KPMG

2020 CIO Survey

Media industry insights

As a sector best described by its sub-sectors of broadcast, digital, games, movies and music, the media industry overall continues to experience high-growth. With the COVID-19 pandemic prompting lockdowns around the world, and with many people still spending much more time at home than before, demand for digital media and gaming soared with nearly a third of the sector (30 percent) is in 'surge' mode. Industry leaders, such as Comcast, Disney, and AT&T, who have a diversified portfolio including studios, content creation platforms, and internet under their umbrellas, have seen a surge in their services. Even as consumers have continued to cut the cord for cable in favor of internet-based OTT media channels such as Netflix, Prime Video, Hulu and Disney+, they still rely on broadband services for their at-home internet — which has higher margins than cable tv.

But there have been issues too — how to fill content gaps caused by event cancellations in music and professional sports, closures of movie theaters, and production hiatuses of movie and television studios — representing another third of the sector (35 percent) in 'transform to re-emerge' mode. In an age where content is king, this has posed a challenge. It hasn't only been a content dilemma though: with so much advertising revenue created around live events such as sports, there has been a rapid decline in income as well. Digital viewership has increased but advertising spending has not caught up. For entertainment businesses, prolonged closures of cinemas, production sets, live entertainment venues, and theme parks is proving to be a massive challenge. Making venues safe for employees and consumers is crucial to recovery in the industry. The disruption from delays in production will have consequences that could last for years. For newspaper groups and publishers, the pandemic hasn't created such issues: there has been no shortage of news in the world in recent months after all. For them, it has been more a question of continuing to manage the reader shift to digital formats and monetizing that through subscription models.

From a technology perspective, media organizations have embraced digital transformation for some years. The new content streaming platforms and OTT channels are cloud native and rely on modern architecture and software development methods. Hybrid multi-cloud is in place to support demand across any platform — the priority being be able to scale that up and down and flex as needed. In an age where it is all about engaging users and the consumer's rising expectations of media on demand, the imperative is to keep finding new ways to deliver relevant, fresh content and personalized customer experience based on data insights and speed to react to shifting interests and trends.

Board priorities & investment

A focus on the customer experience and engagement stands out strongly as the over-riding priority of media & entertainment companies: ranked by 62 percent of respondents as the most important area for technology investment, far ahead of technology development at number two (38 percent). Leaders in this sector have focused on rich advanced analytics and insights from their customer data — driving content creation, positioning tailored content to customers and customizing highly targeted advertising. To feed this customer engagement, media businesses also need a compelling pipeline of new products and omni-channel services — and this sits at the top of the list of areas executives are looking for their technology teams to address. It's a recognition, perhaps, that in difficult times their customers are looking to them to surprise, delight and innovate more. A positive for technology professionals in media is that their influence with the Board is high — 65 percent believe this influence has grown in the last year, a little ahead of the cross-sector average (61 percent).

Top 3 business issues that management boards are looking for the IT function to address:
Media vs. overall

