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Safeguarding Partner Value Leakage in Super Aggregation Era 2.0

Executive Summary

In today's connected economy, premium content owners are faced with the unprecedented challenge of creating highly personalized, localized and scalable digital services offering to meet the ever-changing consumption preference of multiple generations (from millennials to Gen X). This enormous pressure on niche market positioning is eventually pushing these enterprises to move towards a cooperative growth strategy woven around multiple third party external and internal partnerships to safeguard the profitability margins.

As partner-led expansion becomes crucial for most premium content owners, managing these tailored relationships from a deal, contract, rights, royalty, integration across the content supply chain (back and front end), and uplift of the ROI through real-time analytics critical.

Thus, we at Birlasoft believe that the adoption of partner lifecycle management solutions facilitates premium content owners to streamline the super aggregation journey and enrich the delivery of premium QoS to each digital user Anywhere Everywhere.

Co-Operative Growth Strategy Adoption On Rise

There has been a drastic shift in media consumption in the new everyday world, resulting in more current business priorities for premium content owners globally. In the past 24 months, the average CDN traffic for most vendors has increased by more than 32% annually (Source: Akamai, 2022). Furthermore, the combined data consumption on cellular, fixed, and Wi-Fi networks has grown by more than 28% annually in 2021 (Source: PWC, 2022). Digital TV & video assets include video, gaming, music, virtual reality (VR), user-generated networking (UGN), gambling, e-sports etc., which accounted for more than three-fourth of this data consumption globally stipulated to rise to more than four-fifth in the next five years. This push towards delivering a highly scalable multi-faceted digital TV & video repositories Anywhere Everywhere is also attributed to:

- As per IAB UK, the average attention span of both Gen Z and millennials is less than 12 seconds (on average)
- Short-form content repositories (trailers, teasers, highlights, mini clips etc.) becoming vital for long-tail engagement.
- Remote hybrid workplace the new norm with growing smartphone and broadband penetration rates globally Multi-faceted digital services (both entertainment and non-entertainment) witnessing an upward trajectory. Close to 2% of the US population subscribes to more than five digital services in 2021 (Source: Magnetglobal, 2022).
- Social networks one of the core media (news, sports, short and mid-long-form both TV & films) consumption platform such as Facebook.

During the first wave of the D2C (OTT) era, most premium content owners followed a TV & video asset repository focused digital user acquisition strategy predominantly woven around the third party and in-house (original) programming catalogue, i.e. developing and homogeneous rights and contracts administration exposure. However, in 2021, as fragmentation of TV & video asset repository, multi-channel consumption, diversified each user preference continue to rise along with competitive pressures with the launch of newer services such as Disney+, this approach is insufficient to meet the changing market dynamics in the long-run.

This eventually drives premium content owners to bundle multiple entertainment and non-entertainment services to build a hyper-digital collaborative ecosystem to accelerate incremental ARPU (average revenue per user) and retention rates. Also, the ongoing pandemic resulting in the discontinuation of multiple large scale time-bound projects such as Tokyo Olympics, award ceremonies, competitive gaming, beauty pageants etc., are hampering the availability of newer premium media assets, further paving the way for curation and synthesis of local and regional digital services to strengthen their market positioning.

Pre-Bundling Of Digital Services Crucial For Sustainability

Traditionally, digital service providers (DSP's) have been at the forefront of pre-bundling OTT TV & video services. Initially, these enterprises primarily focused on tier-I OTT platforms such as Netflix, Amazon, HBO, DAZN etc. and slowly. Still, they gradually differentiated their offering by pre-integrating local and regional services, e.g., Orange Poland pre-packaged Megogo TV application. Although OTT TV & video services remain at the epicenter of the first wave of super aggregation model, the majority of DSP's gradually differentiating their positioning through bundling other entertainment services offering such as religious TV, gaming, music, gambling, betting, live concerts etc.

