



UNIVERSITY OF EDINBURGH
Business School

‘Accelerating ITV’s Digital (Supported) Transformation’ Through Technology,
Culture Change and Digital Leadership

by

Teale Failla

21 May 2020

Word Count: 3831

Contents

Introduction.....	3
Background.....	3
Framework: Six Key Steps to Digital Supported Transformation	4
Digital Landscape Analysis: Television Media.....	5
Evaluation of ITV's Digital Supported Transformation Strategy	8
Strengths, Weaknesses and Barriers.....	8
Progress Made: External Digital.....	9
Progress Made: Internal Digital.....	11
Business Model Transformation: Leadership, Culture, Organisation	13
Strategic Recommendations for Improvement.....	16
Plan the Journey	16
Be Customer Focused	16
Prioritise the Key Actions and Initiatives to be Implemented.....	20
Orchestrate and Mobilise the Transformation	22
Monitor and Asses	23
Conclusion.....	24
References	25

Introduction

Background

Digital disruption affects every organisation in every industry. Those that do not evolve with a digital strategy that reimagines how business is done run the risk of extinction. Media is second only to technology as an industry that is highly affected by digital disruption, and increasing competition in the industry threatens incumbents, particularly as agile, digital native companies threaten decades-old large broadcasters in the UK. Encompassing original content production, linear broadcasting and online distribution across 12 countries, ITV is the oldest and largest commercial terrestrial television network in the United Kingdom. With their 'More Than TV' initiative launched in 2019 and a new 'Accelerating Digital Transformation' initiative, ITV has created a new purpose to 'be a digitally led media and entertainment company that creates and brings...brilliant content to audiences wherever, whenever and however they choose' (ITV, 2020).

However, is ITV's new initiative truly a digital supported transformation, or is it merely a digital transformation, digitising outdated processes that are no longer relevant for a generation that is constantly connected through the Internet of Everything? Hamill's (2020b) six step framework of digital supported transformation will be applied to analyse where ITV is situated within the media industry in terms of digital agility and where it should be going. Within this framework, issues of technology, culture change and digital leadership must be addressed for any organisation to truly transform its business model and succeed in a digital era.

Framework: Six Key Steps to Digital Supported Transformation

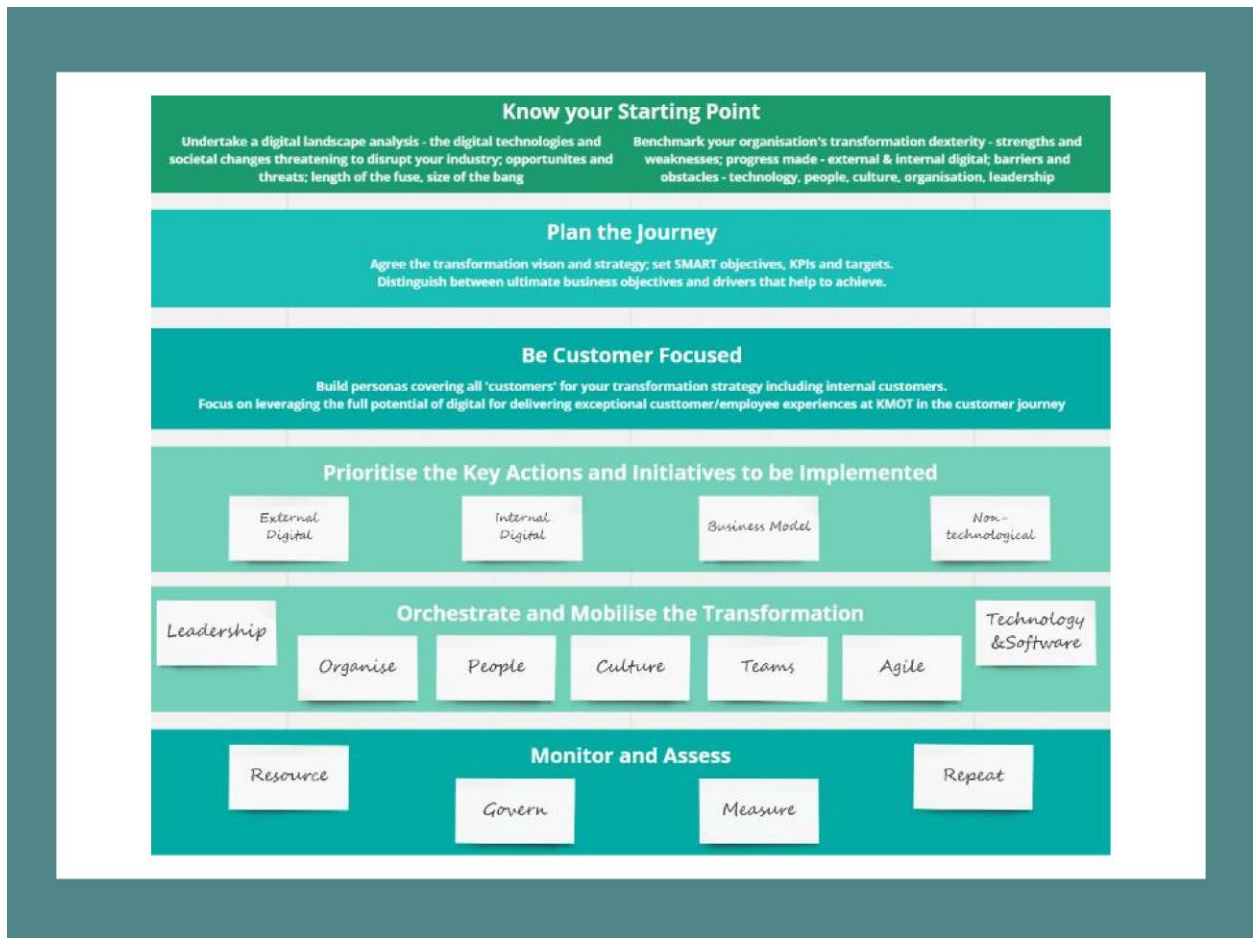


Figure 1: The Six Steps to Digital Supported Transformation Strategy (Hamill, 2020b)

