

CHARTING THE DIGITAL TRANSFORMATION OF THE BROADCAST INDUSTRY

UNDERSTANDING YOUR ORGANIZATION'S
EVOLUTION TO DIGITAL MATURITY

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A Roadmap To Digital Maturity Identifies Three Key Stages In The Broadcaster's Journey

The digital transformation of the media and entertainment sector is the adoption of digital technology, delivery platforms and data analytics in response to changing customer behaviors that, in turn, drive customer value, organizational performance and innovation.

This journey towards digital maturity impacts all aspects of the value chain, from ideation to content consumption. It creates bottom line efficiencies as well as topline growth opportunities. It requires engaging content, new ways of working and a receptive organizational culture. A digital transformation represents a foundational change for media and entertainment organizations who were born into the analog world; for digital natives it requires them to embrace constant change.

This new survey, conducted exclusively for NAB, reveals three distinct levels of digital maturity that currently exist within the broadcast industry. A multiplicity of factors, ranging from company size to target market and leadership initiatives, mean each media business is on a different track, pace of development and level of sophistication. All, however, are on a journey of digital transformation.

The following report uses survey data and qualitative research to provide a snapshot of the industry's current state of play across the U.S. and internationally.

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About NAB Amplify

Designed by the creators of NAB Show, NAB Amplify is the new digital hub for the media and entertainment community. With curated content, trusted insights and new product launches, NAB Amplify is the year-round destination to connect and interact with the global NAB Show community.

Learn more at nabamplify.com

About Arc XP

Arc XP is a cloud-native digital experience platform (DXP) that enables media and entertainment organizations to create and distribute content and deliver powerful multichannel experiences.

Featuring a dynamic video platform with live streaming and multi-channel distribution, a full-featured multisite capable content management system, and a fully hosted and managed front-end site experience platform, Arc XP is the DXP built for broadcast and OTT workloads. We enable our clients to shift their focus from day-to-day operations to delivering deeper, more valuable audience relationships.

Learn more at ArcXP.com

Significant Progress Brings Projected Revenue Growth, But Near-Term ROI Is Challenging

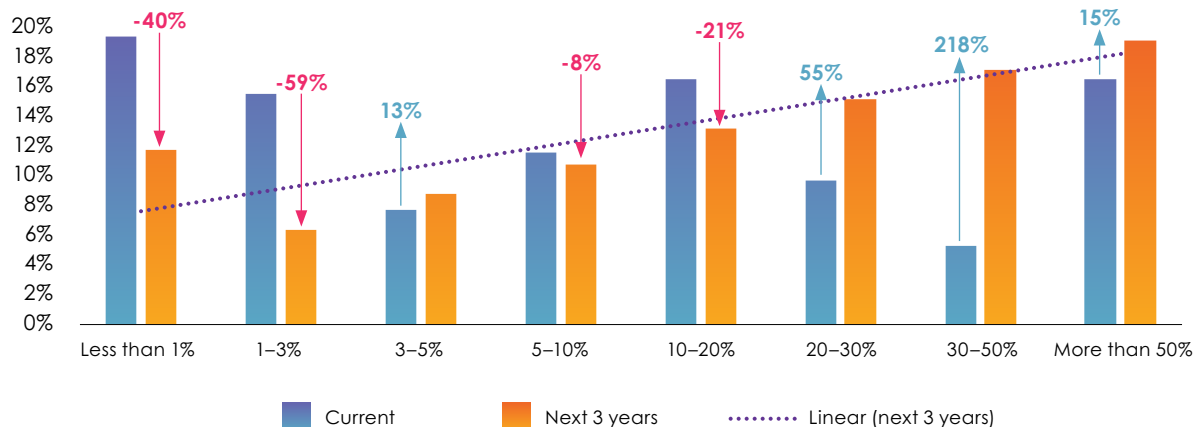
1. SURVEY FINDINGS (SUMMARY)

Overall, our survey finds that most broadcasters have made what they perceive to be decent headway into digital and are positive about their transition towards digital maturity. We captured qualitative and quantitative data from media and entertainment organizations around the world and categorized respondents based on their progress on this journey. From our research it is clear that broadcasters fall into early, mid or advanced levels of digital maturity, although there are some foundational changes that are consistent for all.

Most respondents have moved to shift their technology stack toward a less siloed approach to content production. This is a step toward enabling teams to create increasingly bespoke content efficiently for distribution across various linear and nonlinear platforms. Many broadcasters have also started to incorporate a digital component into ad sales. There is the ambition to match the viewing habits of audiences with related brands and services across all internet-enabled devices. However, knowing how to get there within budget is an issue.

Common across all broadcasters is the financial challenges that this digital journey brings. CTOs and CFOs are constantly balancing the risk of capital outlay (in order to achieve operational expenditure gains) against that of not investing in digital or not doing so fast enough. However, our survey findings indicate that revenue from digital activities is expected to increase exponentially. Where today only 5% of respondents stated that 30-50% of annual revenue comes from digital enterprise, it is expected that this will be the case for 17% of the market in the next three years – an increase of 218%.

EXPECTED CHANGE IN REVENUE FROM DIGITAL ACTIVITY



Broadcasters Must Nurture Digital Revenue Without Undermining Their Legacy Business

The financial opportunities from digital are clear at the board level, but it is also apparent that for the majority of respondents, the pace of change must be managed so that it doesn't undermine existing business. Digital divisions are making money – but digital often remains a single digit percentage share of total revenue with legacy TV programming, sales and distribution dominant.

Finally, the biggest foundational challenge, according to the department heads responding to our survey, is managing the transition from legacy to digital skills. Related to this is the difficulty in attracting and retaining talent which are being lured by the bigger bucks and better working conditions of pure play streamers and Silicon Valley tech giants. This is a key challenge for broadcasters, regardless of size.

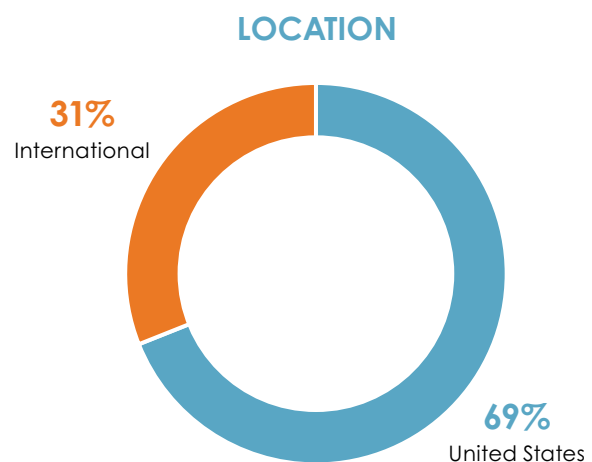


Education of the workforce is the key challenge. As we start to take away the more traditional workflows and systems now you need a different skillset and people able to understand and troubleshoot. The education piece is vital to closing the skills gap between traditional ways of working and this new world."

