

## **How to Be the Streaming Consumer's Best Friend**

The Big Platform Opportunity for  
Communication Service Providers

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**With people staying home to decelerate the spread of the COVID-19 pandemic, TV and film production companies have accelerated their shift to direct-to-consumer formats via streaming platforms. The take-up has been swift, definitive and revolutionary.**

One year after its launch, Disney+ has more than 94 million subscribers, boosted by the online debut of the filmed version of *Hamilton*.<sup>85</sup> AT&T's HBO launched HBO Max, a new streaming service, in May 2020, and had 12.6 million subscribers by December—a built-in audience for sister company WarnerMedia, which in 2021 will stream new films on the same day as their theatrical release, a move once resisted as an existential threat by exhibitors.<sup>86</sup> NBCUniversal unveiled its Peacock streaming service in July 2020 and reached 26 million subscribers by the end of the year.<sup>87</sup> Apple launched a streaming video service in late 2019; The Discovery Channel plans to launch its own streaming service in 2021.

These are just highlights of a burgeoning streaming market that swiftly has become a global phenomenon. The largest streaming services—Netflix (which began it all in 2007), Amazon Prime Video and Hulu—were projected to end 2020 with combined U.S. subscriber numbers more than 50% higher than they were a year ago, according to a *Wall Street Journal* analysis.<sup>88</sup>

<sup>85</sup> "Disney Plus hits 94.9 million subscribers, beating its four-year goal in 14 months," *The Verge*, Feb. 11, 2021, accessed at: <https://www.theverge.com/2021/2/11/22278874/disney-plus-94-9-million-subscribers-q1-2021-earnings>.

<sup>86</sup> "AT&T has added 4 million HBO Max subscribers since Sept. 30, CEO John Stankey says," *CNBC*, December 8, 2020, accessed at: <https://www.cnbc.com/2020/12/08/att-has-added-4-million-hbo-max-subscribers-since-sept-30.html>.

<sup>87</sup> "NBCUniversal's Peacock Tops 26 Million Subscribers," *The Wrap*, December 8, 2020, accessed at: <https://www.thewrap.com/peacock-signups-26-million-nbcuniversal/>.

<sup>88</sup> "Forget the Streaming Wars—Pandemic-Stricken 2020 Lifted Netflix and Others," *The Wall Street Journal*, December 20, 2020, accessed at: <https://www.wsj.com/articles/forget-the-streaming-warspandemic-stricken-2020-lifted-netflix-and-others-11609338780>.

The 2019 \$43 billion worldwide streaming media market is predicted to grow more than four-fold by 2027 to reach \$180 billion, according to Grand View Research.<sup>89</sup> And Netflix alone had more than 200 million streaming customers at the beginning of 2021.<sup>90</sup> Another major player, Amazon Prime, the e-commerce service that gives members access to its own video streaming channel, surpassed 150 million members.<sup>91</sup>

But even as the pandemic creates a growing homebound audience, many traditional media and distribution providers are getting mixed business results in this new environment, as consumers are overwhelmed by

proliferating viewing and subscription choices. In the U.S., the average consumer used seven streaming video services in December 2020, both paid and free, according to NPD Group.<sup>92</sup> That was up from an average of five in April 2020.

Helping consumers sort out those complexities is a huge opportunity for communication service providers (CSPs)—the telecommunication, cable TV and internet service companies that stream video content into homes. While Netflix, Amazon and others have used their customers' viewing data to recommend content they might like, no single entity has amassed consumer preferences across streaming services.