Furthermore, the bundling of multiple digital services will be the norm not only across DSP's will be eventually shifted towards other premium content owners. **A good example is the recent launch of Netflix merchandise-based monetization Avenue and Tesla's connected gaming proof of concept (POC) within its connected car roadmap.** As fragmentation of digital user consumption preference continues to move beyond digital entertainment services, premium content owners will eventually embark on p re-configured hyper-personalized and localized non-entertainment services such as e-health, e-learning, cloud storage, fitness, e-commerce, emergency, pet care etc. to deliver a connected life ecosystem to every single digital user everywhere.

Figure 1: Digital services bundling evolution road-map

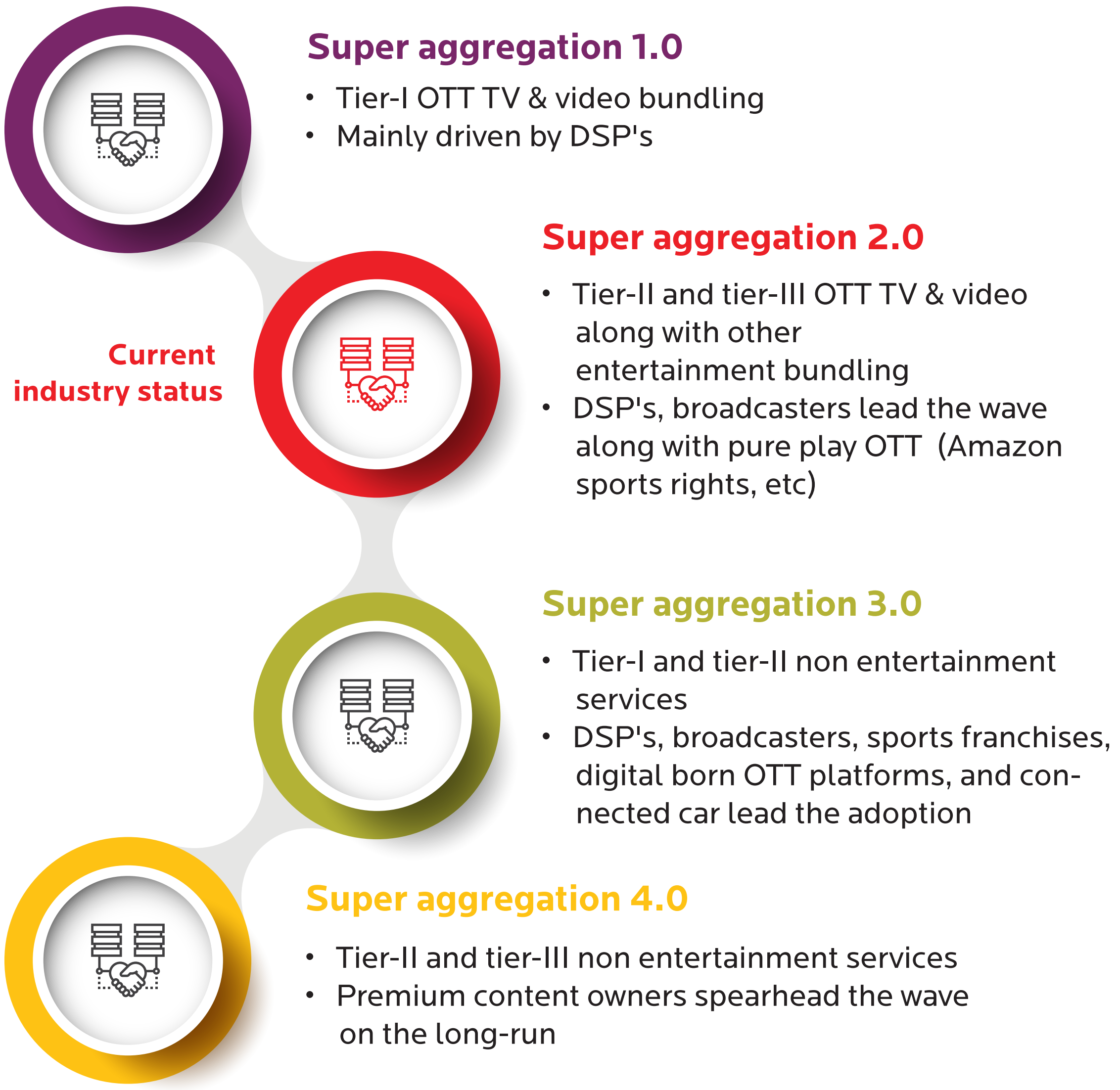
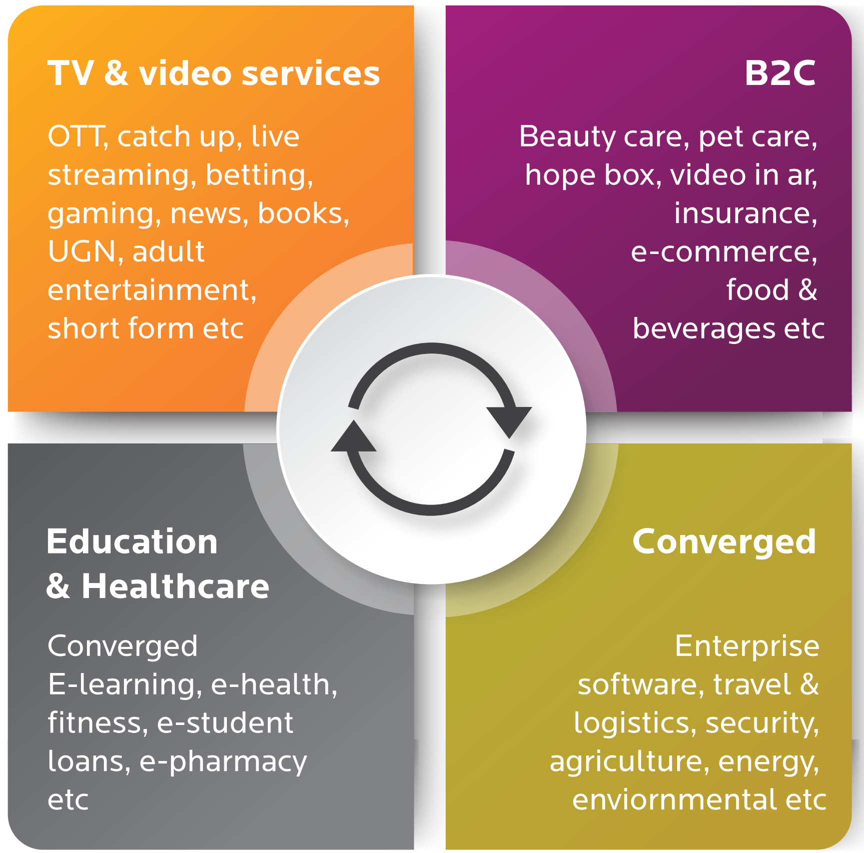