Head of digital,
Broadcaster Medium Market

ABOUT THE SURVEY

We surveyed professionals from a variety of industries within the broadcasting space. The largest volume of respondents were from the 'Large Market Broadcast' industry (27%). 'Other' includes 60+ niche verticals from across the industry (see Appendix). Over half of respondents operate today with a small digital team (1-20). We had a strong response from both U.S. and international organizations, providing a representative sample of the broadcast sector. Approximately 70% of respondents are based in the United States.



Research Illustrates A Range of Digital Maturity, But Broadcasters Underestimate Their Progress

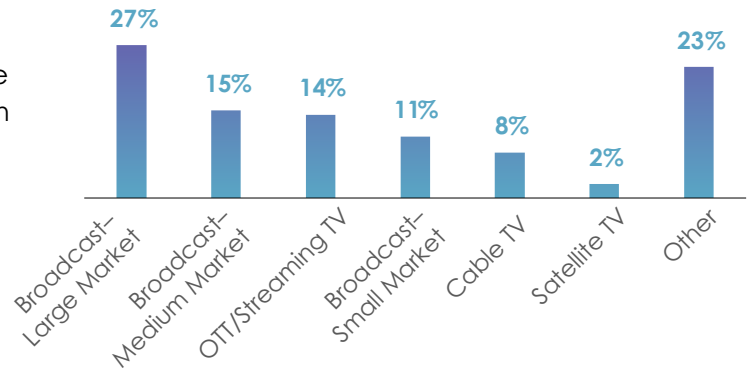
We also conducted a series of interviews with heads of digital, general managers, CTOs and other c-suite executives who provided important (anonymized) insight in support of the quantitative research. Quotes from this research are included in this report to underline and illuminate various data points.

DIGITAL MATURITY SCALE

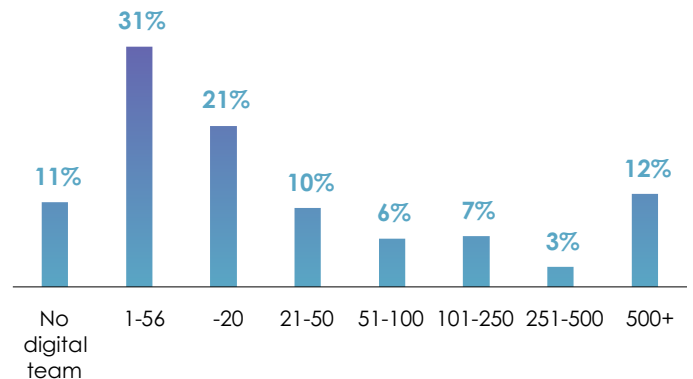
We asked respondents to rate themselves (between 1-5, 5 being the highest) on their perception of how mature 'digitally', they believed their organization to be. This was followed by a series of questions designed to give us a more accurate picture of how digitally mature they were.

We can see that there is a range of 'digital maturity' across the different types of broadcasters – rating themselves between 2.9 to 4 out of 5.

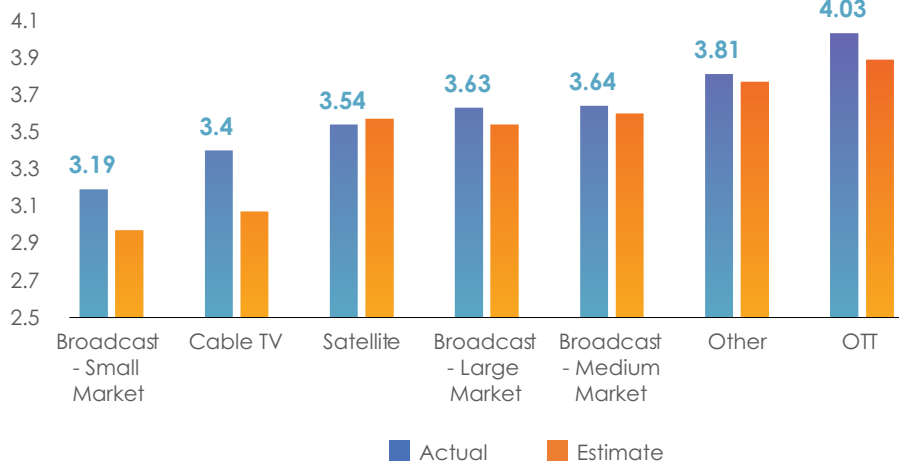
WHAT IS YOUR PRIMARY BUSINESS?



SIZE OF DIGITAL TEAM



Digital Maturity Score – Actual v Estimate



Digital Transformation Is A Constant Evolution, Not A Race To A Finish Line

As you might expect, OTT players perceive themselves and were shown to be, the most digitally mature, whereas small market broadcasters see themselves as the least mature. Satellite and broadcast (medium and large stations and groups) operate a middle ground. Irrespective of maturity level, it is clear that the journey towards digital is an evolution that is not without risk and uncertainty.

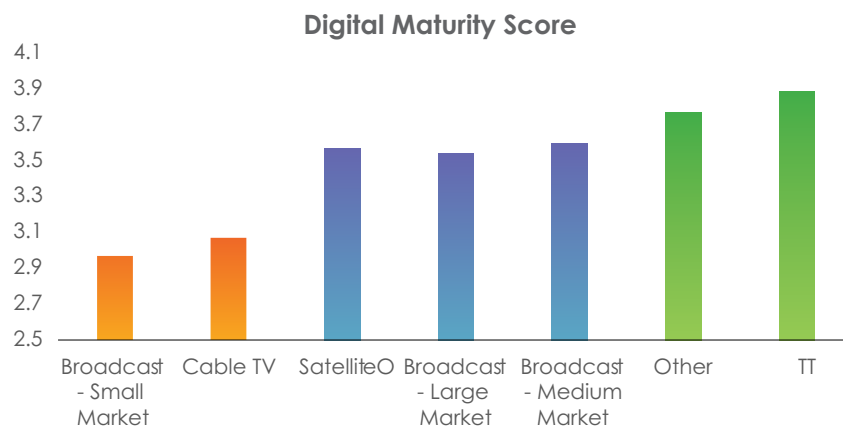
DIGITAL PROGRESSION

Digital transformation does not have an end as much as it did not have a defined beginning. One could argue that going digital began when broadcasters switched production from analogue tape to digital formats. Others may say it was when they launched their first website. What we do know is that the transformation is ongoing and a natural evolution of company strategy.



When I joined, we didn't have a website or any interactive footprint. We just had broadcast TV. The first step was to get a website which has an inherent cost to it and it's not monetized right away. We launched an interactive division. We now have a social media presence. It's not where I want it to be, but we are able to drive content which is key since it allows more and more people to find our linear channels and that feeds into ratings."