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<sup>89</sup> Grand View Research public web page, accessed at <https://www.grandviewresearch.com/industry-analysis/video-streaming-market>

<sup>90</sup> Netflix 2021 Letter to Shareholders, Jan. 19, 2021, accessed at [https://s22.q4cdn.com/959853165/files/doc\\_financials/2020/q4/FINAL-Q420-S Shareholder-Letter.pdf](https://s22.q4cdn.com/959853165/files/doc_financials/2020/q4/FINAL-Q420-S Shareholder-Letter.pdf)

<sup>91</sup> "Amazon Prime Surpasses 150 Million Members," Variety, January 30, 2020, accessed at: <https://www.hollywoodreporter.com/news/amazon-prime-surpasses-150-million-members-1275032>.

<sup>92</sup> "The average U.S. consumer now uses 7 streaming services," Fierce Video, December 14, 2020, accessed at: <https://www.fiercevideo.com/video/average-u-s-consumer-now-uses-7-streaming-services>.

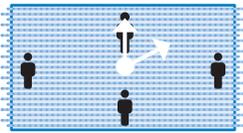
This information, along with social media and other data, is out there in abundance on the web. It's waiting to be tapped (permission granted) and sorted out for consumers who are

getting hungrier by the day to know "What should I watch?"

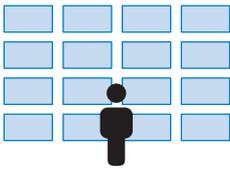
In this article, I explain this opportunity and what CSPs must do to pursue it.

## Too Many Options, Too Little Time for Meaningful Consumer Relationships

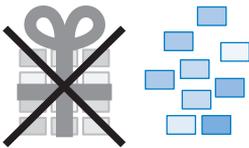
Given the sudden, pandemic-driven growth in streaming, consumers' rising lament that it's hard to keep track of what they should watch is understandable. And consumers, although homebound, are not captive. The plethora of choices now afforded them gives them more, not less, power even as content and CSPs struggle to grow and create durable customer relationships. They must deal with four realities:



- **Consumers have scheduling power.** Traditional television networks and program providers cannot force customers to watch their programs on the company's timetables. Streaming has conditioned consumers to feel they get to decide what to watch, and when. This is a power they will not relinquish.

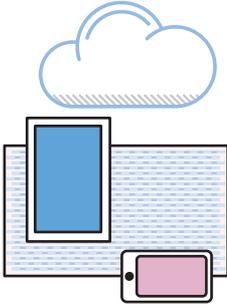


- **Consumers can't easily find what they want.** The options available to viewers continue to grow and result in a problem of too many options to fathom. In turn, that prevents many consumers from easily finding the content they want.



- **Channel bundling is past its prime.** The long-standing practice of CSPs to bundle TV channels as packages is not an effective marketing or sales approach at a time when consumers have gained control of their viewing

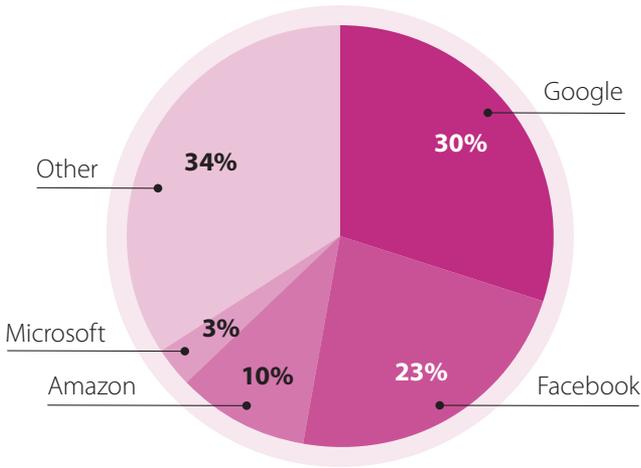
schedules. Viewers like watching what they want (not channels they don't), when (not according to the distributors' schedule), how (not just via their TVs but also on their smartphones, tablets, laptops and desktop computers) and wherever (not just when they are at home or in a hotel room).



