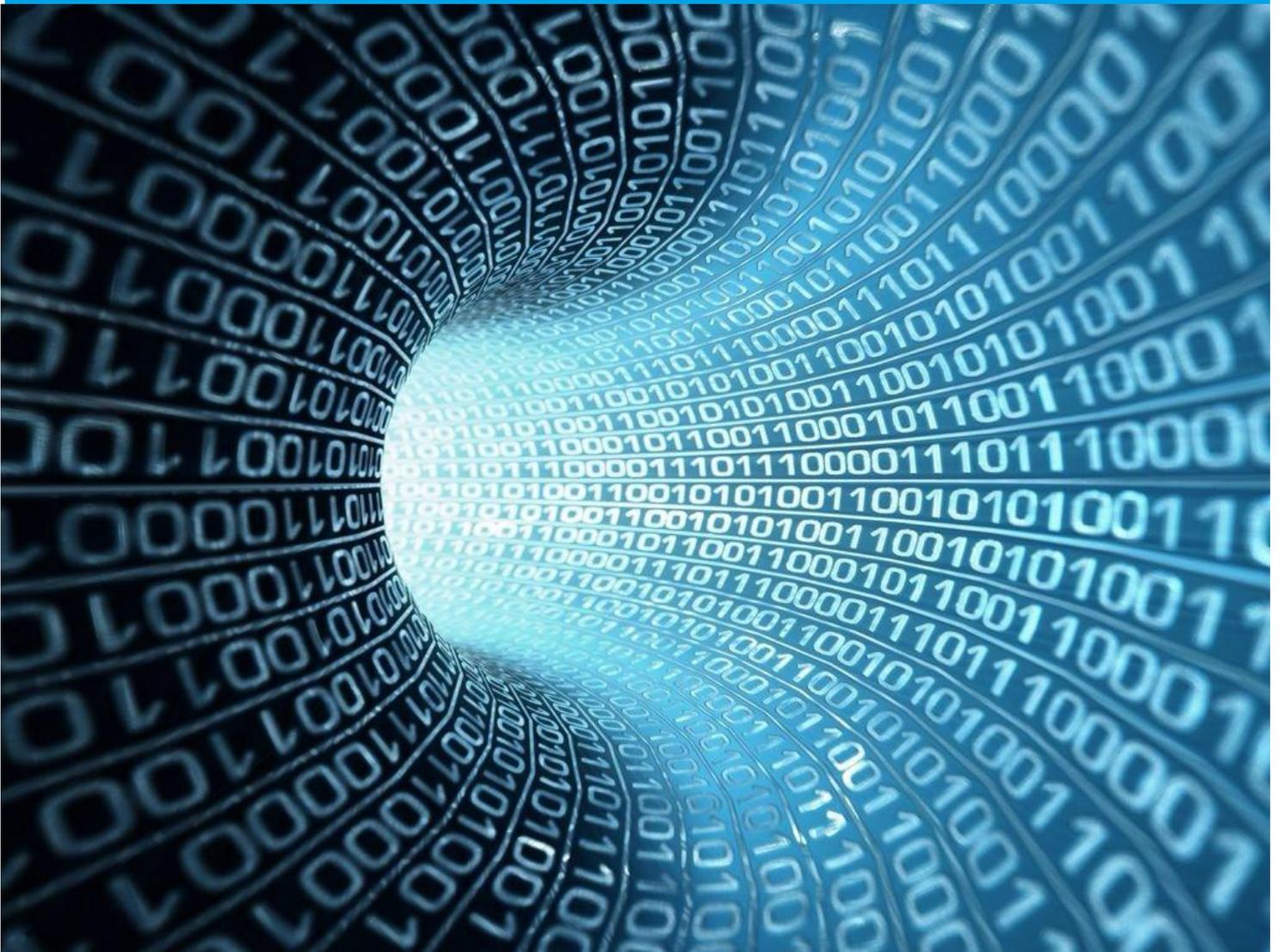




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Media Outlook 2015

A Survey of UK Media Trends and Firm Capabilities





The Headlines

- The outlook for the industry remains optimistic in spite of continued economic uncertainty.
- Advertising revenues will increase in the year ahead.
- Developing collaborative partnerships is an essential route to innovation.
- An increasing number of media firms are adapting too slowly to change.



Introduction

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 third 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. All of which has provided some interesting insights!

Overall, media executives' outlook remains optimistic. However, continued economic uncertainty and a highly turbulent industry have made it difficult to protect core business, whilst building new revenue streams.

The survey sample again included senior media executives who have responsibility for developing strategy (Head of Strategic Planning, Director of Strategy and Head of Segments Planning) and a number of functional areas (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.