Channel Head, Cable TV



"We are picking the brains of anyone we can to learn what they've done so we don't reinvent the wheel. Only now are we beginning to look deeply into what is involved in a move to IP delivery."

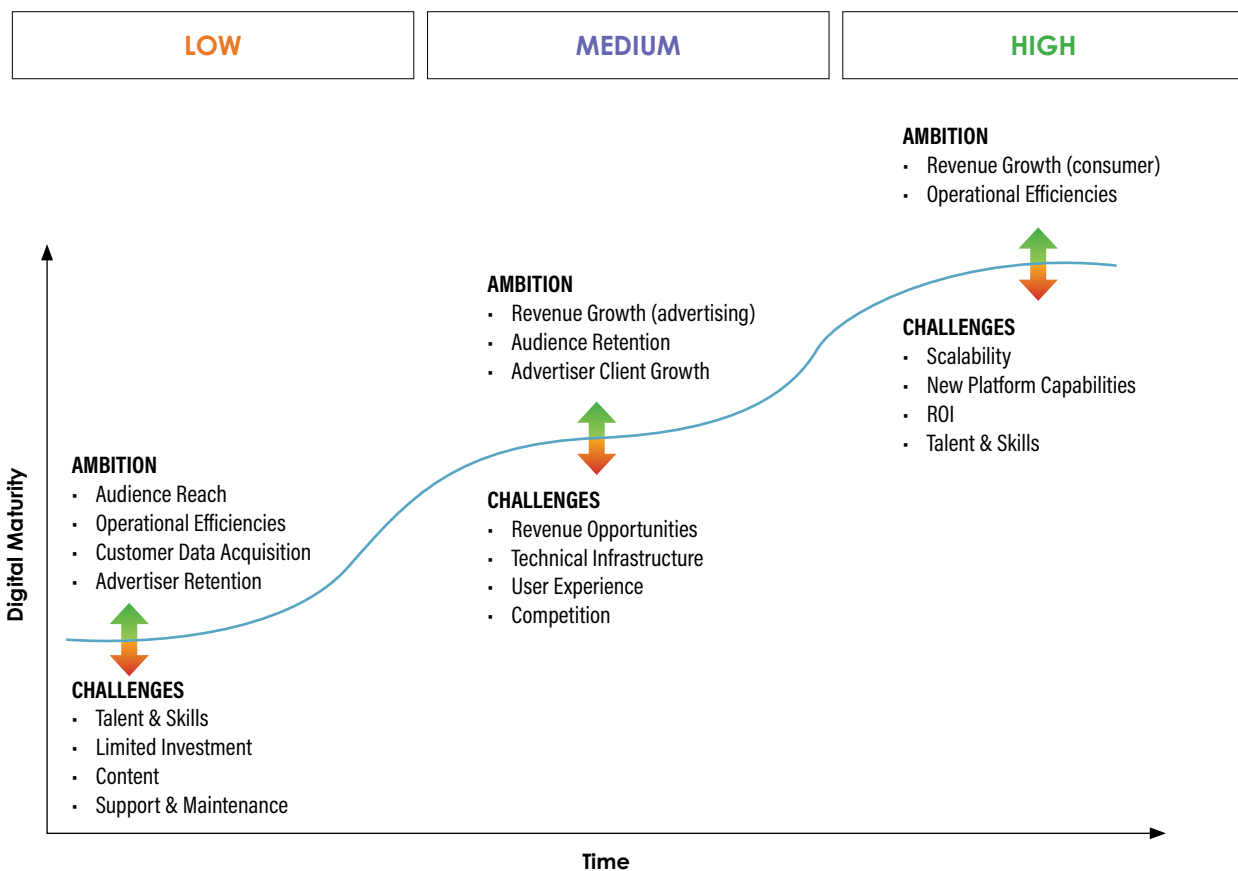
"As an analogy, using the lifetime of a human, I would say we are probably a 10-year-old kid in terms of our digital journey. We've done a lot, but we are from being an adult."

"There is not a beginning and an end. Everything we are doing is about getting better – taking us to a point that supports sustainable digital innovation."

Each Stage Of The Journey Brings A Distinct Set of Opportunities, Challenges & Roadblocks

However, the perception of being on a digital journey is coloring executives' opinions, creating a false sense of an endgame being in reach – a digital nirvana where all aspects of the media and entertainment ecosystem reach a digital resting place. While our research illustrates three key stages of digital maturity even for the most mature, digitally native organizations, they find themselves seeking sustainable innovation.

Nevertheless, there are clear steppingstones on this route. Through our research we were able to identify the key priorities, roadblocks, challenges and success metrics faced by broadcasters at each of the key stages of digital maturity. This provides a framework to sense check where an organization is along this journey, validate their core focus and anticipate the challenges and opportunity to come.



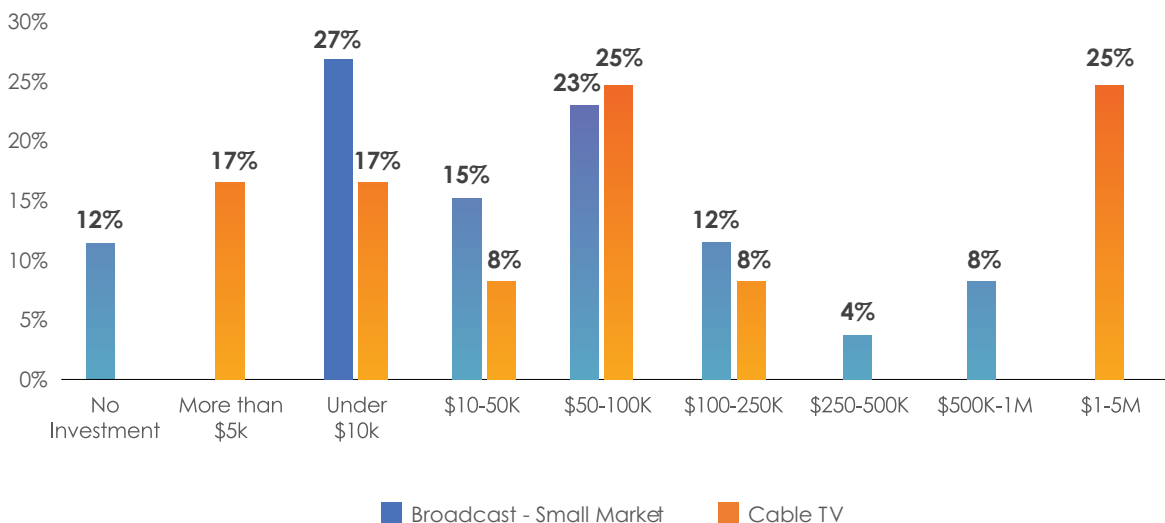
INVESTMENT PROFILE

Through our research we asked respondents to indicate their level of investment in digital activities, including all production, operational, infrastructure and staffing costs. We found a huge range in responses, from 12% of small market broadcasters spending \$0 through to 25% of cable TV operators spending between \$1m-\$5m per year.