- **Technology has transformed content access and competitive rules.** For media companies, digital technologies have shifted the basis of competition. The internet and cloud computing enable streaming without cables. Artificial intelligence-powered algorithms automatically present viewers with relevant program choices; smartphones and other portable devices provide flexibility for how they watch. Media businesses that were centered on a product-and-distribution-centric model must now shift to an ecosystem-centric model. Streaming content and CSPs that can give customers on-target viewing recommendation, in the forms they want it, and at the right times will have competitive advantages.

To be sure, digital platform companies such as Google, Facebook, Amazon and Apple enter this market with a huge advantage. They have amassed huge amounts of data on their customers. And they know how to use AI to predict consumer wants, needs and behaviors. They are uniquely positioned to help content creators and advertisers reach highly defined audiences.

We only need to look at their burgeoning share of the digital advertising market to see the power of these companies. Over the past two decades, Facebook's and Google's revenues skyrocketed because their platforms let advertisers target narrow slices of consumers with unheard-of precision. 2020 was the tipping point. For the first time, the majority (51%) of U.S. advertising spending (\$215 billion) was projected to be on digital ads (\$110 billion). That would be more than advertisers spent on TV, radio, newspapers and magazines combined.<sup>93</sup> Four companies controlled two-thirds of that advertising revenue: Google (30%), Facebook (23%), Amazon (10%) and Microsoft (3%).<sup>94</sup> (See Figure 8.) That's approaching twice as much (\$71.5 billion) as the \$39.5 billion spent on TV advertising in 2020.



**Figure 8:** Companies Controlling Advertising Revenue

<sup>93</sup> GroupM data, as mentioned in "Google, Facebook and Amazon Gain as Coronavirus Reshapes Ad Spending," The Wall Street Journal, December 1, 2020, accessed at: <https://www.wsj.com/articles/google-facebook-and-amazon-gain-as-coronavirus-reshapes-ad-spending-11606831201>.

<sup>94</sup> eMarketer data, *ibid*.

Now come the streaming companies. Some of them—Netflix, YouTubeTV, Hulu and Amazon come first to mind—have been mining their customer data and making viewing recommendations for years. Still, each is largely limited to its own subscriber base, and most of those subscribers are consuming the service over a CSPs network. This is where CSPs could step in.

## The Opportunity to Serve as Media Orchestrators



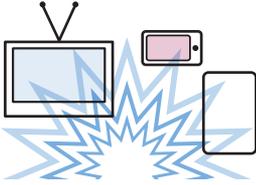
CSPs have an opportunity to remake themselves as platforms, which includes offering apps to help people discover programming based on their preferences and better choose what to watch.

However, to pursue these opportunities, these companies must change how they view their business. They first must acknowledge that digital technology forces them to shift from a product- and distribution-centered model to a customer-centric model that favors platforms and apps. To put it simply, it means creating a business that helps consumers answer this question: “What should we watch tonight?” It means curating the content that customers want by culling it from an array of sources to create new customer experiences that, in the midst of plenty, will be sticky.

What does this look like? It means creating apps that are highly intelligent engines, ones that assemble personalized content mixes based on an individual’s behaviors and interests. You could call it a “smart TV for me” app, and it would make recommendations with at least an 80% likelihood of resonating with the customer and determining his or her choice. And it would return reliably relevant choices by extending beyond what a platform-specific recommendations engine would return, by considering multiple content sources that a consumer can access.

Creating such a business requires building a sophisticated technology platform that will provide the basis for transforming the organization from a provider and distributor to a video ecosystem orchestrator, akin to YouTube or Apple iTunes, but not walled off in a garden of proprietary apps and content.

## The Road to “Smart TV for Me” and Other Services



CSPs are accustomed to being the center of their customers’ networks. They have long built new connections and created offerings for customers to transmit and receive voice, data and video from many parties.

The opportunity now is to become even more central to consumers’ lives. They can do this by shifting the action from their network hubs to consumers’ homes and hands, to their screens, couches and coffee tables, where the remote (and other devices) live. This is the road to “smart TV for me” and other services.