Media

1. Developing new products and services
2. Improving customer engagement
3. Improving operational efficiency

Overall

1. Improving operational efficiency
2. Improving customer engagement
3. Enabling the workforce

Three most important technology investments:
Media vs. overall

Media

1. Customer experience and engagement
2. Technology development, management, and operations
3. Systems of insight

Overall

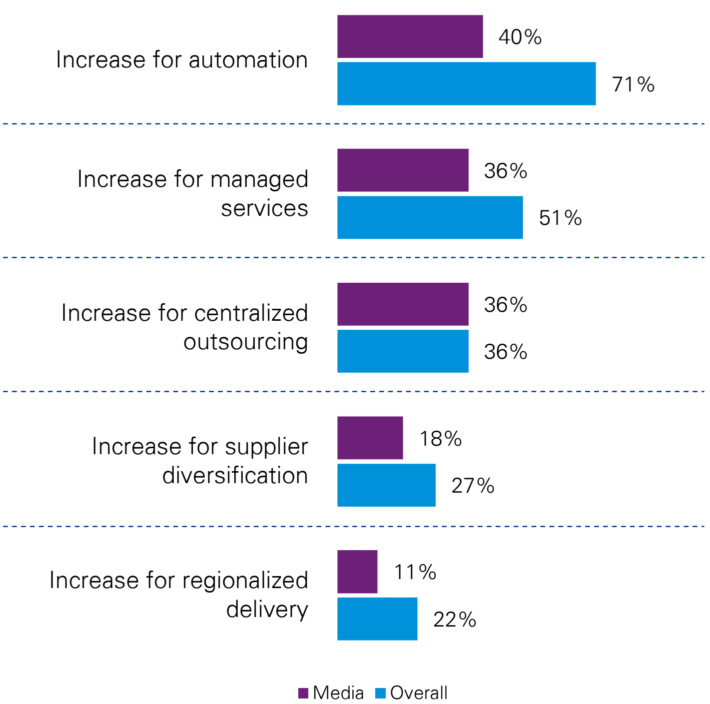
1. Security and privacy
2. Customer experience and engagement
3. Infrastructure/Cloud

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Strategy & operating model

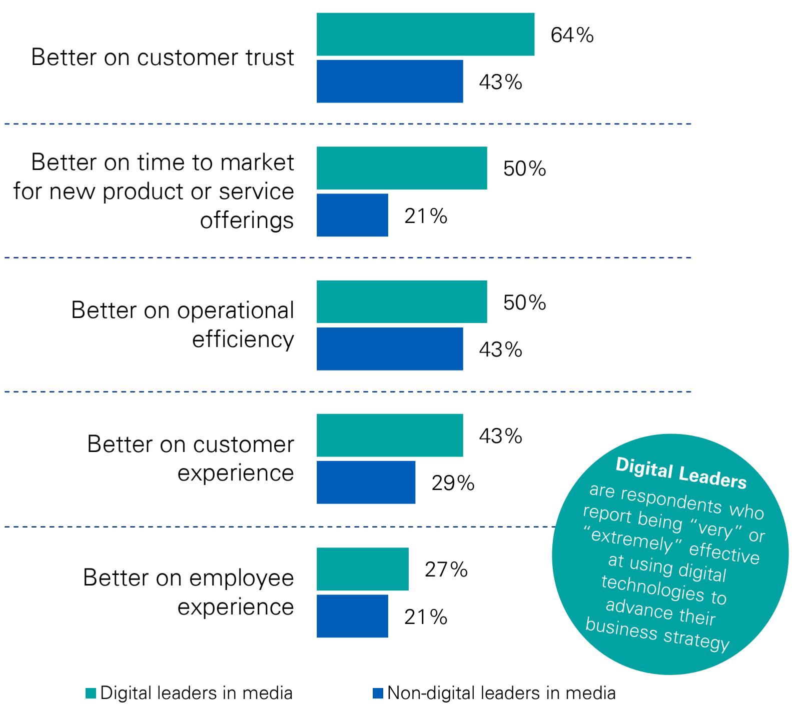
With nearly a third of media businesses into ‘surge’ mode as a result of COVID-19, their strategy must become all about enabling the business to meet demand. Media companies need agile and nimble models, therefore, built on cloud and new disruptive technologies. Meanwhile, cutbacks in some sections of the media and the beginnings of automated journalism for some news reporting are likely to push the sector towards greater digital transformation. Digital Leaders are significantly better placed than their counterparts across key metrics such as time to market, customer experience and customer trust. One concern is that unpredictable geopolitical forces and regulatory developments could affect operating models and processes. US/China tensions, for example, are significant and already there are broadcast restrictions in China barring certain US players. If nationalism and localism grow globally in the coming years, we may see more countries building their own media platforms and channels to stream content — due to their reluctance for foreign businesses to gather and hold huge quantities of consumer data.

