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Media Outlook 2016

A Survey of UK Media Trends and Firm Capabilities



There's no doubt that operating conditions are getting tougher

The aim of this survey is to understand the changing nature of the UK media environment, emerging trends and the management practices of media executives. This is the fourth year that the survey has run, and already we are seeing immense changes in the way media firms are adapting to a changing competitive landscape.

This year, the focus of the survey has been on assessing media firm capabilities and the ability to adapt media strategy, business models and capabilities to new industry dynamics. As such, this report will not only provide an outlook for the UK Media Industry in the year ahead, but also reflect on some of the trends reported by media executives over the past four years.

Overall, the outlook for the industry remains optimistic with 81% of media executives positive about the year ahead. However, increased competition and continued economic uncertainty means that the trend is downwards with figures of 89% in 2015 and 94% in 2014.

The survey sample again included senior executives at 'blue chip' firms like the BBC, BT, Fox International, ITV, NBC, Sky, Sony, UKTV, Virgin Media, Viacom and The Walt Disney Company to name but a few. These executives have responsibility for developing strategy (eg. Head of Strategic Planning, Director of Strategy, Head of Segments Planning) and a number of functional areas (eg. Head of Commercial Policy, Head of Business Development, Vice President Marketing, Director of Programming, Chief Technologist, Director of Operations, Head of Customer Insight).

If you would like to follow up on any area that you find of interest, then please feel free to contact me.

Dr. John Oliver
Associate Professor of Media Management
Faculty of Media & Communication
Bournemouth University
T: (01202) 965319 E: joliver@bournemouth.ac.uk



Introduction

I would like to thank everyone who took part in our annual survey of UK media trends. I hope that you find the information in this report of value and that you will continue take part in future surveys.



The Headlines

- The levels of turbulence and change are increasing
- Aspirational corporate strategies are in decline
- Merger and Acquisitions will drive growth objectives
- Competitiveness will be achieved more through cost reduction than innovation

The outlook for the UK Media Industry remains optimistic, but unsettled for 2016

Our survey found three strong themes amongst media executives.

Uncertain market conditions are affecting our ability to develop strategy

2013	38%
2014	25%
2015	37%
2016	58%

Levels of turbulence and change are increasing

The dynamics of the UK Media Industry are becoming increasingly turbulent and subject to change. Media executives reported higher level of turbulence and change in 2016 (89%) compared to 2015 (81%).

A fast changing external environment compels media firms to adapt their strategies in order to improve their competitiveness in the pursuit of superior performance. However, many executives reported that their ability to develop strategy was being hampered by uncertain market conditions.

Our corporate strategy is aspirational

2013	71%
2014	75%
2015	92%
2016	68%

Aspirational corporate strategies are in decline

The majority of media executives (68%) said that their firm's corporate strategy was aspirational for the year ahead. Corporate strategies tend to articulate a positive position for the firm, and so a high figure can be expected, but this year it is well down on 2015 (92%) and 2014 (75%). Again, this could well be a reflection of the tough trading conditions and continued uncertainty in the industry and wider environment.

M&As will drive growth objectives

2013	43%
2014	25%
2015	50%
2016	50%

M&As will drive growth objectives

Merger and Acquisition activity looks set to play a significant part in media firm activities in 2016, since 50% of media executives believed this to be a necessary route for their firm to achieve their growth objectives. M&As also provide an expedient route to access other companies capabilities, which is most likely given that a significant number of media executives reported that their firm's core business was running out of steam and needed new capabilities.

An Assessment of Corporate Capabilities

UK media firms are operating in a dynamic environment and one that is becoming increasingly harsh, which in turn, is placing added pressure on resources and capabilities. Overall, 55% of media executives (down from 64% in 2015) stated that their firm's current capabilities were sufficient to achieve their financial objectives.

