Focus on the creation of original content or content aggregation as a key competitive advantage

As explored in Viewpoint 1 and Viewpoint 2 of this series, the Australian Technology, Media & Telecommunications (TMT) sector is pushing forward amidst waves of uncertainty.

In Viewpoint 3, we examine the creation of original content, or content aggregation, as a key competitive advantage.

Content as a key competitive advantage

In 1996, Bill Gates wrote an essay speculating on the future of the technology sector titled ‘Content is King’, where he explained that original and compelling content will be the key customer attractor for a company’s product and services, and will act as a dominant competitive advantage.

In the 1990s, perfecting the homepage of a website or platform was the goal. Now, the key to success is giving users a compelling reason to return. Only a handful of companies have been tremendously successful with this – through either being the aggregators of user content or the producers of original content.

Aggregators of user content (for example YouTube, Facebook, Instagram or Twitter) have been highly successful primarily because its users are guaranteed that every time they log onto the platform, there will be new content posted by other users. This builds a circular pattern fueled by user interaction. These companies create no content of their own, instead relying on attracting users through focusing on creating a re-imagined user experience that is seamless, attractive and intuitive.

Providing for these demands means that these companies no longer have to market themselves, as this function is filled by their users through posting or sharing content. This plays to another one of Gates’ early speculations that: “Those who succeed will propel the Internet forward as a marketplace of ideas, experiences and products.” While the content is crucial for the success of the platform, the platform is crucial for the dispersion of the content.

Producers of original content (think Time Warner, Disney, BBC and Netflix) have been successful due to their ability to create unique content that attracts millions of viewers in an economically viable manner. These companies have a stronghold over the eyes of many customers, who have grown accustomed to expecting quality content from them. These factors increase customer stickiness and their willingness to pay a premium.

Marketplace evidence – mid-market players

- Stackla, a content aggregation mid-market operator based in Australia, allows companies to aggregate social content for every marketing use case through launching fully hosted, completely customisable social hubs, competitions, and widgets in minutes. Its dashboards allow companies to visualise customer engagement with their content and better understand their social ROI.

- Finsure, a fast-growing Australian mortgage broker aggregator, provides a technology-based service for brokers to write loans for lenders, along with back office compliance work. The company’s success is attributed to having a high market share of mortgage brokers using the platform, which in turn provided a strong value proposition to attract users.

- Envato, an Australian online marketplace for selling user-created digital assets such as website themes, audio, graphics, and fonts, has attributed its success to having enough of the right content. During the launch of the platform, Envato’s co-founders Cyan and Collis Ta’eed paid designers to put their work on the platform, and focused on creating content themselves to make it an attractive place for customers.
Marketplace evidence – key local and global players

- Telstra inked a deal with the Australian Football League (AFL) to provide exclusive live streaming of all AFL matches to mobile devices from 2017 to 2022 via the Official AFL Live application. This will give the telco an advantage in customer acquisition efforts over its competitors.

- To generate increased user engagement, Instagram curates feeds for its 500 million active monthly users based on the likelihood they will be interested in the content posted, their relationship with the person posting, and the timeliness of the post. It provides a compelling reason for users to constantly return to the application.

- Netflix will target for 50 percent of its video library to be original content and spent US $5 billion on content in 2016. Its 81 million subscribers in 130 countries, are increasingly demanding more unique and compelling content. On the licensing and cost side, creating owned content is a one-time fixed expense, simplifies licensing agreements and avoids the higher competition for licenses to Hollywood movies and TV rights.

- The surge in growth of Hulu, Amazon Prime, and many other video-based players, have proven that the opportunity and demand for original programming is not going away. In fact, great content has become an imperative for the new generation of players to thrive and grow in today’s media landscape.

Therefore, mid-market companies need to put content at the centre of user and customer growth strategies, and leverage its influence as a key competitive advantage. The focus of mid-market companies should be on providing high quality content through a focus on quality over quantity, better understanding audiences, identifying the future-state customer experience and touch-points, and enabling customers to watch their content anytime, anywhere.

Emergence of mass-market live streaming services to cut through digital clutter

With content being targeted at similar customers across various channels, many customers regard content as ‘digital clutter’. This has been the case with companies looking to expand their digital footprint and presence as a means of engaging with the ‘always on, always connected’ customer, and with lowered marketing/customer acquisition costs through the use of digital channels.

In communicating key content to their customers, companies are increasingly using ‘live’ video streaming services as a means of better capturing attention. In recent years, creative live streaming video initiatives and campaigns have been utilised to cut through the digital clutter, providing a medium to improve or promote business-to-consumer (B2C) and business-to-business (B2B) communication.