In looking at the investments of broadcasters across the three levels of maturity, as detailed in the graphs, we can see that the budgets allocated are not a function of their progression through the digital journey. At each level of maturity, respondents were allocating digital budget at all levels. This was reinforced through our interviews, where it was clear that an organization's level of ambition was the key determinant of investment required. As detailed in this report, at each level of maturity, there are strategic ambitions that justify significant digital budgets. An organization's decision to invest is then down to their level of ambition, risk appetite and financial support.

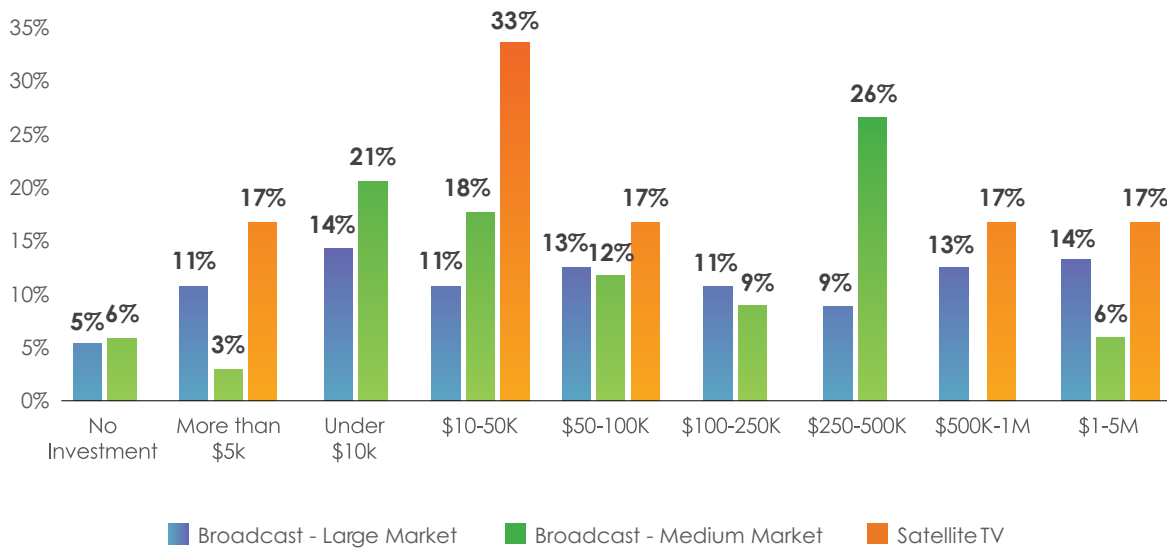
However, when we look at the average investment at each stage of maturity, we can see an overall trend. At the low maturity, the average investment is \$515k; for those broadcasters at the mid-level of maturity, the average investment is \$322k. Finally, for those broadcasters at the high-end of digital maturity the average investment is \$452k. This illustrates the key observation from this research, that it is the early and later stages of digital maturity that put an organization under the most financial strain. Early set up costs are followed by early wins and embedding digital maturity at the mid-stage. However, further investment is then required to deepen and extend a broadcaster's digital operations.

Digital Investment - Low Maturity

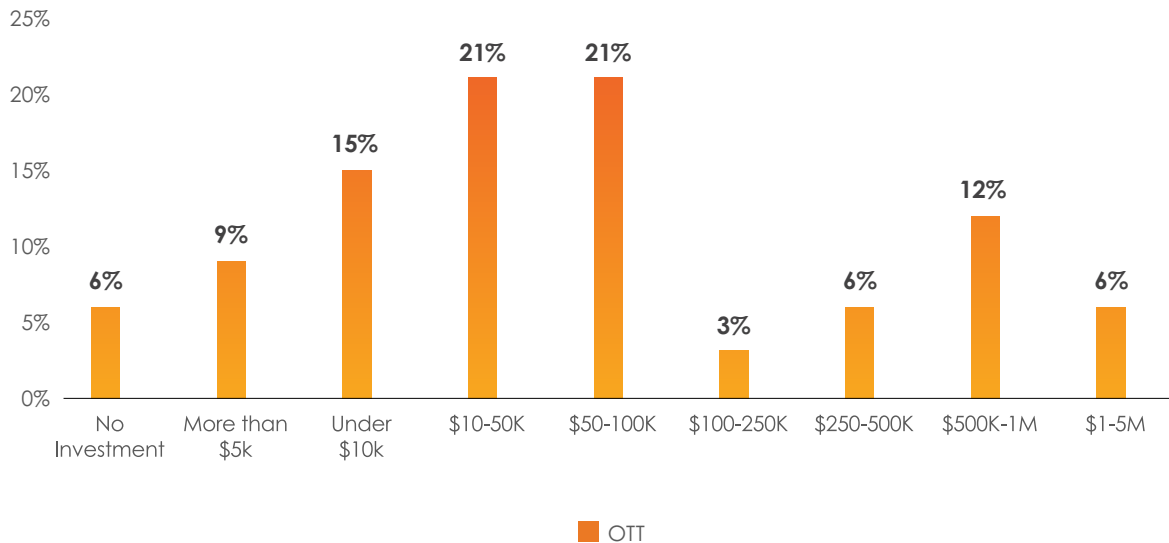


It is clear that, overall, a broadcaster's journey towards digital is one that requires sustained investment. However, as illustrated above, it is also a journey that sees significant increases in digital revenue (as a percentage of overall income) as a broadcaster continues along this journey.