Change to service delivery model:
Media vs. overall



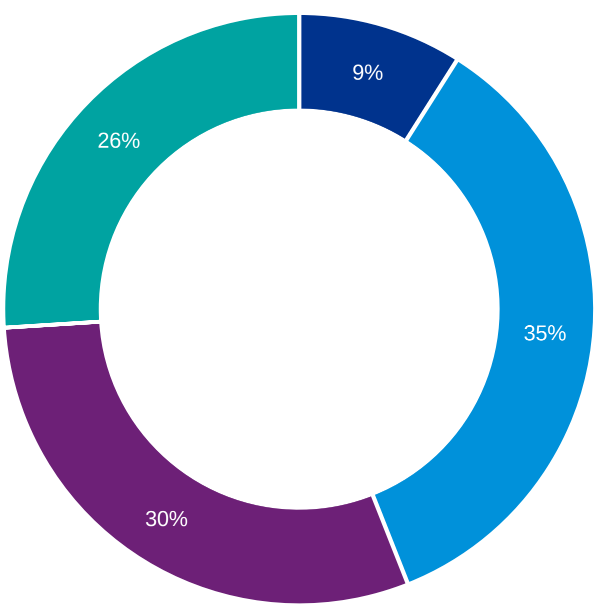
Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Organizations performing ‘better’ or ‘significantly better’ than competitors on the following metrics:
Digital leaders vs non-digital leaders in media



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Four economic recovery paths:
Media



Hard Reset — companies that struggle to recover from COVID-19 due to ‘permanently’ lowered demand for offerings, insufficient capital to ride out extended recession, and/or poor execution of digital transformation.

Transform to Re-emerge — companies that will recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changed consumer priorities.

Surge — companies that scale post-COVID-19 as consumer behavior that was altered during the crisis is sustained in their favor. Investors sense their potential to lead and provide capital to scale aggressively during recovery.

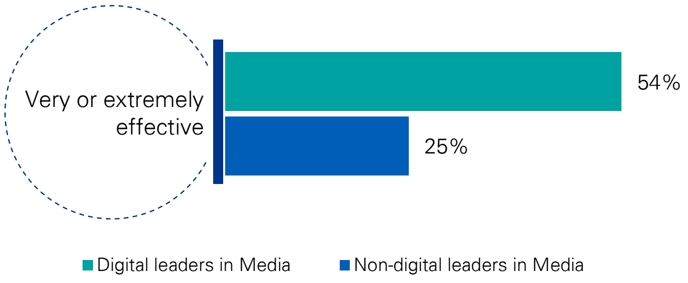
Modified Business-as-usual — companies seen as daily essentials will suffer effects of the consumer shutdown recession but are expected to recover more quickly as consumer demand returns in similar volumes.

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Delivering value at speed

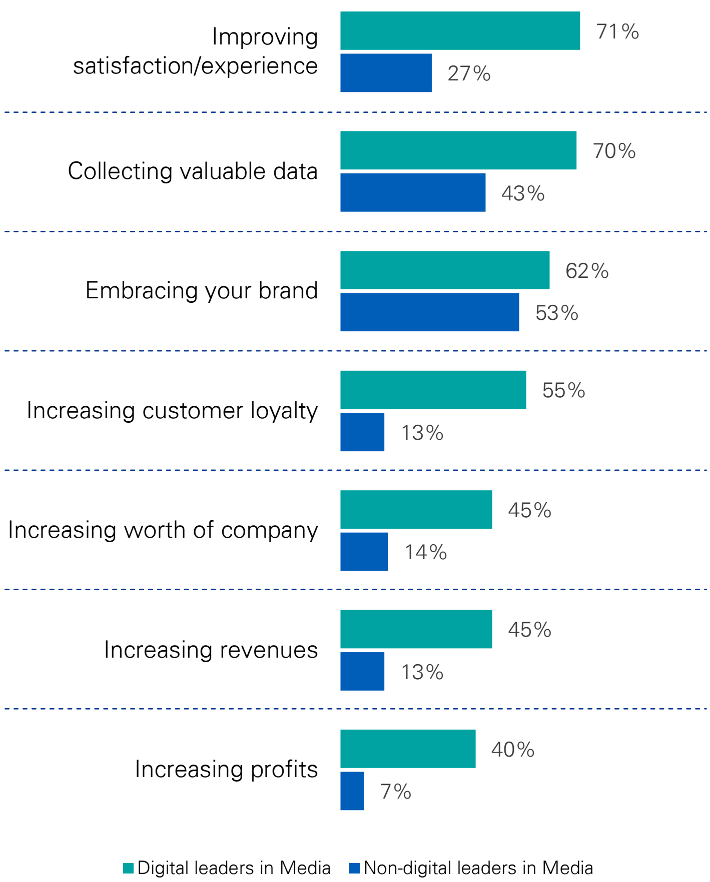
Speed, innovation and agility are critical to servicing consumer media demand — and it's the Digital Leaders in the sector who hold all the cards. They are considerably more effective at pivoting and scaling digital channels than their rivals (54 percent vs 25 percent). Indeed, their most successful digital offerings are far ahead of other businesses, being vastly more effective in increasing customer loyalty (55 percent vs 13 percent) and almost twice as effective at collecting valuable data (70 percent vs 43 percent). Digital Leaders are also much more likely to have introduced large-scale implementations of emerging technologies — in particular, distributed cloud (59 percent vs 35 percent) and SaaS platforms (47 percent vs 9 percent). Another key way to increase value at speed will be through collaboration — we are likely to see increased co-working between broadcasters, entertainment businesses and digital platform providers to innovate the content production and models of content delivery.

