Digital Inside Out

Media & Entertainment

shaping tomorrow with you
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Introduction

Media companies – broadcasters, content creators, the erstwhile music industry and print publishers alike – were the first to feel the full impact of the internet on their business. They were also the first to respond.

Digital has democratised and disrupted mass communications both as a platform for the creation and distribution of content. Not since the introduction of Gutenberg’s moveable type printing press in the mid-15th century has technological change made such a profound impact on our ability to communicate at scale. The challenge this presents is only matched by the opportunity it affords.

The UK: a digital nation

The UK is one of the world’s leaders in the adoption and use of digital devices, products and services. We spend over two hours a day online, twice as long as we did in 2010. Two-thirds of us carry a smartphone, a percentage that continues to rise sharply. And over a quarter of internet users regularly go online to watch TV and films.

Recent research by Fujitsu, also shows that media companies rank highly in terms of customer usage of their digital services. Nonetheless, there is some way to go to match the satisfaction rates expressed by users of digital services from the finance and retail industries.

Fujitsu – a digital partner for Media

This report discusses the challenges facing broadcasters and publishers in the digital age. We will share our insights into the latest key industry trends, explore the affect disruption has had on the media landscape and present the opportunities technology offers in charting a path to success and profitability.

Connecting the UK
Fujitsu at a glance

Processing over 9 million self-assessment tax returns each year

Providing the infrastructure for over 40% of the UK’s broadband network

Enabling utility companies to supply energy to 12 million UK homes

Enabling Ireland’s first virtual mobile network

Helping UK banks serve over 40 million customers and operate over 20,000 local branches

Shaping the future for over 80 years

The largest Japanese employer in the UK and Ireland, employing 14,000 people

Helping hospitality companies serve over 570 million drinks and over 130 million meals every year

Managing the records of over 44 million drivers and 36 million vehicles on the UK’s roads

Managing the distribution of child benefit payments to over 6.9 million families

Enabling the processing of 2.8 million passports every year
Digital disruption

In the digital era, one of the key challenges media companies faces is how they create a more personalised and immersive experience for their audiences.

The answer, in large part, is a content offer that is both relevant and engaging based on personal preferences. Educational content, entertainment and advertising can all become better tailored to the consumer’s interests, helping to create a more captivating and personalised experience. In this way digital delivers the opportunity to dramatically enhance audience and customer intimacy and by doing so builds valuable relationships that inspire brand loyalty and trust.

Digital is disruptive across the entire value chain from content creation and production to sales and marketing. Consider, for example, magazine and newspaper distribution. In a world of print, the objective has always been to fill and sell column inches and then to move that particular edition as quickly as possible around the country or around the world. As such, one of the main processes which has underpinned the traditional physical print business has been logistics – the ‘returns model’ of getting a single newspaper or magazine edition back from each and every retail outlet signaled that supply was finely tuned to meet demand. For a digital publication, where little or none of this matters, the overriding concerns include creating an enhanced and dynamic user experience, developing customer loyalty, being able to serve advertising at a granular level, extracting value from audience data and devising a revenue model that matches the need for extended reach with the ability to exert influence.

### Rise of the smart device

<table>
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<tr>
<th>Adults using smartphones and tablets to go online</th>
<th>2010</th>
<th>2014</th>
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<tr>
<td>Tablet:</td>
<td>5%</td>
<td>39%</td>
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<tr>
<td>Smartphone:</td>
<td>30%</td>
<td>66%</td>
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Source: Ofcom, May 2015

### How digital impacts media

Platform. The rise of smart devices – the smartphone and the tablet computer – has dramatically changed user behaviour. No longer shackled to a fixed location by the desktop computer, users are choosing when and where to read and watch what they want. As a result the internet day and the internet week are getting longer. Meanwhile, the box in the corner of the living room can no longer be presumed to be the preferred means of viewing: 2013 marked the first year in the history of television that there was a fall in the number of sets in UK homes. And asked to name the device they would miss the most, 57% of 16 to 24 year-olds opted for the mobile phone. Less than one in five picked the television. Today a third of all internet users watch TV or films online.

The business model
Digital disintermediation threatens the traditional media bundle – the newspaper, the magazine and the television channel – and with it, a reliable and profitable business model. Paywall models continue to evolve, many of which remain unproven with 91% of UK internet users saying they are unlikely or unwilling to pay for news [6]. Meanwhile free-to-air publications, relying entirely on a combination of advertising, native advertising and sponsorship for income, have struggled in the recent economic climate. Media owners are reinventing revenue streams, relying on technologies including ad server, data analytics and subscription services to target and segment their audiences

Rights protection
Audiences are splintering and geographical boundaries are breaking down. Meanwhile the ability to move, copy and share digital files across the internet – where storage is getting cheaper and bandwidth getting greater – is becoming easier and easier. This is an opportunity for media companies but also a threat to the integrity of their intellectual property. Digital rights management has become a key battleground for media companies fighting piracy and juggling international exploitation on an unprecedented scale.