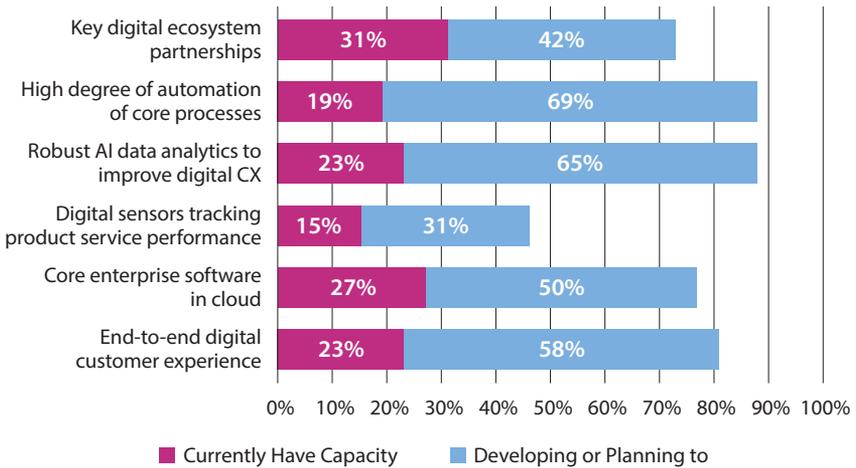
We see two essential elements to making this shift. The first is to become a central player in a content ecosystem. That, in turn, requires that they be able to create infinite combinations of streaming bundles across platforms. The second is to create superior customer experiences. That can only happen if CSPs become masters at collecting and analyzing enormous volumes of viewing and other data. Without those capabilities, they won’t be able to improve on the recommendation engines of streaming companies like Netflix and Amazon.

**The ecosystem orchestrator and platform maker.** CSPs must place themselves at the center of consumers’ lives by creating ecosystems in which they are central. This requires aggregating content from business partners such as content providers, and then packaging that content in ways and through digital services that serve consumers’ needs. In such an ecosystem, the company would provide the platform on which business partners would present content while other partners develop applications and services to enable the consumption of that content. Apple’s App Store is the preeminent example of a company at the center of an ecosystem for which it created a platform of apps and services for users of its phones, tablets and computers.

Envision this scenario: A CSP's platform enables the efficient on-boarding of new partners and services, while also giving consumers access not only to a range of offerings but also to recommendations on what they will enjoy. The CSP provides support behind the scenes with robust technology like cloud hosting and software services that create great customer experiences. And, in a virtuous circle, the CSP can monitor consumer trends and individual selections to refine its understanding of their preferences. It can add more partners to the platform, too. For example, it can provide links to financial services firms so that a customer can pay for content right on the platform, or better yet, integrate its own digital wallet for a seamless flow of transaction.

CSPs understand the need to be ready to provide these capabilities. A recent "Digital Readiness" survey that TCS conducted last summer, which included 26 communications, media and information services companies in North America, the UK and Europe, found that most were developing, or planning to develop, a range of capabilities including establishing key digital ecosystem partnerships; automating core business processes; implementing AI and data analytics to improve customer experiences and supporting an "end-to-end" digital customer experience. (See Figure 9.)

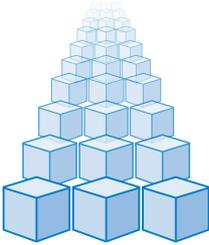
### Key Digital Capabilities at 26 Communications, Media and Information Companies



**Figure 9:** Moving Fast to Build Digital Capabilities

These are still, however, early days. Less than a third said they had these capabilities in place, while many said they were still in development or planning.