Organizations that are 'very effective' or 'extremely effective' at pivoting and scaling digital channels to meet new customer demands and expectations:
Digital leaders vs non-digital leaders in media



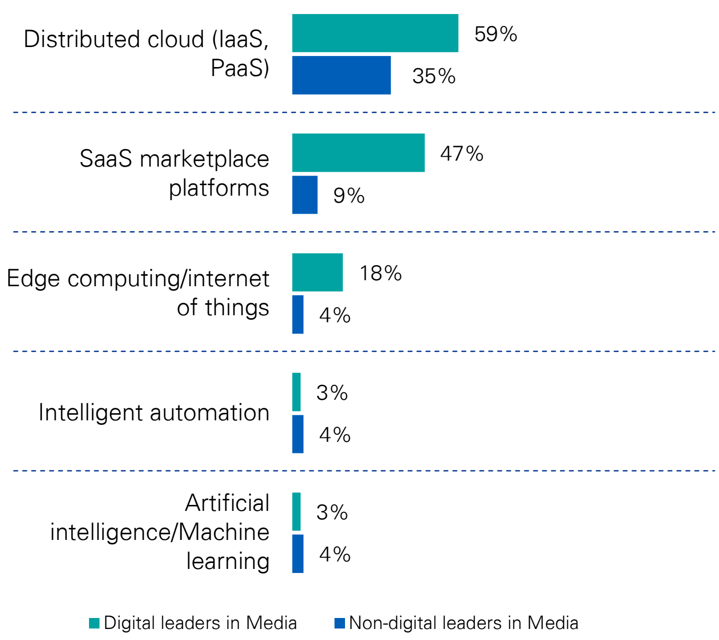
Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Digital offerings to customers that were 'very effective' or 'extremely effective' at the following:
Digital leaders vs non-digital leaders in media



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Large-scale implementations of emerging tech:
Digital leaders vs non-digital leaders in media



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

People & culture

With technology so central to how media companies operate, addressing IT skills shortages must be a key priority. One striking aspect is that, unlike almost every other business sector, cyber security skills are not their number one in-demand area. Instead, it is organizational change management (31 percent) with cyber slightly lower down the list (25 percent). This is telling, because it indicates the amount of change tech leaders expect to see in the future, driven by the relentless evolution of consumers' media consumption preferences and expectations. Media is a fast-paced business and the strains on staff can be high — and CIOs are responding to this, with 81 percent saying they are concerned about the mental health and well-being of their teams and have put a program in place to support them, appreciably more than the cross-sector average of 61 percent.