The emergence of live video streaming services provides an opportunity for companies to target a large group of potential customers in an effective manner.

The key advantage of live video streaming is that it has the ability to add an authentic human element to digital communications. It enables the presenter to be more personal, informal and relatable to their audience.

KPMG insight

Pressure to evolve into a new organisation

Given the rich potential of the content market, it’s little surprise that so many telcos are making moves in this direction. TV and video are popular areas of investment and Telefónica, Verizon, BT, AT&T and others are developing content and digital media franchises. Unlike pure broadband, TV offers a greater chance of capturing a healthy monthly revenue from subscribers.

According to CEO Randall Stephenson, AT&T’s 2015 acquisition of DirecTV transformed it into a ‘fundamentally different company’, by making it the US’s biggest provider of TV subscriptions. AT&T has now joined the ranks of converged players offering bundled TV, wireless phone service and wired broadband. And now, AT&T is moving further into the media space with its proposed agreement to acquire Time Warner.

With their large, data-rich customer bases, telecom firms are in a strong position to understand customers and target personalized offerings. This requires a significant investment in D&A and associated AI and cognitive machine learning — as well as the analytical insights to make the right customer marketing decisions.

Research has found that viewers are also more inclined to stream content from an online service provider or application, as opposed to paying for premium TV, or the ability to download video content using a one-off payment method.

The reasons for the rise in demand for these services are due to customers not being locked into a particular device or delivery method, the lower costs associated with the service, and the desire of customers to subscribe to more than one service.

According to a recent survey, more than 50 percent of customers said they would use such services to obtain information easily; and 71 percent of businesses are looking to experiment with live video services to engage more authentically with their customers.

Live and streaming video accounts for over 66 percent of all internet traffic, and its share is expected to jump to 82 percent by 2020. As a result of video streaming, termed the ‘Netflix effect’, Australian data consumption is vast, with over 3.4 million terabytes downloaded in 2015.
### Implications for mid-market companies

**There is a need to define an effective content strategy with a focus on key topics that matter for your audiences and enabling modern viewing approaches**

The focus of mid-market companies should be on providing high quality content through the following elements of a content strategy:

- **Content creation and/or acquisition** – creating or acquiring content that will form part of the value proposition for customers, with a focus on quality over quantity
- **Know your audience** – understanding who the audience is and ensuring that content and messages are tailored to earn their loyalty and drive purchase intent. Creating and producing the content that audiences want is what sets the best brands apart.
- **Viewership direction and experience** – identifying the future-state customer experience and touchpoints associated with the application
- **Anytime, anywhere** – viewers demand access to content whenever they want it and wherever they are, using any device. Leading companies know that meeting this demand is invaluable and that it will increase subscriber retention over time.
- **External ecosystem** – understanding the external ecosystem inclusive of customers, suppliers, substitutes, barriers to entry and potential competition.

### There is a need to leverage modern systems and its capabilities to effectively support the organisation’s content strategy

Mid-market companies in this sector need to better leverage modern systems and its capabilities across the following dimensions:

- **Content creation** – the ability to record, edit and produce media content digitally, dependent on the type of content required
- **Content aggregation** – the ability to aggregate content from various sources including user posts, online blogs, social media, and news portals, to create an engaging experience for users
- **Live broadcasting and/or streaming** – the ability to cost effectively live broadcast or stream to reach your user base in an effective and engaging manner
- **Data & analytics** – leveraging data to identify user interests and trends with the goal to better inform management decision making, improve customer advocacy and improve service personalisation.

Through these approaches, companies are able to attract users to their platform and maintain a high level of engagement, in the most cost effective manner.
In summary

Users are looking for a compelling reason to return to a company’s platform, such as having original or user-created content which can be experienced through an attractive and intuitive user interface. Companies which are able to aggregate or create unique and engaging content hold the keys to attracting customers to buy their products and services.

In this day and age, the ability to easily tap into leading digital capabilities such as live streaming and broadcasting has leveled the playing field between mid-market companies and large established incumbents. Mid-market companies, unencumbered by legacy technology or large historical investments, should seize this opportunity to leapfrog their competitors through investment in the latest technology.

Staying ahead of trends in the TMT sectors can be a challenge and an opportunity, especially when sector changes have yet to occur and taking action means deviating from the norm. By subjecting the sources of disruption to systematic analysis based on thorough research and analysis, executives can better understand the threats they confront and opportunities present to enable them to shift competitive dynamics in their favour.

We are accelerating growth, driving innovation and leveraging disruption for organisations within the Australian private enterprise and mid-market segments.

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