Core business capabilities are running out of steam

Our core business capabilities are running out of steam	
2013	38%
2014	13%
2015	28%
2016	45%

Media executives primarily (45%) reported that their firm's core business was running out of steam and needed new capabilities. In such a fast changing market, developing new capabilities presents a dilemma for media firms. On the one hand, they have to invest in and exploit their existing capabilities and competencies, whilst at the same time, they need to be mindful of the necessity to refresh and adapt their resource base in line with strategic environmental changes. The three year trend presents an increasing need to adapt and refresh resources and capabilities.

Investment in new processes and routines

Investment in new organisational processes and routines	
2013	29%
2014	50%
2015	52%
2016	59%

The majority of media executives (59%) reported that their firm would make significant investments in infrastructure, people and processes (up from 52% in 2015). The four year trend is clearly and consistently upwards, rising from 29% in 2013.

When asked whether their firm would make significant investments in R&D in the year ahead, 41% of media executives reported that they would (down from 56% in 2015).

Competitiveness achieved through cost reduction

Competitiveness will be achieved through cost reduction, not innovation	
2013	4%
2014	19%
2015	36%
2016	50%

The reduction in R&D spend is further supported by a sharp increase in the number of firms who would seek competitiveness through cost reduction activities rather than through innovation.

In 2016 this figure was 50%, up from 36% in 2015. This further supports the argument of a hardening in operating conditions with less aspirational corporate strategies and a focus on cost reduction to achieve competitiveness, rather than through innovation supported by investment in R&D.

Adapting to new industry dynamics

Adapting to new industry dynamics

Media firms are adapting to a transformational context heavily influenced by new media technologies, digitalization, audience fragmentation, regulation and the resulting demands placed on their business models and revenue streams. However, some firms are adapting faster and more efficiently than others.

Market sensing improves

The ability of media firms to *detect* signals in the external environment has improved over the past two years. In 2016, 95% of media executives said that they were aware of fundamental changes in the industry (up from 87% in 2015) and that their company tracked the fundamental the basis of competitive advantage in the industry (82%) up from 70% in 2015.

The level of experimentation is in decline

The changing and dynamic industry 'should' encourage firms to experiment in order to remain competitive. Our survey showed that 64% of media executives said that their firm placed an emphasis on experimentation in order to keep pace with change (down from 74% in 2015). This increased level of caution may also be linked to the number of firms adapting their business model, which has fallen from 70% in 2015, to 64% in 2016.

Adapting to change and gaining an adaptive advantage

In 2016 (42%) of media executives said that their company was adapting too slowly to change (down from 57% in 2015). Whilst most media firms appear have a positive outlook for the industry, a fall in the number of firms with aspirational corporate strategies and an increase in the number of firms who believe that their core business capabilities are running out of steam, presents an uncertain outlook for 2016.

Our company is adapting too slowly to change	
2013	33%
2014	25%
2015	57%
2016	42%

A dynamic media environment, where turbulence and uncertainty prevails, means that in 2016, only 50% of media executives believed that their ability to adapt their firm provided them with an advantage in the market place.

About...



...the Author

Dr John Oliver is an Associate Professor of Media Management and an experienced academic who has published in international media and business journals. As an executive trainer, he has delivered programmes in Media Strategy to directors, managers and producers from across the European audiovisual sectors. In the UK, he has delivered executive education to clients like the BBC, ITV, Virgin Media, Sky, UKTV, Channel 4, FremantleMedia and Bell Pottinger.

A former Deputy President, and current Executive Board Member, of the European Media Management Association (EMMA) he contributes to the management of the association's activities across 27 European countries. He is also a Visiting Fellow at the University of Oxford.



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...The Faculty of Media & Communication

The faculty is one of the largest of its kind in the world and has a global reputation for combining research and teaching expertise. We work with the top names in industry such as the BBC, Creative Skillset and Sony to ensure that we stay at the forefront of today's digital media revolution. The faculty is also home to the National Centre for Computer Animation and is the only Centre of Excellence for Media Practice in the UK.



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