Figure 2: Super aggregation 4.0 ecosystem, 2025-2030



From the above **figure 1 and 2**, it can be witnessed that although there has been an onset of the super aggregation 2.0 era still the long-tail goal of providing a connected life ecosystem to each digital user anywhere is at a nascent stage. Most premium content owners, especially broadcasters, DSP's and digital-born platforms such as Amazon, DAZN, Netflix, etc., aggressively invest in delivering a converged digital services value proposition.

Managing these diverse and vibrant partner portfolios is a crucial differentiator on a long-term basis.

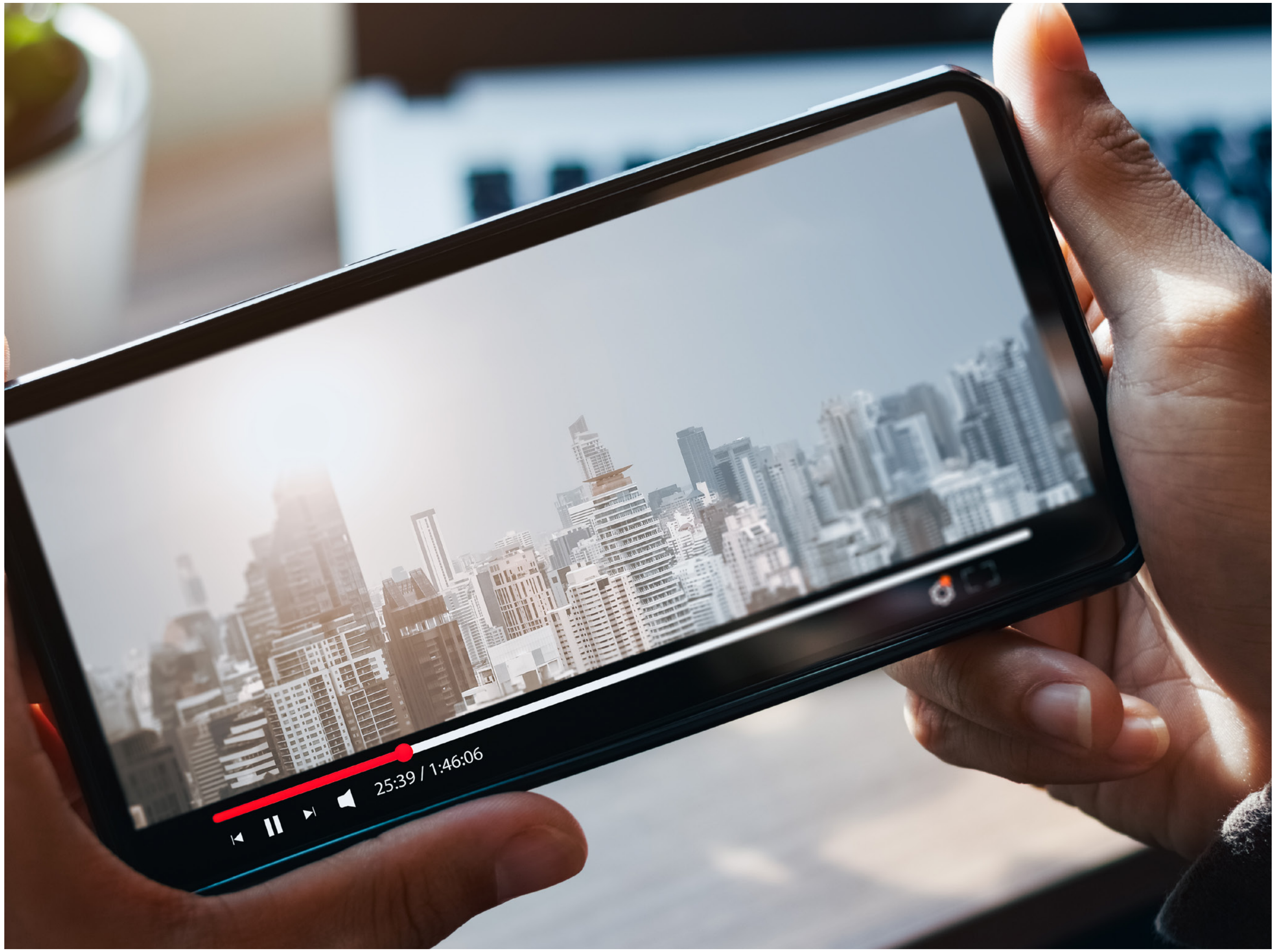
Also, these complexities will accelerate multi-fold (4-5x) with the addition of newer horizontally (entertainment) and vertically (non-entertainment) integrated digital services catalogue both at the front and back end supply chain.