Digital Investment - Mid Maturity

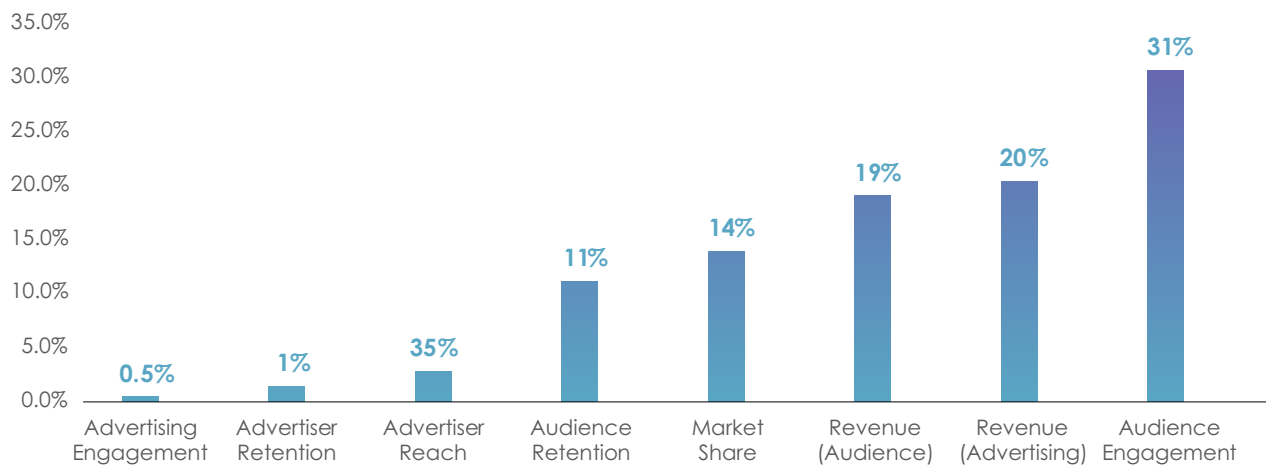


Digital Investment - High Maturity



The Definition Of Success Changes Throughout The Journey

2. MEASURING SUCCESS



For all respondents the most important measurement of success for their digital transformation was audience engagement. This was followed by revenue, advertiser and audience, market share and audience retention respectively. This illustrates an industry that is anchoring its digital transformation in the needs of its audience and its relationship with the advertising partners that will fund their activities.


However, at different stages of digital maturity, there are nuances in the focus of broadcasters and their definition of success. For those starting on the journey, they look towards digital to maintain audience engagement and advertising revenue. For those entering the mid-point of maturity, the focus is on growing market share and reaching new advertisers. As their digital business matures, broadcasters double down on their advertiser relationships to deliver their ROI.

	SUCCESS METRICS
Low	Audience Engagement Advertising Revenue Audience Retention
Medium	Audience Engagement Advertising Revenue Market Share Advertiser Reach
High	Advertiser Engagement Advertiser Revenue

A Cycle Of Retention, Growth, Retention Is The Key To Digital Success

Throughout this journey, it is not surprising that audience engagement is foundational. This is central to a broadcaster's activities and their source of current and future success. As a result, all other success metrics become secondary and allow broadcasters to focus their teams' attention on the audience engagement that will deliver long term value.

Across the three stages of maturity our research showed a consistent growth strategy of retention, growth, retention. It is suggested that this cycle will continue as digital products continue to evolve and the competitive landscape for viewer and advertiser attention changes. Broadcasters will continue to employ a retention/growth/retention approach to maintain and build these critical success factors.



Audience is at the center of what we do from strategy to ongoing conversation to kit purchases. Audiences were already consuming on websites and apps and that has only grown. Understanding who is watching, reading and streaming, we try to get as many of those metrics as possible and build our KPIs around that."

Head of Analytics, OTT

Early Stage Digital Investments Must Balance Growth With Efficiency

3. EARLY STAGE DIGITAL MATURITY (LOW)

PRIORITIES	ROADBLOCKS	CHALLENGES	SUCCESS METRICS
Audience Reach Operational Efficiencies Customer Data Acquisition Advertiser Retention	Budget Staff Capacity Customer Insight	Talent & Skills Limited Investment Content Management Support & Maintenance Limited Content	Audience Engagement Advertising Revenue Audience Retention

Our research captured the opportunities and challenges faced by broadcasters who are at the start of their digital journey. They are driven by a reaction to market conditions and rapid changes in audience behaviors and seek to use digital to preserve budgets, maintain advertiser relationships and retain audience share. As a result, their focus is on supplementing the decline in audience attention with digital engagement.

While this transition impacts all aspects of the broadcaster's business, for organizations at this stage the greatest challenges relate to budget, strategic investments, ROI and business case development.

INVESTING IN DIGITAL

As might be expected, the ability of an organization to achieve its digital transformation objectives is perceived to depend largely on budget. For early stage broadcasters this shift to digital has to be managed without disrupting existing revenue streams. This requires a balance between maintaining traditional infrastructure and work practices, which generate the vast bulk of revenue, and investing in the technology and skills to benefit from the future potential of digital.

“Our dilemma lies in keeping high margins while needing to invest in a playing field that is not defined. It is an unknown expense and an unknown ROI.”

CFO, Broadcaster Small Market

At the same time, organizations need to factor in the cost of not investing sufficiently, or early enough, in digital. It is a careful balance to strike, but organizations who have successfully navigated their way through the early digital journey stages have focused on investments that have delivered short-term operational benefits whilst also capturing customer data. This has allowed organizations to justify initial investments whilst setting up the organization for future success.

Nuturing Audience Adoption Is A Key Objective In The Early Stage

BRIDGING THE DIGITAL DIVIDE

It is clear that internet connectivity within their communities it is a prerequisite for the digital maturation of broadcasters.

Covid-19 highlighted the digital divide when households in wealthier urban neighborhoods found it easier to resume work/education/entertainment online than those in poorer (rural) areas. This was starkly illustrated in the U.S. when data from the Census Bureau, the FCC, M-Lab, Ookla and Microsoft, revealed that in many parts of the country broadband speeds fell below the FCC's benchmark of 25 Mbps download, 3 Mbps upload. [More information.](#)

For broadcasters serving communities where infrastructure or economic factors limit digital access, a digitally mature audience seems light years away from their experience on the ground. As a result, digital is not perceived as a priority for this proportion of the industry simply because the majority of their audiences are not digitally engaged.

However, it is clear from our research that the pace of digital change is gaining momentum. Many respondents at the mid or advanced stages of digital maturity found that digital adoption of their audiences grew rapidly after a slow start. For those broadcasters at the early stages of maturity their advice is clear: start early to be prepared. When digital adoption takes hold in these markets, those broadcasters who are not ready to meet their audiences' needs will lose out to agile competitors.



Because we are such a rural community the ability to even access basic broadband is a huge issue for many of our viewers. You can have a million-dollar mansion out here but you might be challenged getting broadband. That geographic issue is a challenge for digital rollout."

Head of Digital Services, Broadcaster Small Market

Making The Best Strategic Investment Is A Budget Challenge

USING DIGITAL STRATEGICALLY

Organizations at the start of their digital journey need to use digital initiatives and social media as a means to drive audiences back to owned and operated channels. Best practice is for such broadcasters to operate digital activities (a website or distribution on YouTube, for example) within the company's marketing division. This ensures that their digital content reaches existing audiences, retaining their market share. This meets the primary objective of broadcasters at this level of maturity: audience retention.

That's not to say that significant investment isn't required. Notably high-level investment was seen in Cable TV (25%) and Satellite (17%) oriented businesses which reflects an understanding that the future of the business lies in delivering interactive, personalized content and services to monetize audiences. This is a further example of best practice, where digital is used to consolidate and retain existing audiences, with foundational investment used to build future capability.

“We believe that a strong digital offering in terms of breaking news and weather is important to maintain our on-air TV news leadership. So, there's a lot of cross promotion. Even if we're not making money on digital, we would run it as a cost center.”