Most in demand skills:
Media vs. overall

Media

1. Organizational change management
2. Advanced analytics
3. Cloud
4. Cyber Security
5. DevOps
6. Enterprise architecture

Overall

1. Cyber security
2. Organizational change management
3. Enterprise architecture
4. Technical architecture
5. Advanced analytics

Top factors in engaging and retaining key technology talent in the new reality:
Media vs. overall

Media

1. Career progression opportunities
2. Strong culture & leadership
3. The purpose of the organization
4. Flexible work hours
5. Good remuneration

Overall

1. Strong culture & leadership
2. Good remuneration
3. Career progression opportunities
4. Work location and remote work opportunities
5. Training, development, & reskilling opportunities

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

52 percent in Media believes **COVID-19 created a culture** of inclusivity in the **technology team**

More than half in Media believes **promoting diversity** improves: **trust and collaboration, Innovation, Access to the right skills**

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Proportion of enterprise that will remain predominantly working from home post COVID-19:
Media vs. overall

Media
52% Say half or more

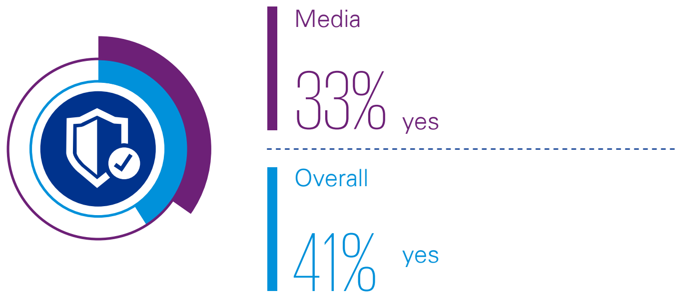
Overall
43% Say half or more

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

The rise of cyber

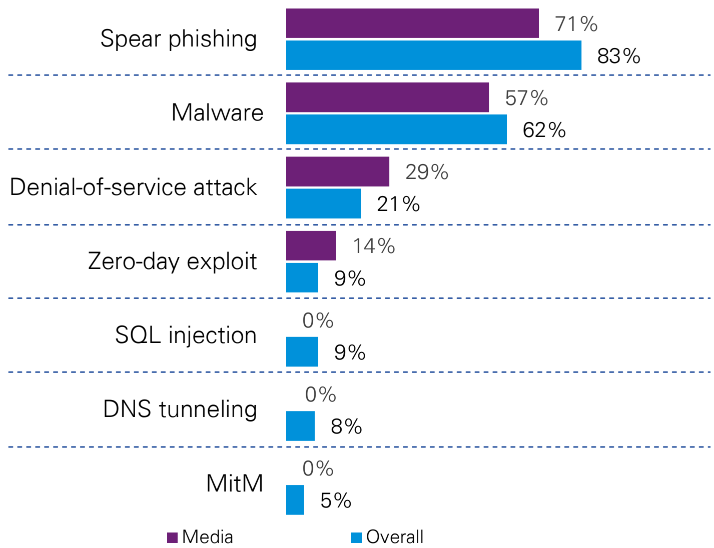
With COVID-19 causing the mass relocation of office workers from corporate networks to living rooms, bedrooms and kitchen tables around the world, organizations' attack surfaces also dramatically grew. As a result, more than four in ten organizations have experienced an increase in cyber security incidents — with phishing and malware attacks rising significantly. For media companies, these increases have been slightly lower than the cross-sector average (71 percent rise in spear phishing compared to 83 percent across sectors). But this can be no cause for complacency: the need to protect the large influxes of consumer viewership data is paramount, as well as to respect data privacy laws. Reporting on a cyber incident would be a painful humiliation for a media business. Robust security and data management will effectively be one of their licenses to operate.

Organizations that experienced an increase in security or cyber incidents due to remote working
Media vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Increase in types of attacks due to remote working:
Media vs. overall