Premium content owners also need to re-imaging and re-engineering their internal competencies such as customer relationship management, creativity, production, and other support resources to create an elastic but modular super aggregation ecosystem. Furthermore, the remote hybrid workgroup collaboration, becoming the new normal, has further enhanced the complexities in managing these multi-layered resource configurations to orchestrate in sync with the continuously changing super aggregation model, i.e. from 1.0 to 2.0 and beyond. Therefore, as working both internal (in-house hybrid workgroup collaboration) and external (third-party digital services collaboration) partnerships be a necessity, it will be imminent for the majority of premium content owners to increase spend on partner lifecycle management solutions to meet the changing super aggregation business priorities on the long-term basis.

Time to Market, Operational Productivity, And Lower Leakage To Be The Core KPI's

Super aggregation projects are synonymous with unprecedented transformation challenges, capital intensive cycle, and uncertain return on investment. Most premium content owners have witnessed a downturn in their operating margins in the past 4-5 years. The uncertainty of return on investment is bound to hamper long-term sustainability and competitive edge further.

Also, the success of this large scale roadmap is woven around multiple strategic internal (employees, creative, production, and user engagement teams) and external third party (both entertainment and non-entertainment service providers) partners not just limited to business but also technology vendors. Furthermore, in today's connected media era, each partnership collaboration is highly tailored with lasting value and ROI centric amendments, thus resulting in increased complexities. A couple of scenarios are:



SCENARIO - 1

Pre-bundling of Netflix or any other tier-I OTT platform will primarily depend upon the audience preference and TV & video repository available for streaming on multiple devices

SCENARIO - 2

Pre-packaging tier-II OTT platform such as SonyLIV encompassing premium time-bound project rights catalogue especially cricket streaming, and other regional live sports will provide higher local and regional penetration for a DSP than the tier-I partnership

SCENARIO - 3

Having a standard value volume-based contract agreement with a majority of its third party external partners focusing on an ad-supported monetization to lower churn of their legacy subscribers, i.e. Pay TV.

SCENARIO - 4

Optimization of freemium short-form content in sync with hybrid long-form monetization offerings across multiple geographies and digital user segmentation mix on a real-time basis

SCENARIO - 5

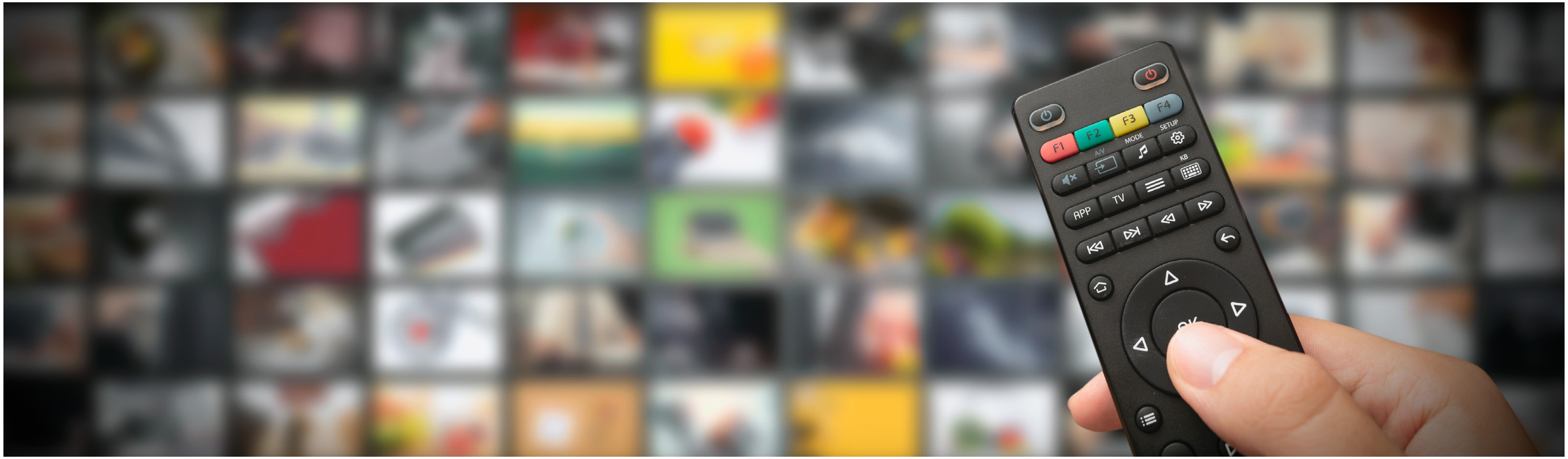
Pre-packaged UGN publishing strategy for both in-house, third party digital services value proposition with access to secondary events deal, contracts and rights management