CMO, Cable Broadcaster

Early Stage Broadcasters Must Build The Foundation Of Future Success

TAKING A LONG-TERM VIEW

At this stage of digital maturity, a longer-term view is needed, rather than responding with reactive investments. It is clear from our research that best practice delivers a balance between delivering short term efficiencies with the long-term foundations of a digital organization.

This is based on an understanding that building meaningful revenue from digital will not happen overnight. Some board level executives are prepared to spend millions of dollars over several years before a digital investment begins to deliver a positive ROI. These organizations understand that to address the erosion of analogue audiences, broadcasters have to be prepared to build their digital audience organically rather than through acquisition.

KEY TAKE-AWAYS

- Broadcasters at this stage of digital maturity are typically focused on the retention audience attention and advertiser income
- However, building an investment case for digital can be difficult when budgets are under pressure and some audience groups are not yet adopting digital technology
- Experience from broadcasters at the next stage of maturity show that digital adoption will be rapid when it starts, so broadcasters at this stage need to get ahead of the curve
- Investment must focus on areas that will drive efficiency and help nurture digital adoption amongst loyal audience groups
- Broadcasters at this stage must also look at building audience data acquisition, as information and insights gathered now will be crucial as they continue on their journey towards digital maturity

“Since we’re not a publicly traded company we don’t have to do window dressing with poor ROI investments just to have a digital strategy. Our owners want us to build real value not just play the markets or to appease activist investors.”

CFO, Cable Broadcaster

“We have to have permission to lose money. We think we can build the tech in-house, but it will cost us additional marketing dollars to build an audience and until we do that, we can’t monetize it through ads.”

CTO, Small Market Broadcaster

At The Mid-Stage Of Digital Maturity, Content Is King

4. MID-STAGE DIGITAL MATURITY (MEDIUM)

PRIORITIES	ROADBLOCKS	CHALLENGES	SUCCESS METRICS
Content Creation Content Distribution Audience Retention Revenue Growth (advertising) Cost Savings Advertiser Client Growth	Technical Infrastructure Lack of Vision/Culture Staff Capability Content Creation Compensation	Talent & Skills Revenue Opportunities Support & Maintenance User Experience	Audience Engagement Advertising Revenue Market Share Advertiser Reach

For broadcasters at the mid-stage of digital maturity, they have established a digital business but now need to make it sustainable. Doing so means centering their priorities around the creation and distribution of content.

CONTENT CREATION

At the beginning of their digital journey, most broadcasters adapt the content they produce for their traditional channels for digital usage. For broadcasters who are at a mid-point of digital maturity, the goals are to:

1. Broaden the reach of their output
2. Retain and engage audiences across multiple platforms
3. Grow their advertiser client base

To achieve this broadcasters need to deliver more bespoke, personalized, original content. Furthermore, our research shows that advertising revenue only flows once a broadcaster has this digital content offering in place.



It's story first, platform second. What is the story? Then what is the platform? As opposed to the traditional morning meeting where the assumption was always the live TV bulletin."

Head of Digital, Large Market Broadcaster



We had record traffic during Covid. Audiences want local content, local news, they want to know what is happening. That was not the case five years ago when streaming media players and CTV platforms could not have cared less. Now they come to us to get us on their platforms. So local is having its moment."

Head of Digital, Large Market Broadcaster

Use Social Media To Extend Reach Without Cannibalizing Existing Business

To deliver this, most mid-maturity broadcasters are uniting content creation teams, for example in the newsroom. This creates a single multi-platform pipeline for content. Doing so requires investment in digital tools (such as content management systems and digital asset management) and training to enable journalists and content producers to create stories packaged for different platforms.

Our research found that two years of Covid-19 has driven local audiences to traditional news outlets and their branded digital platforms in the search of the latest information. This has driven innovation in content production as broadcasters focus on locally produced content, interviews, blogs and podcasts to meet their audiences' needs to connect with their community. The challenge for these digitally enabled broadcasters going forward is to capitalize on this audience exposure to digital, and their connection to their local community, as the news agenda shifts.

CONTENT DISTRIBUTION & REACH

Content distribution is a high priority for broadcasters at all levels of digital maturity, but none more so than those at the mid-point of their journey. As organizations look to monetize content over both owned and operated platforms, as well as shared video platforms such as YouTube and Facebook, the translation of reach into a sustainable, commercially viable business is a key challenge.

For broadcasters at the early stage of digital maturity, where their focus is on audience retention, their digital strategy may start with a Twitter feed or Facebook page. However, mid-maturity broadcasters are using social media more strategically to drive audiences back to their branded sites and channels where they can capture first party data and monetize those impressions.

“Historically, we prioritized content distribution on own platforms. However, to get the scale that we need, we have to be on distributed platforms. On those, we also have to have a path to monetization even if not 100%.”

Head of Digital, Medium Market Broadcaster

“We see that as an opportunity to redefine ourselves. We don't emphasize our on-air brand within our CTV environment because we know young adults are not aware of what these station call letters mean.”

Head of Brand, Large Market Broadcaster

Experimentation With Monetization Is Required At the Mid-Stage of Maturity

Through this process, some broadcasters are recognizing that their traditional TV brand may not appeal or be understood by younger audiences who may have found its content on digital. Audiences of Connected TV tend to skew younger than the core older demographics of a local broadcaster's linear channels, which presents an opportunity to reach a net-new audience. However, our research found that this often requires broadcasters to launch a digitally native sub-brand. This provides an opportunity to leverage the gravitas of the parent broadcaster's brand, but not be restricted by standards or ways of working established for an analogue world.

CONTENT MONETIZATION

The sheer amount of competition for audience attention is a major challenge with cord cutting leading to a stagnating – at best – or a declining total TV market. Subscription streaming services are not immune to this, with churn rates as high as 44%, according to Parks Associates [research](#) from December 2021.

Making content available on free or ad-supported platforms and on social media is an end goal in itself since it increases reach, discoverability of content and drives traffic back to the broadcaster's live channels. However, distributing content on Google or Meta-owned sites is not without risk of diluting a broadcaster's ability to monetize it. According to our research, the vast reach that these platforms provide makes the negotiation of syndication and secondary distribution deals a tough bargain.

As a result, broadcasters are being strategic about the content they make available on these platforms, choosing material for social distribution that will drive reach through time sensitive material. They are then retaining content that may have longer term revenue potential through syndication or secondary distribution.

“The YouTubes and Facebooks all do a bad job of connecting locally relevant content that people want with the audiences that want it.”

CTO, Large Market Broadcaster

“We have no leverage when dealing with these behemoth platforms because – if they don't get our content – there are half a dozen stations in each of our markets that would be happy to give content away on terms we would not.”

