENCE AFFECTS THE ENTIRE FUNNEL

Customer experience coalesced as a business concept and priority in the 1980s, and it has typically been associated with customer lifetime value and retention rates.

But as audiences have increasingly shifted to digital platforms for social interaction, product discovery and research, the impact of CX on prospective customers has steadily expanded.

Today, 86% of respondents credit customer experience as having a significant or strong effect on growing audiences at the top of the funnel. Nearly the same share (82%) says the same about the impact of CX on increasing conversion rates. ■

THE RELATIONSHIP BETWEEN MARKETING PERFORMANCE AND CUSTOMER DATA STRATEGY

The promise of combining the cloud with platform technologies is more efficient and effective data management.

We set out to test the theory by comparing technology infrastructures across a variety of measures.

Throughout the study, businesses that use a cloud-connected data platform, either exclusively or in concert with other systems, are labeled as “cloud-connected data platform businesses” or CDPBs.

They are compared with those media and entertainment companies that are entirely reliant on platforms developed in-house or ad-hoc solutions.

Most brands using a cloud-connected

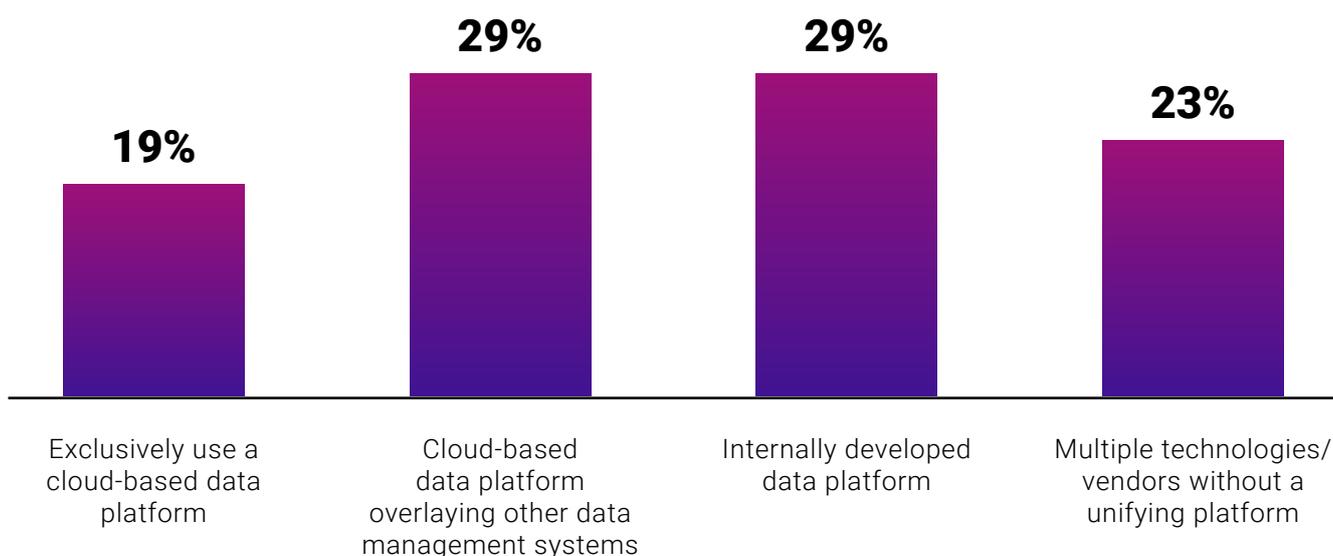
platform are doing so in tandem with existing marketing data systems, reflecting the complex reality of any company with legacy technology and multiple business lines.

Throughout these findings, CDPBs enjoy clear advantages in efficiency and capability that manifest in their access to actionable data, real-time personalization, and time savings.

CLOUD-CONNECTED BUSINESSES ARE ADAPTING WHILE OTHERS CATCH-UP

While many MEC companies are still struggling to gain actionable insight with their technology and improve marketing >

FIG 3. CURRENT DATA MANAGEMENT INFRASTRUCTURE



Marketing and technology executives at Media, Entertainment and Communications businesses with over \$325m in 2019 revenue. Econsultancy, MEC Survey, October 2020 n=208

performance, CDPBs can rapidly develop insights, focus on effectiveness, and advance their real-time customer experience.

This is evident in MEC organizations' experience priorities.

By a ratio of two to one, companies with in-house or ad-hoc approaches to marketing data are prioritizing using technology to improve its impact. Less than 20% of CDPBs cite this priority, having largely moved from grappling with technology to refocus on the marketing it supports.