Thus, it can be witnessed from the 1-2-3-4-5 scenarios revealed above that premium content owners need to manage multi-dimensional partner lifecycle management from the deal, contract, rights, and financial settlement (i.e. royalty payments etc.) depending upon the personalized agreement for each of the assets within a digital service as per location, distribution network, device, monetization opportunity, and engagement touchpoints in the next few years. Poor management of this multi-faceted diverse partner enablement cycle will hamper time to market and incremental operating costs and deal contract and rights value leakage, i.e. lower than estimated ROI from a unique partnership.

Mitigation of Partner Value Leakage Essential On The Long-Run

Traditionally, most DSP's and pure-play OTT TV & video services such as Amazon embarked on the cooperative growth strategy bundling third party entertainment services to lower churn and accelerate engagement rates. Although, loosely coupled partner lifecycle management can also hamper brand reputation and equity and reduce retention rates. A good example is the discontinuation of a third-party pre-configured application within the broader super aggregation universe for a telecommunication operator, resulting in a lower net promoter score (NPS) or incremental ARPU (average revenue per user). Furthermore, there is an in-depth alignment of the partner value proposition with the digital user consumption preference. Thus, real-time inefficient discontinuation of existing partnerships and onboarding newer ones might increase the revenue leakage.

A good example is one of the mid tiered DSP's in Easter Europe realized that loosely coupled royalty accounting module has resulted in payments of millions to a TV & video content partner with the contract discontinued a decade ago. The estimated revenue leakage and brand reputation losses stood at close to 10% of annual revenues.