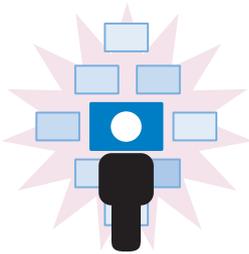
Implementing “smart TV for me” and other platform-based services most notably requires four capabilities:



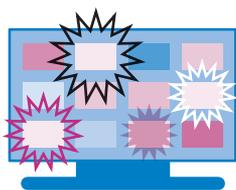
- **A seemingly infinite combination of content bundles** that pull customers back from buying individual subscriptions and to buying from the CSP’s subscriptions in bulk. We could call this “dynamic bundling.” CSPs can also create their own bundles—i.e., one that aggregates a certain type of news content. In either case, CSPs could create a fully personalized “content bundle”—a unique offering for each subscriber. This would be the Holy Grail of mass personalization.



- **Digital user experience design.** To help consumers navigate a sea of content, a “smart TV” app must let viewers get to the programming they want with a single click or other action. The engagement must be intuitive, simple and seamless.

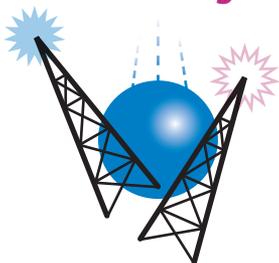


- **An always-improving selection of content driven by smart data analysis.** At the hub of a content ecosystem, CSPs must be able to identify new content based on in-depth knowledge of individual consumer interests. This requires deep skills in AI, machine learning and analytics backed by cloud computing resources that enable it to do such computationally intensive tasks as quickly identifying consumer interests and fulfilling requests on demand.



- **A platform that serves content producers.** The platform must be able to aggregate content producers that are competing for the best customers while finding new customers in unexpected places. For example, the gaming industry is using machine learning to improve in-game advertising and convert new customers to play. While gaming companies typically target young people, machine learning may uncover that a 65-year-old woman may yield an attractive ROI for advertisers.<sup>95</sup> Such platforms must integrate payment capabilities, so that consumers can purchase content from multiple providers quickly, easily and securely.

## Culture Change Ahead



CSPs that recognize this massive opportunity most likely also understand the challenges in seizing them. A key one is gaining the leverage that they've had for many years over content providers: being the conduit to the consumer. With cord-cutting, this leverage is quickly vanishing. And when 5G fixed wireless networks come on stream, CSPs huge investments in broadband

networks will be threatened. To combat this, CSPs must move quickly while they still have many customers in tow.

A second challenge may be even bigger than that first one: the product- and distribution-centric culture of CSPs. These companies have been focused (as always) on product-centric business and marketing models. They have devoted capital and strategies to creating connections, starting with telephone lines through dial-up to

<sup>95</sup> "Machine learning reveals crazy advertising ideas that actually work," Venture Beat, August 22, 2018, accessed at: <https://venturebeat.com/2018/08/22/machine-learning-reveals-crazy-advertising-ideas-that-actually-work/>.

broadband and cable. Their devotion to speeds and feeds—i.e., “Our bandwidth is X megabits per second better than our rival’s and we’ll throw in some bonus inducements to get you to switch”—has dominated their corporate lives.

But the era of digital ecosystems calls for a different, passionately customer-centric mindset. Instead of marketing megabits per second, it’s about selling choice and support: the programs that consumers want, and the ones they’ll like next time. Instead of selling network performance, it’s marketing unique content and providing new ways to discover it.

This means that innovation needs to be front and center for any company wishing to become a leading ecosystem player that creates its own

consumer-centric offerings. That innovation must be based on the ability to master algorithms, create consistently exceptional marketing strategies and messages and making sure consumers can access the platform easily and in the same manner whether it’s on a mobile phone or a TV set-top box.

This will also take investment. But now is the optimal time for communications service providers to put consumers at the heart of what they do. The “digital natives,” Google, YouTube, Spotify, et, al., have outflanked them in the last decade with their savvy use of technology and data. The new decade will be one of major digital ecosystem opportunities, but only for those that act swiftly, with intelligence and have the resources to develop a “smart TV for me” app.

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