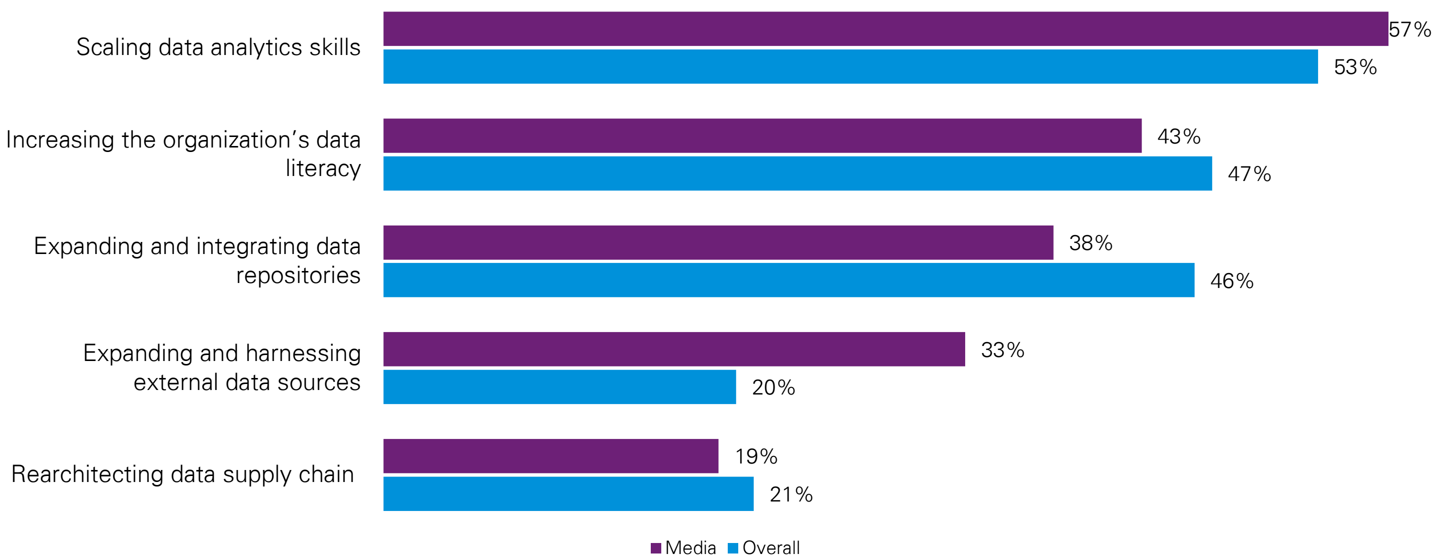


Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Analytics & insight

If anticipating and understanding customer behaviors and preferences is key, then accessing and analyzing the rich data behind it is crucial. Media businesses must be able to quickly gain insights from the data they hold in order to predict and anticipate consumer demand. Driving higher viewer, reader and guest numbers is also key to attracting advertising spend. With the user experience a key criteria in gaining customer loyalty, they also need to develop effective algorithms that channel data to put relevant recommendations in front of customers. Scaling data analytics skills across the organization is the clear number one data priority (57 percent) for media businesses. In an industry where data is at the heart of everything, it is easy to see why.

Priorities for your organization's data strategy:
Media vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

What now?

COVID-19 has changed the landscape. With technology more important than ever to organizations' ability to survive and thrive, the opportunity has never been greater for CIOs to work as strategic partners with the business. Seven in ten IT leaders report increased collaboration between the business and technology teams — this relationship is something that CIOs must build on to ensure their organization's digital transformation success.

For CIOs in media, they have a strong base due to the degree to which their organizations are already built on digital technologies and cloud. But in times of such challenge and change, and with consumer consumption patterns evolving so fast, continued innovation in terms of content delivery and user interaction will be critical. The ability to detect and rapidly respond to external signals indicating where consumer demand is heading will be a key competitive differentiator in a market that faces disruption and challenge into the future.

How KPMG can help

While KPMG firms are some of the largest providers of services to media organizations globally, we take a boutique approach to client issues with a focus on flexibility, adaptability, and innovation. We recognize that there are many on-ramps to supporting IT transformation and we've tailored our services accordingly:

Transform the business

- Strategy and operating model
- Organizational design
- Enterprise architecture
- Portfolio planning
- Merger and acquisition
- Integration and separation

Run the business

- Scaling agile
- Product management
- DevOps tooling
- IT financial management
- IT service management
- IT asset management

Modernize and protect

- Cloud strategy
- Data center strategy
- Continuity and resiliency
- Workplace transformation
- Network modernization
- Cyber, risk, and compliance

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