In contrast, CDPBs are focused on optimizing operational effectiveness and maximizing returns through agile marketing.

TRANSFORMATION PRIORITIES UNDERLINE THE OPPORTUNITY OF MOVING PAST INFRASTRUCTURE

The deluge of digital data and marketing

technology is an opportunity for some but still presents a challenge to many media organizations.

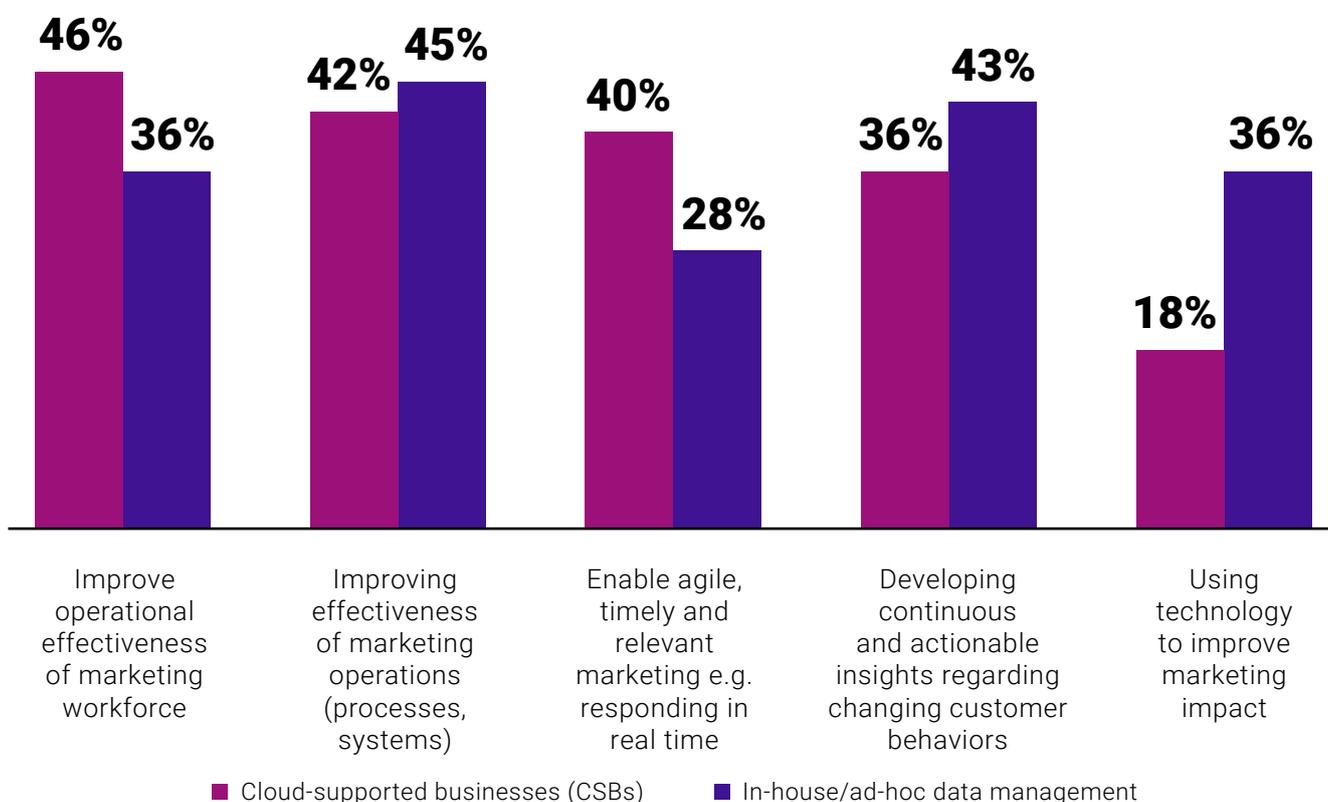
Asked to identify top goals in transformation, CDPBs are focused on business growth through innovation.

Some 58% identify driving new revenue sources such as data monetization/platform plays as their top priority, in contrast with only 36% of companies with in-house/ad-hoc data technologies.

A similar divide exists around the creation and launching of new products/services, which ranks second for CDPBs but fourth for the rest of the respondents.

Those companies rank transforming the workforce, exploiting increasing data volumes and revitalizing IT systems/processes as their top three transformation goals. ■

FIG 4. EXPERIENCE PRIORITIES FOR 2021 (TOP TWO CHOICES)



Marketing and technology executives at Media, Entertainment and Communications businesses with over \$325m in 2019 revenue. Econsultancy, MEC Survey, October 2020 n=208

OPERATIONS AND REMOTE WORK

Workflow has never been so important, nor so challenging.