Happy to pay?
Percentage of internet users by country likely to pay for news
Brazil: 61%
Germany: 15%
United States: 11%
United Kingdom: 7%
Source: Reuters Digital News Report, 2014

The audience takeover

Audience as director

No longer ‘a linear-only’ experience, transmission has been time-shifted. This, in turn, is empowering the audience to take control and “the director’s choice” has become “my choice”. This is a behavioural change that began with the VHS video recorder. TiVo, Sky+ and the rest gave it renewed impetus before internet-based platforms from traditional players (BBC iPlayer, Channel 4’s All 4, ITV Player and so on) as well as emerging players (Netflix, LoveFilm, Amazon Fire and so on) accelerated the trend. In January, 343 million requests were made to stream or download programmes on the iPlayer.

Audience as creator

Welcome to the “broadcast yourself” generation, to borrow YouTube’s tag line. The democratisation of broadcast is not just about consumption but creation too. Finite spectrum has been replaced by infinite cyber space and the means of production is within the economic reach of nearly everyone. The camera that comes with the smartphone in most people’s pocket is near-broadcast quality. This means the incumbent media company is being challenged not only by professional insurgents – Netflix subscribers stream an average 55 hours of content every month – but by the amateur too. Consider, for example, that fans of the multiplayer game Minecraft have created more than 42 million user generated videos, uploaded to YouTube and watched in their millions.

Audience as participant

Instant feedback, dual screening, multi-platform/multi-casting, peer recommendations and gamification. These are just a few ways the previously one-to-many world of broadcast has been turned upside down. The broadcaster and publisher may control the output but not the narrative around it nor the time it’s viewed, listened to or read.

The changing landscape

Ten years ago the BBC and Apple had comparable revenues. Today, Apple’s revenue is twenty times bigger. As a signifier of the change in the media landscape over the last decade, this fact is hard to ignore.

The BBC is unique among the UK media outlets. It is publicly funded, publicly owned and beholden to a Royal Charter that sets out its purpose, duties and independent status. It is expected to innovate while delivering a service that appeals to all sections of society.

Its director general, Tony Hall, insists that the internet strengthens the case for the corporation and gives it the tools to make public service even better. He acknowledges, however, that the internet’s emergence as a distribution channel presents a direct threat to the corporation.

The BBC’s technology to-do list

Personalisation. DG Tony Hall says the BBC “lags behind” other media firms in its use of personal data. Catching up will allow the BBC to personalise its output. Use must be managed with care and sensitivity.

Funding. As charter renewal approaches, the BBC will come under increasing pressure to review its pricing structure. Opponents of the current licence fee say a universal household charge is incompatible with today’s personalised, time-shifted and device-agnostic viewing habits.

Rights exploitation

Through its commercial arm, BBC Worldwide, the corporation is a market leader in selling its programmes and associated rights around the globe. Managing that in an environment where platforms are proliferating and piracy is rife presents a renewed logistical and technological challenge.

Going mobile

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<th>BBC News Online audience, mobile vs. desktop audiences</th>
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<td>Weekdays: 56% vs. 44%</td>
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<td>Weekends: 64% vs. 36%</td>
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Source: BBC News Online, Oct 2014
The digital opportunity

Digital disruption and disintermediation threatens the old order but also empowers media companies, traditional and emerging, to forge new revenue streams, reinvent output and connect with audiences in entirely different ways. Technology underpins all of these opportunities.

Gaming meets gamification

Imagine racing against Lewis Hamilton on an F1 circuit, facing Andy Murray at Wimbledon or going stride for stride with Mo Farah in an Olympic final. Gamification has the potential to reinvent and reinvigorate sports broadcasting. A virtual reality contest not only engages the viewer but also opens up the possibility of upselling the experience. Want to beat Hamilton at a virtual Monza? You’ll need new tyres for that.

Gaming companies are already blazing a trail when it comes to gamification. Take William Hill, for example, which has combined GPS data with virtual reality technology to create a 3D horse race that puts the viewer in the role of the jockey from starting gate to finish line. William Hill is piloting the service using the Google Cardboard VR viewer that allows customers to use their own Android and iOS smartphone remotely or in-store.
Digital delivery from the inside

The digital opportunity is not only about delivering enhanced front-facing products and audience services, it’s about streamlining back-end processes and reinventing workflows as the technology allows. From content management systems to digital transmission services and ad serving platforms, digital services continue to transform media operations. Meanwhile, more wide-reaching trends – most notably in mobility and cloud computing – are enabling the media workforce to become more productive, agile and effective.

According to research by Fujitsu, media leads the way both in terms of technology value and employee satisfaction. When asked whether they personally extracted value from the technology services and applications provided by their organisation media employees were significantly more positive than peers in any other industry including finance, retail, utilities, transport and government. The results were similarly positive when employees were asked about satisfaction rates.

Mobility and real-time access

57% cited mobility and flexibility as the principal benefits they get from digital services. It is interesting to note, however, that this reflects personal mobility: the benefits of collaboration are only identified by 31% of respondents, the lowest response rate recorded in the survey. Meanwhile, 50% of all respondents said real-time access to information is one of the biggest benefits of digital services in the workplace.