CFO, Large Market Broadcaster

For broadcasters at this mid-stage of digital maturity, there is a clear opportunity to use their locally trusted brands and entrenched knowledge of local audiences to counter the threat from social media giants. Respondents indicated that the two-tier media landscape that exists in the United States – with local broadcasters with deep market knowledge operating alongside national and global media platforms – may be reinforced. Local broadcasters can use digital media to leverage their community knowledge, bringing local audiences market specific information and entertainment. This presents a real opportunity for mid-maturity broadcasters to build a loyal, sustainable digital audience and advertiser base.

KEY TAKE-AWAYS

- Digital friendly content will be a key driver of success at this stage of digital maturity
- Broadcasters should combine content production teams so they develop multi-platform output and build on local or niche market expertise to reach and retain their core audience groups
- Social media platforms should be used strategically to drive audiences back to the broadcaster's main platform or sub-brands (created to appeal to a digitally native audience)
- Broadcasters should also be selective about the content they make available, free of charge, on social media and aggregator platforms
- At the mid-stage of maturity, broadcasters should start to host unique or catch-up content behind a paywall, to build the foundation of a consumer revenue stream which will be key to their success at the next stage of digital maturity

For Late Stage Broadcasters, A Focus On ROI Dominates The Agenda

5. LATE STAGE DIGITAL MATURITY (HIGH)

PRIORITIES	ROADBLOCKS	CHALLENGES	SUCCESS METRICS
Revenue Growth (consumer) Operational Efficiencies	Staff Capacity Content Creation ROI Concerns Customer Insight	Scalability Digital Performance (tech) New Platform Capabilities	Advertiser Engagement Advertiser Revenue

Through our research we found that broadcasters who are at the mature end of their digital transformation journey still face significant challenges. Paradoxically, they face similar financial challenges to those at the beginning of their digital journey, but have increased pressure to justify the significant digital investments that had been made. This shifts their focus to revenue growth from consumers and the engagement and retention of advertisers.

ASSESSING TECHNOLOGY INVESTMENT

For broadcast CTOs, they are always working with at least one foot in the future since the major infrastructure decisions made now will only begin to impact operations many months if not years hence.

For many respondents working in digitally mature broadcast environments, the transition from SDI to IP and from dedicated black box hardware to Commodity Off The Shelf (COTs) equipment and software applications, has been a major focus over the past few years. Within a constantly changing digital landscape, our respondents talked about the challenges of remaining on top of market developments and thought leadership. However, they also highlighted the need to be mindful of their legacy investments in cameras, monitors, and switches. As a result, very few broadcasters have moved lock, stock and barrel into the cloud, instead focusing on migrating systems to digital workflows when there is a clear ROI.

This means that a steppingstone approach is being adopted across the industry as broadcasters move workflows and processes into the cloud in stages while continuing to 'sweat' (amortize) existing technology. This approach is being taken across broadcaster's operations, including content management, support and maintenance, event production and decentralized workflows.

“Getting buy-in on emerging technology is a challenge. No one has all of the answers, so we have to become experts on something new every day!”

CTO, OTT

Strategic Insight Becomes Business Critical With Increased Digital Maturity

Our research also found that even the most mature organizations struggle to get the investment they require to advance on their digital journey (13%). With many platforms requiring ongoing investment to improve digital features and usability, the funds for net-new investments become scarce. As a result, executives are prioritizing which areas of their business to shift to digital. With early stage broadcasters, this is a constant balance between driving efficiencies in the near term from existing investments and making bets on which technologies will be adopted in the future. For digitally mature broadcasters, the key challenge is not only remaining on top of audience behavior but predicting future changes.

Making these right investment decisions is hampered by the fast-moving pace of technologies and the need for specialist expertise and/or employee training to adopt it. Some broadcasters are looking to shed the cost of running large technical and engineering teams but then find themselves reliant on third party outsourced providers.

This is illustrated by the impacts AI, data and machine learning are having on the broadcast landscape. This is driving both efficiencies and new innovative ways of working from pre-production to post. The automation of production schedules, draft scripts, shot lists and initial edits have the potential to drive significant efficiencies, and cost savings, for broadcasters. These technologies are also addressing scalability, another key issue for broadcasters at the latter stages of digital maturity.

Nevertheless, the skills required to deliver these efficiencies and the ROI needed to justify investment remains the most pressing concern for digitally mature organizations. The greater reliance on digital revenue, unlike digitally immature broadcasters, means that broadcasters at the latter stage of digital maturity have to 'get it right'. This illustrates that the financial pressures of a digital transformation are omnipresent across the entire journey and arguably increase as maturity progresses.

“I will come up with an idea and, if that proves to be too costly, then we will find an alternative that is acceptable. We don't want to go into massive debt on infrastructure that may or may not pan out. However, We need to keep ahead of our audience, to meet their needs today and tomorrow.”

CTO, OTT

“Cloud is not necessarily cheaper. The equation is what added functionality do we get for the money? What does the model look like shifting from CAPEX to OPEX? Can I start applying AI to some of my media and, if so, what benefits does that give us?”

CTO, Large Market Broadcaster

“We are still formulating. We are still trying to figure out what is the profitable model. What is the potential revenue versus the cost of investment.”

CFO, OTT

Looking To ATSC3.0 And Beyond, The Digital Landscape Will Explode With Opportunity

LOOKING TO ATSC3.0

ATSC3.0, the next-generation terrestrial broadcast system built on an IP backbone, is designed to give broadcasters greater parity with pure play streamers. It is being rolled out across the U.S. and, although it is in its early days and the full potential of this technology remains unknown, our research shows that there is clear anticipation from digitally mature broadcasters for the opportunities this technology may bring.

There is an inevitability in the progression towards ATSC3.0, but some CTOs - in the most digitally mature organizations - question its value proposition. Question marks include whether their consumers will embrace it (for instance having to buy a Smart TV in order to receive the digital services); how much it will cost to investment in training and knowledge; how is ATSC3.0 monetized?

ATSC3.0 is the perfect illustration that, even for the most digitally mature broadcasters, the journey remains characterized by the risk of uncertainty and, arguably, the stakes just get bigger.

KEY TAKE-AWAYS

- Difficult investment decisions dominate broadcasters at this stage of maturity, making the CTO a significant and influential member of the broadcaster's leadership team
- They must constantly balance the need to future proof their organization with the obligation to deliver ROI on existing digital assets
- Success at this stage is never more dependent on the strategic oversight of a CTO who is keenly aware of future technology trends and change consumer behaviour
- Nevertheless, many questions remain unanswered, leaving the future of digital broadcasting as unpredictable – and exciting – as ever
- As a broadcaster becomes digitally mature, an ambitious, aligned and resilient leadership and shareholder team are more important than ever

“It is a very different proposition to digital transition which was a federal mandate meaning everybody had to get a new TV or a set top box so it forced everybody's hand. ATSC3.0 is voluntary and we have consumers who don't know the difference between SD and HD. They are not exactly itching to go out and buy a new TV to get 4K.”