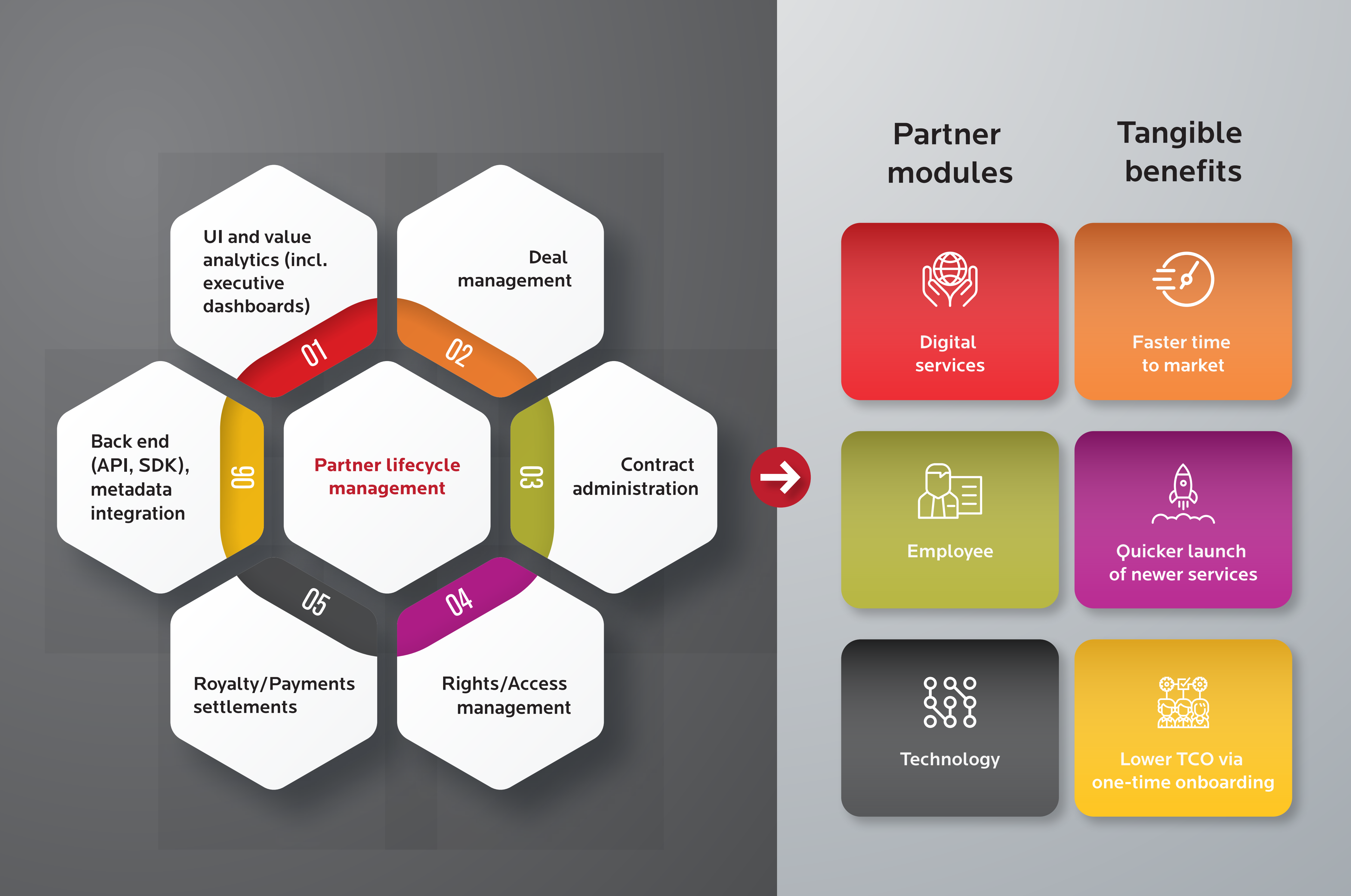
Universal Partner Lifecycle Management Ecosystem

In the past 18-24 months, there have been increased investments, especially from DSP's on building universal downstream supply chain competencies to strengthen their positioning across the super aggregation 2.0 era. This has further instigated spend and focuses around the convergence of metadata and synthesis to provide a single UI/UX for multiple digital services.

Although the unification of metadata from numerous third-party partner repositories and in-house is the essential end to end management of partner lifecycle is the critical initial phase for embarking on the super aggregation journey.

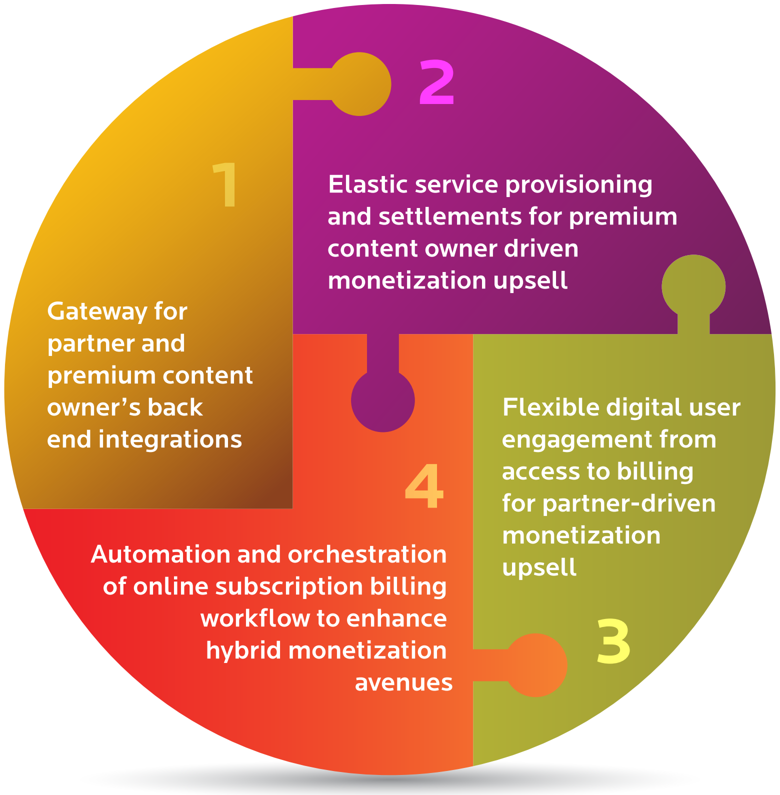
This is mainly attributed to tightly integrated partner onboarding (from deal management to contract administration to finally royalty processing) enables to the improvement of not only premium QoS (quality of service) but also QoE (quality of engagement) on a long-term basis.

