Creating personalized experiences:

How telecommunications, media and entertainment companies will attract and retain customers in the Cognitive Era.

Growing customer expectations for personalized content, along with increasingly disruptive over-the-top (OTT) ecosystems, are putting immense pressure on communications and media companies—and the networks they manage. Organizations that can offer customers a uniquely responsive and valuable experience will have the best chance of increasing customer loyalty and advocacy. Personalized content anywhere, anytime, on any device: that’s what matters.

Meeting this challenge means putting data at the center of the enterprise—combining breakthrough analytics, operational agility and improved network performance to enable a full range of digital products and services that will amaze customers with experiences previously unimagined.

What’s changing in the world today?

Disruptive entrants are delivering personalized experiences and content to time-pressed consumers, raising expectations for incumbents.

Personalization is driving disruption, encouraging firms to build customer relationships, loyalty and trust in innovative ways. In fact, more than 87% of C-level communications service provider executives now identify customer experience as the ultimate differentiator. Over-the-top (OTT) engagement models and platforms are winning customers by enabling them to select their content and communications channels based on ever-evolving needs. About 57% of consumers in U.S. broadband households now subscribe to an OTT video service, such as Netflix or Hulu Plus. This creates new standards of engagement and personalization, and is leading customers to detach from bundled services, upending traditional distribution models. ESPN, a staple of the bundled entertainment contract, lost 3.2 million subscribers in 2015. HBO, on the other hand, has picked up nearly 1 million subscribers with its HBO Now platform. This creates new standards of engagement and personalization, and is leading customers to detach from bundled services, upending traditional distribution models. ESPN, a staple of the bundled entertainment contract, lost 3.2 million subscribers in 2015. HBO, on the other hand, has picked up nearly 1 million subscribers with its HBO Now platform. A provider’s ability to meet customers where and when they want is a prerequisite for loyalty, the new determinant of success.

Rapidly increasing demand for capacity—exacerbated by the proliferation of video across devices—is putting a massive strain on existing infrastructure.

Since content distribution went digital, communications service providers have been under immense capacity and security pressure. Global IP traffic increased fivefold over the past five years and is projected to triple again by 2019. Skyrocketing video usage, driven by new demands in live streaming, gaming, large file transfers, mobility and more will account for some 80% of all IP traffic by 2019. Bolstering the infrastructure to meet these growing demands in a secure way—while simultaneously addressing the dire need for operational flexibility—requires large investments. Many providers are challenged to monetize the additional capacity needed at affordable rates.

Communications and media companies are using data to unleash new business models and extend their reach across the value chain.

While making sense of the volume and complexity of today’s data is a challenge, it also presents a tremendous opportunity for communications service providers and media companies. Service providers are recognizing that they can use analytics to diversify their position in the value chain, build partner ecosystems and become more multifaceted organizations capable of serving a variety of business and customer needs. For instance, providers are leveraging their data capabilities to partner with business clients looking for upgraded traffic management, quality of service, customer analytics, security, location-based services and cloud computing. Marketing and advertising can also be optimized; Verizon’s real-time selling and targeting analytics have evolved into sustainable revenue streams for the business.

1 IBM. 2016. “Outthinking disruption in communications.”
2 Parks Associates. 2015. OTT video subscribed to by 57% of US broadband homes.
5 Strategy&. 2013. “Enabling the OTT revolution: How telecom operators can stake their claim.”
Why act now?

Customers will continue to flock to providers that deliver the content and capabilities they want, when and where they want them.

OTT providers are becoming more attractive because they offer personalized engagement and content. Faced with strong competition, established players are responding: AMC recently created an in-house analytics capability to optimize marketing and content curation and creation, allowing the company to increase advertising revenues by growing program audiences one individual at a time.7 Building loyalty is also paramount—Ooredoo Kuwait’s customer value management system helps grow its base of loyal customers, who are proven to buy more, engage longer, influence their peers and provide valuable feedback.8 Meanwhile, new entrants with massive reach and tremendous ad revenue, such as Facebook, are offering next-generation services including WhatsApp to provide users with engagement platforms that can threaten incumbents through viral growth. Subpar experiences, on the other hand, diminish trust and are causing customers to leave traditional providers in droves. In fact, traditional pay-TV distributors lost 566,000 customers in Q2 of 2015 alone.9 Bain estimates that industry leaders in customer advocacy can outgrow the competition by 2x.10

7 IBM. 2015. AMC Theaters Case Study.
8 IBM. 2015. “Ooredoo Kuwait Sharing tailored offers at lightning speed to nurture loyalty and increase share of wallet.”
10 Bain & Co. 2016. “How is Net Promoter Score Related to Growth.”