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The outlook for the UK Media Industry remains optimistic for 2015

Our survey found four strong themes amongst media executives. These were related to: corporate strategies being aspirational, improved market conditions, growth in advertising revenues, and core business capabilities still being relevant to market conditions. Overall, the prospects for the UK Media Industry are optimistic as 89% of media executives agreed that the outlook for the industry was positive in the year ahead. However, this figure is down from 94% in 2014.

Corporate strategies will be aspirational

The majority of media executives (92%) said that their firm's corporate strategy was aspirational for the year ahead. By their very nature, corporate strategies tend to articulate a positive position for the firm, and so in many ways, this result can be expected. However, what is perhaps surprising is that this figure is up from 76% in 2014.

Market conditions improve

Just over half of media executives (54%) said that their planning for the year ahead assumed economic growth – a figure that has increased from 44% in 2014. In addition, 63% of media executives said that their ability to develop media strategies was 'not' being hampered by uncertain market conditions.

Advertising revenues show strong growth

The majority of media executives (68%) said that their advertising revenues would increase in the year ahead, a figure that is similar to 2014 (69%). This robust view is in line with the growth in UK advertising spend which saw budgets in 2014 at their highest recorded level in 15 years, with predictions of a 4.1% growth in 2015 due to expected increases in consumer spending¹.

Core business capabilities are relevant

Over the past three years we have asked media executives whether their core business was robust and whether it needed new capabilities. The responses show that 42% (2013), 69% (2014) and 72% (2015) felt that their core business was indeed robust and the upward trend shows that UK media firms are working hard to adapt and refresh their resources and capabilities in line with fast changing market conditions.



¹ IPA Bellwether Report published on 15th January 2015

An Assessment of Corporate Capabilities

“Developing collaborative partnerships is an essential route to innovation”

There is no doubt that the UK media environment is becoming increasingly dynamic. This raises the question of whether or not media firm resources and capabilities are able to meet corporate objectives and deliver a competitive advantage in the market place.

Corporate capabilities arise from a range of organisational elements including the interaction of people, structure, systems and values. However, they require investment, otherwise they decay through lack of market relevance. The results from our survey have identified how media firms are developing and refreshing their resource base and capabilities by: investment in new organisational processes and routines; product innovation and development; boosting innovation through collaborative partnerships.

Investing in new capabilities

The results of the survey proved interesting on a number of levels. Firstly, 64% (up from 50% in 2014) of media executives stated that their firm’s current capabilities were sufficient to achieve their financial objectives. Hence the majority view that their firm’s core business did not need new capabilities in the year ahead.

Investment in new organisational processes and routines

Companies create new capabilities by making strategic investments in the firm. When asked whether their firm would make significant investments in R&D in the year ahead, 56% of media executives said that they would – the same figure as in 2014. This figure was further supported by 52% (50% in 2014) that said there would be significant investments made in infrastructure, processes and people in the year ahead.

Innovating and launching new products and services

An aspirational corporate strategy and innovative activity are likely to result in new products and services being launched in 2015. What is interesting, however, is the upward trend in the introduction of new products and services over the past three years. In 2013, 88% of media executives said their companies were expecting to launch new products and services in the coming year. This figure had increased to 94% in 2014 and to 96% in 2015.

Adapting to new industry dynamics

“An increasing number of media firms are adapting too slowly to change”

Whilst the majority of media executives believed that their current capabilities were sufficient to meet their firm’s financial objectives in 2015, the increasingly dynamic nature of the UK Media Industry suggests that these capabilities will need to be reconfigured and renewed in order to adapt to structural changes in the competitive environment. As such, existing capabilities need to become ‘dynamic’ over time.

Our survey, therefore asked media executives to comment on their awareness of fundamental changes in the industry, and how this affected the strategic development of their firm and its business model. Interestingly, 87% of media executives confirmed that their firm was aware of the rapid changes in the industry, and that they tracked the fundamental basis of competitive advantage in the market place.

Experimenting to keep pace with change

A changing and dynamic industry encourages firms to experiment in order to remain competitive. Our survey showed that 74% of media executives said that their firm placed an emphasis on experimentation in order to keep pace with change. However, just over half (52%) of firms were developing emergent and experimental strategies, whilst the remaining executives confirmed that their strategies were derived from the more traditional ‘analysis and design’ approach.

Adapting to change and gaining an adaptive advantage

In 2014 a minority of media executives (25%) said that their company was adapting too slowly to change. This figure has now risen to 57% in 2015. Whilst most media firms appear have a positive outlook for the industry, have an aspirational corporate strategy and believe that their current capabilities are sufficient to meet their financial objectives, there is a significant and increasing number of media executives that believe their firm is adapting too slowly to change. Whilst the media environment is dynamic it also suggests that media firms can gain an ‘*adaptive advantage*’ over their competition, which could provide the basis for the long-term sustainability of their business.

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, Bell Pottinger and the University of Oxford.

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 Reuter's Institute for the Study of Journalism.



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