Delivering great customer experience requires a cross-functional approach, requiring the best from marketers, product teams and technologists whether their work on their own or together.

In 2019, 37% of executives at large MEC organizations identified outdated and inefficient workflows as their top internal barrier to successfully creating digital experiences.

That was before the varied teams that had to work in lockstep were sent home.

While many workers will be able to return to the office in 2021, a significant share will choose not to. The shift to remote work has been embraced by most professionals and few companies are returning to a pre-pandemic norm. For instance, almost 90% of marketers hope to work from home at least part of every week once offices reopen, over three times the share in Q1 2020.

CDPBs BENEFIT FROM WORKFLOW EFFICIENCY IN SIGNIFICANT TIME SAVINGS

Time is the most precious resource in a dynamic environment, so perhaps the clearest benefit enjoyed by CDPBs is in efficiency.

CDPBs report time savings that range from 15% to 50% in comparison with previous customer data solutions, with an average savings of 25%. As other companies pay the heavy opportunity cost of inefficiency, CDPBs can use their time for innovation and optimization.

In the first half of 2020 for example, CDPBs were 20% more likely to see improvements in productivity than their peers.

CREATIVE COLLABORATION IN A REMOTE ENVIRONMENT SUFFERS, BUT TECHNOLOGY INTEGRATION LESSENS THE EFFECT

While many measures of workforce success such as internal communication, agility and innovation have proven resilient in a remote work environment, creativity is an exception.

Overall, 63% of marketers report that creative collaboration has suffered over the lockdown period. But technologies for streamlining workflow and sharing data have a significant mitigating effect.

While 51% of CDPBs acknowledge the issues with remote creative collaboration, that figure rises to 84% among respondents at companies reliant on in-house or ad-hoc technologies.

CDPBs ARE BETTER ABLE TO ADD NEW MARKETING TECHNOLOGIES AND SEE FASTER TURNAROUND FROM IT/DATA TEAMS

In a modern media business, agility means taking a development approach to customer experience, with the speed of innovation, integration and iteration defining success.

The ability to quickly onboard new technologies and adapt them to the organization is one of the most critical marketing operations capabilities separating CDPBs from their peers.

Some 81% of CDPBs say they can easily integrate new marketing technologies, compared with 65% at companies with in-house/ad-hoc data approaches.

Easier integration also equates to less demand on tech teams. While 58% of CDPBs cite the long turnarounds required from their IT/data science teams, this rises to 83% among their peers. >

PRIVACY, COMPLIANCE AND DATA

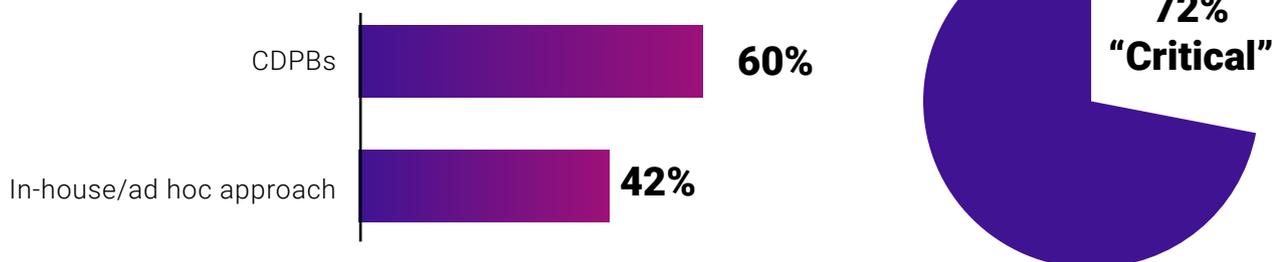
Targeting, measurement and consent are inextricably linked within digital customer management.

Consumer awareness of data privacy issues has steadily increased in the social media age, eliciting changes from governments and technology platforms.

The responsibility is two-fold. First, to comply with regulations swiftly and accurately. Second, to maintain the connection with customers through optimizing consent mechanisms and messaging. As such, it is a cross-team effort that involves marketers in partnership with their IT/ Tech peers.