Two-speed IT

The challenge of managing back-end services while continuously innovating at the front-end requires a technology operation that operates at two or more speeds. As Gartner recently put it: "IT has been like rocks in the river. In contrast, the digital world is a continuous flow." To underscore the point, Fujitsu’s own research found that 67% of employees wanted more digital services in their organisation.

Top three benefits of digital to employees

1. Mobility
2. Make decisions faster
3. A 360° view of the customer

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12. Gartner says in digital world CIOs need Bimodal IT http://www.gartner.com/newsroom/id/2865718
To understand this, we first asked what benefits our employee respondents feel digital services bring to them in their current roles. As could be expected given the growing domination of tablets and mobiles, the ability to work remotely leads the pack here. 57% of workers cite mobility and flexibility as the principal benefits they get from digital services. It is important to note that this reflects primarily on personal mobility; the benefit of greater collaboration is identified by only around a third (31%) of the employees surveyed, the lowest response given. Faster, smarter decision-making is also important to employees. Exactly half of those questioned said that real-time access to information is one of the biggest benefits of digital services in the workplace. Timesaving and more efficient communications with colleagues were also identified as being key.

The UK workforce: digital by default or digitally deficient?

The consumer view on satisfaction with digital is clear to see, but do these attitudes carry across to the workplace? Do we value digital services in the workplace to the same degree that we do in our personal lives?

"I'd say [the new technology we've implemented has] mostly been beneficial because people haven't had the frustrations of having to input data into spreadsheets, which is obviously mind-numbingly boring but the key thing is that the systems are down for less and they work faster. So our average phone call time with a customer's gone from three and a half minutes to about two and three quarters. It doesn't sound that significant but multiply that by the number of calls we get a day and it's huge, meaning that waiting times for our customers have improved."

Richard Levin, Managing Director, Pure Collection Ltd

If UK employees have been quick to realise the benefits of digital services at work, they are equally speedy to praise the quality of the tools that they have access to. 42% say that they are satisfied with the assets at their disposal, while 48% are more reserved, suggesting that they are effectively neutral about the services they have. Only 10% state strong negativity around the digital services provided by their employer. These feelings have become increasingly positive too, according to our employee audience. Asked to recall how they felt about the quality of the digital services that were offered to them just two years ago, respondents were more likely to be negative (14%) or neutral (57%). Only 29% said that they were satisfied with what was on offer back then. This rapid upswing points to wider recognition of the benefits that digital services can bring. They also reflect a virtuous circle within UK workplaces. As digital services improve and, indeed, prove their worth, employees in turn become more confident about the positive impact on their own working lives. This is evidenced by 67% of employees saying they believe that their organisation should invest more into digital services and applications over the next two years.

There is a positive correlation between employees getting most value out of digital technology at work and satisfaction. The Media/telecommunications sector perform best in both of these areas.

Questions:
> On a scale of 1–10, how satisfied are you with the quality of the technology services and applications your organisation provides you with now?
> Do you believe that you personally get the most value that you can from the technology services and applications available in your role?

Bases:
Central government (201)
Local government (203)
Transport industry (203)
Retail industry (203)
Finance industry (203)
Media/telecommunications industry (203)
Ready for digital

Fujitsu is a globally recognised ‘tier 1’ IT services and systems integrator. It is also a world-class technology platform manufacturer. Fujitsu combines these two capability drawing on company heritage, expertise and capabilities for the installation and management of global fibre and IP networks.

Fujitsu’s in-depth expertise and capability across these technology domains provides a unique ability to provide end-to-end platform integration supporting seamless media workflows and business processes to an industry focused on service quality and the audience experience.

Put simply, we understand the importance of the network to media and entertainment companies.

Fujitsu for Media

We are a systems integrator, a manufacturer and a network provider. Moreover, we are a strategic partner for the long term. And as your technology partner we offer:

- **Hyper-connected networks** ensuring the deliver quality of experience to increasingly fragmented audiences
- **Real-time analytics** creating a personalised and immersive audience experience
- **Secure digital watermarking** technology enabling dynamic advertising invisibly embedded within video content
- **Personalisation** through Fujitsu’s big data analytics and content delivery services, working at speed and at scale
- **Dynamic Agile Infrastructure** driving value for money through simplified service delivery utilising cloud based services where appropriate

Fujitsu – a digital partner

We can support your journey through Fujitsu’s XpressWay for Digital which is a flexible, consulting based framework which allows you to discover the best digital services, prove that they work, apply them more broadly to your business and evolve them as the market changes.

We can help with digitisation of your business, rapidly delivering improvements to manual and paper based processes, joining up services and delivering a step change in user experience, together with efficiencies and effectiveness gains.
At Fujitsu we have:

- 30 years engineering experience
- A 24/7 operations centre
- 1,000+ field engineers
- A four hour fix rate UK-wide
- 6,000km optical fibre installed
- 16,000+ managed servers
- 750km optical fibre backbone
- 36,000 managed network devices
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