Also, as spending across live TV & video assets continue to surge to enhance incremental ARPA (average revenue per advertiser) and ARPU (average revenue per user), in-house partner lifecycle management, i.e. post/pre-production, creative and other technology support resource base without offsetting profitability is becoming a crucial differentiator in hyper-competitive OTT TV & video landscape. **Thus, the universal partner lifecycle management is necessary for not just unification of external third-party partner ecosystem but also enterprise-wide too for long-tail operational productivity and lowering the cost of customer acquisition.**


UI and value analytics (incl. executive dashboards)
01
Deal management
02
Contract administration
03
Rights/Access management
04
Royalty/Payments settlements
05
Back end (API, SDK), metadata integration
06
Partner lifecycle management
Partner modules
Tangible benefits
Digital services
Faster time to market
Employee
Quicker launch of newer services
Technology
Lower TCO via one-time onboarding

Scalable Back-End Integration, Managed Intelligent Curation, And Real-Time Value Analytics Core Capabilities

Industry-specific system integration (SI) capabilities remain one of the flagship competencies to build a robust partner lifecycle management ecosystem. Although there will be a need for slight customization and bespoke convergence for each partner attributed to diverse back-office systems and configuration standardization is critical in improving operational productivity continuously. Those will be:



Furthermore, curation of the multi-faceted tailored deal, contract, rights, and financial settlements (revenue, reconciliation, reports, and rules) via cognitive services (AI) embedded capabilities will also remain one of the core vendor selection factors super aggregation era 2.0. Also, metadata unification and managing not just anomalies but also up-gradation of the rules across these four modules is essential to prevent partner value leakage on a short to midterm basis.

Finally, real-time analytics enabling premium content owners to identify and syndicate the value of each partnership on an ongoing basis is a value add on capabilities that will allow vendors in this space to enhance higher customer acquisition and retention rates.

As super aggregation slowly but gradually becomes the new normal across the premium content owner space to lower churn and improve incremental ARPU and ARPA, partner lifecycle management solutions are well-positioned to assist these enterprises in achieving their long-term business priorities and KPI's.

Author

KEDAR MOHITE heads the Media & Entertainment practice at Birlasoft. Kedar area of focus includes media technology and ICT service developments across broadcasters, digital service providers, sports franchises, OTT, publishing, and enterprise video segments. Kedar is a regular speaker at IBC, NAB, and vendor-sponsored industry conferences, and his work has been cited by the BBC, Wired UK, IBC.org, and Business Wire.

Appendix

Taxonomy

- Premium content owners include broadcast TV & video, digital service providers, sports franchises, and pure-play OTT TV & video platforms such as Netflix, Disney+, Hulu, DAZN, and Amazon.
- Digital service providers include cable TV, satellite TV, and Telco-OTT operators.

Methodology

Most of the insights and viewpoints addressed here are derived from our internal databases, sources, and trade interviews with technology vendors and premium content owners. In few sections, we have duly used secondary research-based quantitative intelligence, and references have been supplied to enhance the reliability and validity of the hypothesis and partner life cycle management framework as a whole

References

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