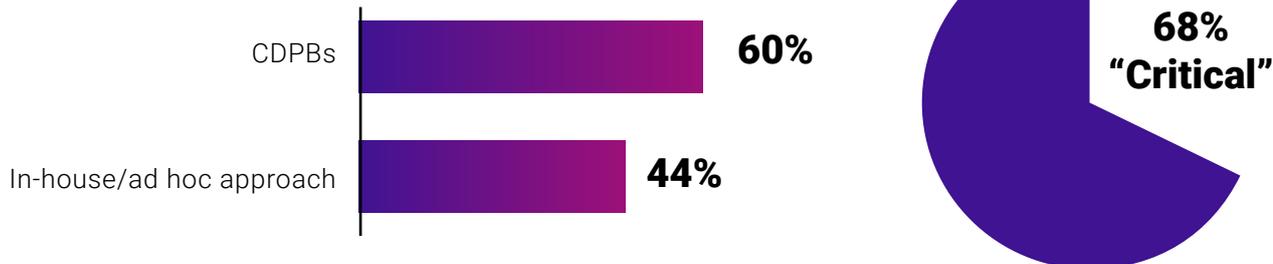
THE ABILITY TO RESPOND TO COMPLIANCE AND AUDIT REQUESTS IN LINE WITH REGULATORY REQUIREMENTS AND BUSINESS POLICIES

Organizations with this capability



MANAGING DATA CENTRALLY TO ENSURE COMPLIANCE IN ALL CHANNELS

Organizations with this capability



Econsultancy, MEC Survey, October 2020 n=208

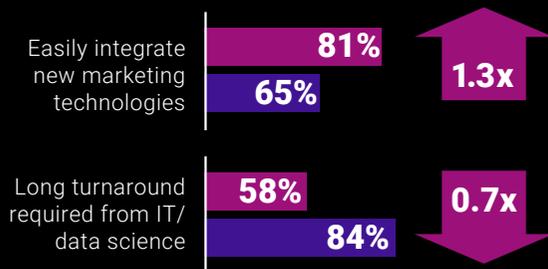
FIG 5. KEY PERFORMANCE INDICATORS BY CUSTOMER DATA APPROACH

■ Cloud-connected data platform businesses

■ In-house/non-cloud data solutions

OPERATIONS AND EFFICIENCY

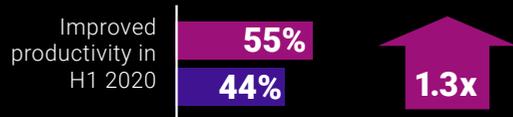
Adding digital capability



Workflow efficiency

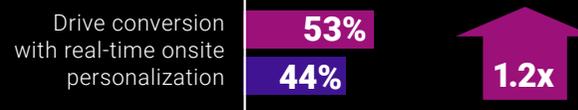
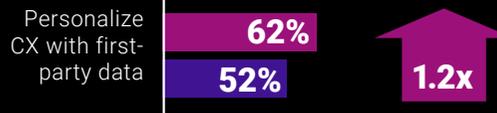
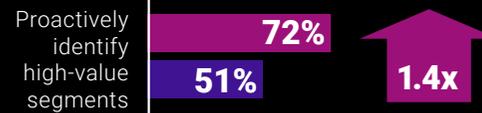
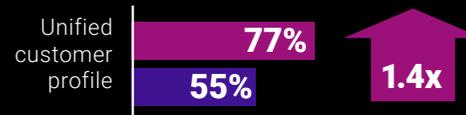


Success of remote workforce



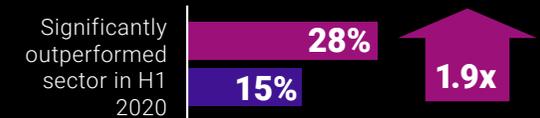
MARKETING CAPABILITY

Customer data management

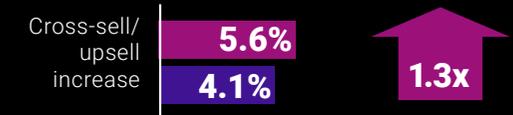


FINANCIAL SUCCESS

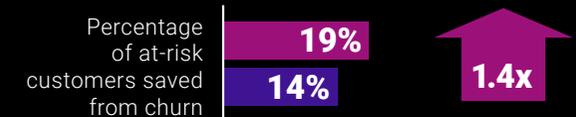
Competitive performance



Revenue per customer



Retained



Marketing and technology executives at Media, Entertainment and Communications businesses with over \$325 million in 2019 revenue. Econsultancy, MEC Survey, October 2020 n=208

KEY RECOMMENDATIONS

WHATEVER MAKES YOU FASTER MAKES YOU STRONGER

The future of the media, entertainment and communications sector is in the hands of digital consumers whose behaviors are changeable and difficult to predict.

Media and entertainment businesses should not attempt to transform for a new normal, but rather to optimize their ability to continuously iterate and adapt.