Anticipating consumer demand and adapting to a rapidly changing market is all but impossible with today’s rigid infrastructure.

Many communications service providers and media companies lack the operational speed and flexibility to effectively anticipate and act on customer needs. As BTIG Research media and tech analyst Rich Greenfield told The New York Times, “The consumer is shifting, and these media companies are not built to take advantage of technological disruption.”11 To adapt, global spending on infrastructure technologies such as cloud, mobile, social, security and big data solutions will reach $3.5 trillion in 2016, growing to more than $3.8 trillion by 2019, according to Gartner. The lion’s share of that—$1.45 trillion—is targeted at communications services.12 Infrastructure agility is also required—AT&T intends to virtualize and control more than 75% of its network by 2020, enabling rapid creation of flexible new applications and services for customers, as well as facilitating services on demand to meet specific needs.13

12 Gartner. 2016. “Gartner Says Worldwide IT Spending is Forecast to Grow 0.6 Percent in 2016.”

Being able to effectively use data to create new sources of revenue is crucial to survival.

With disruptive new entrants posing a threat to revenue, understanding how to generate new sources of value is essential.14 Data is the new natural resource, and communications and media companies are positioned to make the most of it—analyzing and activating the incredible volumes of data from consumer interactions, IoT-enabled devices and more. Building new lines of business through the mining, analysis and packaging of that data presents a sustainable opportunity for communications and media companies to enhance the value of their existing assets, forge new partnerships, extend the reach of their ecosystem and drive revenue. Consider Thomson Reuters, which is leveraging cognitive analytics to glean insight from its vast trove of data and boost the speed and precision with which its clients can make decisions.15 SoftBank is advancing global adoption by introducing Japanese language cognitive business lines, which enable local partners, entrepreneurs and app developers to apply cognitive computing to their businesses in innovative ways.16

14 Strategy&. 2015. “Enabling the OTT revolution: How telecom operators can stake their claim.”
How to act strategically:

Capture insight to deliver personalized engagement and content in context.  
Leverage analytics and feedback loops to understand how to personalize engagement and marketing strategies.  
Optimize insight-driven content creation to make experiences contextual, relevant and delightful to each consumer.  
Create a culture of design thinkers that understand customers through empathy, and adapt engagement strategies and content accordingly.  
Create more opportunities to engage your customers in familiar ways, growing loyalty and lifetime value.  
Radically reduce costs to redesign your infrastructure, drive enterprise excellence and fund innovation.  
Introduce hybrid cloud capabilities to build IT elasticity and agility throughout the network.  
Move the network infrastructure to the cloud to reduce costs and extend activation capabilities to all devices and channels.  
Bolster video platforms to become capable of massive distribution and real-time delivery.  
Create and foster relationships with partners to offer a wider range of services while activating new sources of revenue.  
Design and deliver a new system of value creation capable of quickly adapting to market changes.  
Develop a partner ecosystem that generates new revenue streams, expands into the IoT and allows direct-to-customer engagement.  
Build insight and cognition into the fabric of your business to act on new opportunities and market changes before your competition.  
Monetize the value of your data to become a platform of scale, increase market share and create new sources of revenue.  

How IBM can help:

The transition to a cognitive business is a journey upon which firms in the telecommunications, media and entertainment industries have already embarked. They are using new systems and processes that understand, reason and learn to explore evidence and glean insights in new ways. Why? In order to create new value previously unimagined. This is the importance of using cognitive in a rapidly changing marketplace and why IBM is investing every day to build new capabilities that will leverage our industry solutions portfolio and expertise; Watson; agile IBM Cloud platforms; and new market partnerships and ecosystems. All of this is directed for one purpose: to help enterprises thrive on a continuing cognitive journey.

To learn more, visit: www.ibm.com/industries/telecom-media-entertainment