Head of Brand, OTT

“ATSC3.0 is on everybody's radar. I've read a lot about it but I have big questions about how that transforms my team? how will we sell it? There is no playbook.”

Head of Sales, Large Market Broadcaster

Throughout The Journey Towards Digital Maturity, People & Their Skills Are A Constant Challenge

6. CONSISTENT CHALLENGES

Through our research we found that talent, resistance to change and organizational culture are key challenges regardless of the organization's level of digital maturity. They are constants that any leader needs to be mindful of when transforming their organization.

TALENT

Talent is a key blocker for progress and is a factor of both internal skills development and external recruitment. The vast majority (49%) of respondents identified 'People' as being the most important starting point for the next steps in their digital transformation, regardless of their level of digital maturity. To support this, anecdotal discussions about talent focused on the challenges of training existing teams with new skills and the recruitment of specialist staff to fill new roles.

It's fair to say that an organization embarking on any kind of change needs to bring its staff along with it. The digital transformation is so fundamental to every function of the organization, from content creation to sales, production to engineering, that managing the process is going to challenge companies regardless of size. This being said, a 'talent and skills' gap was identified as the number one challenge among respondents.

For staff recruitment, our research showed that broadcasters faced tough competition from the allure of Silicon Valley. Existing talent, alongside recent graduates, are being enticed by the prospect of better salaries, a more progressive work life balance and potentially more intellectually stimulating roles at digital first companies. Google, Apple, Meta, and Microsoft were among those seemingly pulling talent from the industry while Disney was seen as the most digitally progressive of so-called traditional media.

This recruitment challenge was omnipresent across all organizations interviewed, but a few respondents talked about a solution. They highlighted their shift in focus to graduate training programs that nurtured local talent from within their community. Within a few years, these organizations were seeing a tangible impact on their organization's digital skills, which translated into innovation and revenue diversification. However, more respondents cited broad resistance for existing teams as a key challenge in their organization's digital transformation.



Invest in human capital. If you are going to embrace new technology be willing to hire the best people."

Head of Digital Products, OTT

For All Broadcasters, Finding The Time & Budget To Upskill Employees Is A Key Challenge

THE CHALLENGE OF TRAINING

Not all broadcasters are stranded in the headlights. Many continue to make, or plan to invest in, digital training initiatives. As one broadcaster explains, the global corporate strategy is about shifting the mindset of employees and regardless of whether they are a student from university or a 30–40-year veteran, it is equally challenging. This requires a significant investment and, to keep up with the pace of change, a long-term commitment.

Whether delivered in-house or through a third party, training takes time out of an employee's schedule. Beyond the opportunity cost, our research found that there was often friction between departments taking different approaches to upskilling their teams. This can often create organizational silos which then forms a key roadblock for any broadcaster's digital transformation.

From our research, best practice suggests that sales teams are quick to adopt digital skills and 'sell' the new opportunities it presents. As they are incentivized to embrace digital, this approach should be leveraged across other areas of the organization, to ensure that there is a similar incentive to change ways of working. Although digital content production skills are improving, there is still a knowledge gap between the old and the new. Respondents said that this must be narrowed to support an organization's digital transformation.

To achieve this transition, our research showed that broadcasters also need to consider their staff's core capability. Internal training and reskilling is not sufficient on its own. Best practice illustrated that a healthy business needs a steady pool of new employees. Organizations should consider replacing those who move on or retire with digital natives to support their organization's transformation and meet the talent needs that their future ambitions will require.

“In terms of how our newsrooms are transforming - some are innovating more than others. It depends on leadership – who the GM is. It is top down and depends on how they want to lead.”

GM, Broadcaster Medium Market

“Our digital production teams are pretty adept at publishing to multiple platforms with a single push. The flip side is the more traditional newsroom folks adapting to the comfortable level of getting out of a control room and being able to go live on multiple platforms away from their desktop with some form of production value is the tougher nut to crack.”

Head of Production, Large Market Broadcaster

Embracing Digital May Seem Counterintuitive When The Legacy Business Continues To Flourish

THE IMPORTANCE OF CULTURE

A clear message from our research is that organizational culture, from leadership down, is an essential catalyst for driving digital change. Some broadcasters seem to have a coherent and motivated culture in which there is no need to discuss whether to even go digital. Others, however, are clearly frustrated at working with management that lacks the vision or desire to progress the organization in ways that our respondents felt made business sense.

This is not just stubborn management stuck with outmoded views. The elephant in the room is broadcast itself, which remains by far the most influential form of media, being asked to move to where their audience is going without destroying their base. Although, from the outside, it is clear that digital transformation is revolutionizing our world, for many broadcasters with healthy revenue and strong audiences, the threat of tomorrow's demise still seems a long way off. As a result, the culture of an analog world remains the focus for many.

“Digital is the way we do business – it was there in 2016 and will be there in 2026. There's not a big grand push.”

Head of Digital, Large Market Broadcaster

“Some conversations I am still having are mindboggling. We are picking up a bag of former habits from older TV station owners who are going to retire and have decided to leave it to someone else to pick up pieces. Sometimes it takes turnover at those stations in order to start them afresh.”

GM, Medium Market Broadcaster

“Our biggest internal challenge is that while the legacy business continues to do so well there is a reasonable and rational concern (at board level) that we not do anything that accelerates the deterioration of what are still very, very healthy positive cash flow businesses. We have to thread that needle carefully and if you're not sophisticated about how you do it, you won't last long.”

CFO, Cable TV

Audience, Efficiency and Revenue Should Be The Core Focus Of Any Digital Transformation

7. SUMMARY

The industry has embarked on a wholesale evolution to the way it conducts its entire business. From tech stack to distribution, content creation to staff work practices, traditional broadcast is being upended. It is however, a gradual and open-ended process in which change is constant.

Each broadcaster is at a different level of sophistication with regards to their digital transformation, related to their perception of what digital transformation entails.

For most broadcasters, small, medium or large, a process of constant assessment is in order to prioritize certain areas for investment. All acknowledge that moving to digital is part of company business strategy, even if for some, this remains more aspiration than practice. Even the largest national broadcasters don't have the resources to chase everything across the digital spectrum at once.

Organization strategies are being filtered through three lenses: What helps build the audience? Does it make the job easier for our team? And does it make revenue? Any new platform and opportunity is run through those filters to evaluate 'go' / 'no go' decisions. Tough questions must be asked if, after a year, those metrics are being met and whether to continue or abandon the investment.

Alarming, the issue of talent retention and training/reskilling staff is a hot button concern across the industry. With people as the number one asset within any company, success will only come if the culture from the top down is inclusive of employees and the ambition is matched by investment in human resources.

Overall, a broadcaster's digital transformation may not be a journey to a digital nirvana – more like an endless rollercoaster of opportunity and threat – but with a clear ambition, considered investment decisions, strategic use of partnerships and an aligned, purposeful team it can be a transformation that lays the foundation of success for generations to come.