CDPBs identify capabilities related to speed as having of the most profound benefits for their organization. Some 84% cite a significant or strong benefit from use of cloud platforms to enable faster software development cycles and 83% say that they see a faster time to market with new products and services.

Risk tolerance in the industry is directly related to the ability to rapidly understand and act on customer data. Companies with a unifying platform that can draw from disparate sources, speed workflow and enable real-time personalization have the advantage.

In a dynamic market, efficiency is achieved when companies can rapidly adapt to new opportunities, requirements, and standards. Building a flexible technology platform infrastructure allows business agility from both the organizational and process perspective.

FIGHT CHURN WITH EXPERIENCE AND VALUE

Consumers have their limits. Whether to control spending or complexity, the average household has tended to maintain between three and five streaming content services even as the options proliferate.

Spending on digital subscriptions increased in 2020 for obvious reasons, but that obscures the zero-sum reality for many businesses.

Reducing churn is an investment in long-term financial health. It is less expensive and better informed than customer acquisition thanks to the wealth of first-party data available to marketers.

Almost all MEC companies (96%) acknowledge the importance of CX personalization with first-party data. There's significant opportunity for differentiation, since even among CDPBs, only 62% have that capability.

Fighting churn is more than identifying those customers with a high propensity to do so. It means understanding the entire journey and orchestrating marketing and content to enhance the experience and ensure satisfied customers.

MARKETERS, CATCH UP WITH IT

Think of modern marketing as a chess match. There's infinite creativity within the game, but technological capabilities and limitations set the rules.

Marketers run the risk of ceding a leadership position when they do not recognize a rule change.

The coming crackdown on third-party cookies provides a stark example; IT respondents are twice as likely as marketers to believe that this change will have a very significant impact (51% vs. 24%) on their organizations over the next two years.

Marketers do not have to be experts in the minutiae, but they must understand why and how the data supply is affected.

ALL STAKEHOLDERS SHOULD UNDERSTAND THE FINANCIAL AND EXPERIENCE BENEFITS OF EFFECTIVE PRIVACY MANAGEMENT

Data privacy compliance can be complicated and expensive, but its costs pale in comparison with failing to comply with regulations and expectations.

A 2018 study found that the cost of non-compliance in direct costs, lost productivity and business disruption was 2.71 times the cost of effective compliance.

Of 15 compliance elements studied, centralized data governance has the greatest impact on total costs, and it alone can save enterprise organizations over \$3m annually. The costs of non-compliance have only risen since as more regulations have come online globally, most notably the enactment of California's CCPA.

At the same time, marketers should be advocates for robust, transparent privacy measures. Over 90% of senior executives in MEC say that privacy is fundamental part of the customer experience, and three-quarters believe it can be a differentiator for their brand.

Privacy should not be viewed as a cost center. Nor is it simply necessary for risk mitigation, but rather it is an opportunity to build customer relationships and value.

Building an adaptable identity strategy is key to addressing the regulatory environment and data governance. Scalable platform technology provides the capability to rapidly respond to changing conditions.

MAKE THE INTERNAL SALE ABOUT REAL-TIME PERSONALIZATION

Most media products are only a few clicks away from purchase or cancellation. Once a prospect or existing customer is lost, the cost of reacquiring them skyrockets. Incremental increases in conversion or retention rates have outsized effects on revenue.

In a business where switching costs can be less than zero thanks to competitive promotions, the ability to influence the customer journey in real-time is critical.

Today, real-time personalization is a differentiator, with 53% of CDPBs having this capability to influence conversion, and 44% across the rest of the industry. But adoption is rising steadily, and it will inevitably become standard in media and entertainment.

Companies with a seasoned technological approach and institutional knowledge in the practice will enjoy a competitive advantage for some time.

The capability to tailor offers, messaging and pricing in the critical moments of the customer journey can increase consent, ease friction to purchase, improve satisfaction and reduce churn. These factors should frame the internal debate around the operational and technology costs related to real-time personalization.

METHODOLOGY

Econsultancy fielded an online survey in Q3 2020, with 208 qualified respondents, to explore how data technology approaches relate to selected performance measures,

All respondents represented the media, entertainment and communications industry. The study was limited to those with specific knowledge of their organization's marketing or marketing-related IT function. Quotas were used to divide the sample evenly between respondents with a marketing background and those from IT/technology.

Respondents were also evenly divided between North America and the United Kingdom with more than 80% of the response from executives at the Director level or above.

All respondents were from companies with 2019 revenues over £250m or approximately \$325m.

Respondents were offered an incentive for their time.

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