Digital Landscape Analysis: Television Media



The television media landscape is full of constant digital disruption and threats from new entrants. Not only is media likely to be disrupted, it has already gone through several phases of disruption, notably from OTT (Over the Top) distributors such as Netflix providing easy, inexpensive, ad-free entertainment with varied catalogues including original content that can be binge watched at any time. As traditional, linear broadcasters such as ITV focus on competing with their own VOD (Video On Demand) platforms, the next major disruption is around the corner. Media is a £68b industry in the UK (Statista, 2020), and is thus what Deloitte (2012) calls a big bang, short fuse industry, with a big disruption coming in a short period of time:

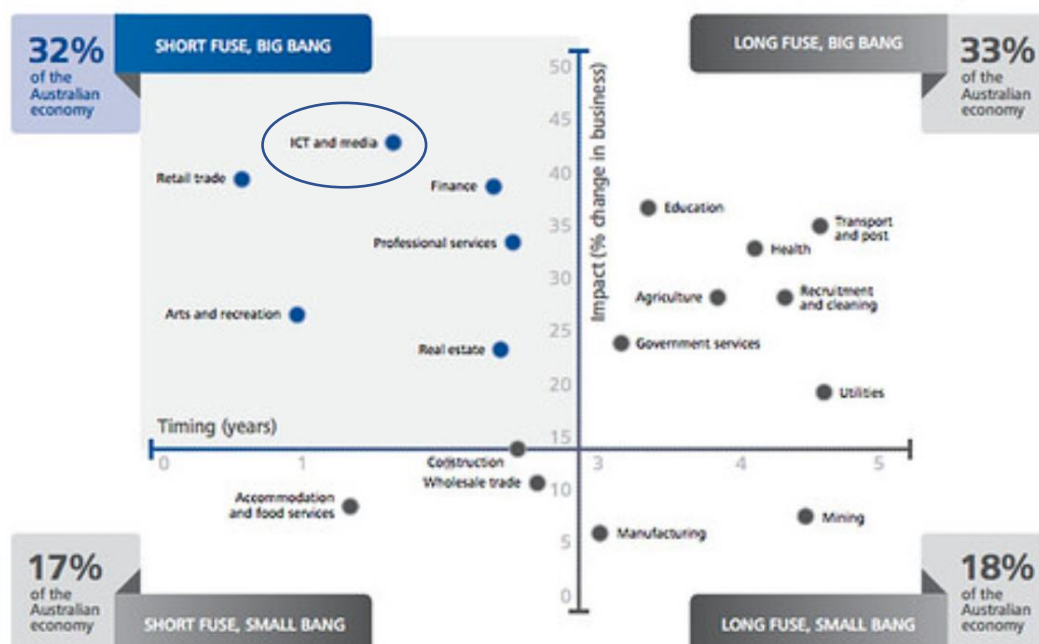


Figure 2: The Fuse and the Bang Matrix (Deloitte, 2012)

Media and Entertainment are second only to technology as industries that are most affected by digital disruption. Figure 3 illustrates how industries are being pulled into the centre of the *digital vortex* by the very nature of the business, compounded by the high level of competition within each industry:

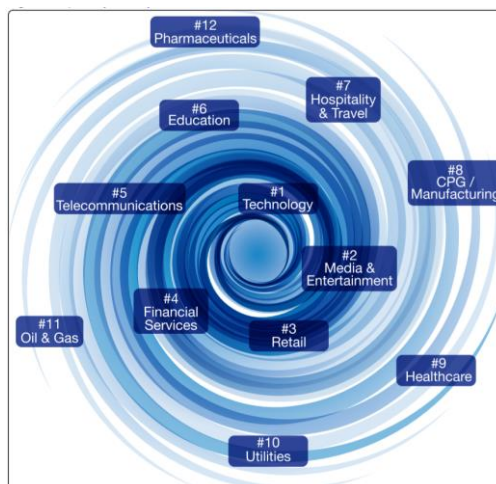


Figure 3: Digital Disruption by Industry (Bradley et al., 2015)

Media companies are therefore also at high risk of being put out of business from digital disruption.

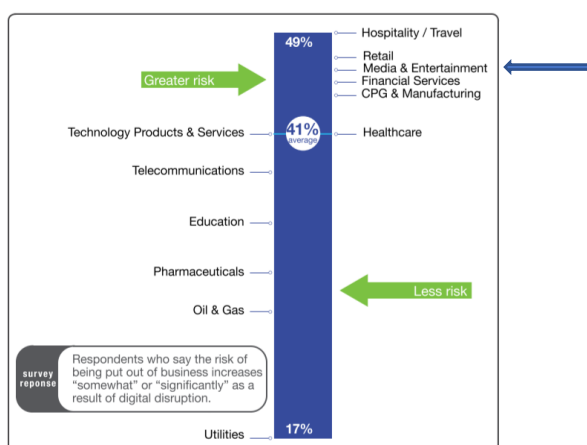


Figure 4: Existential Crisis (Bradley et al., 2015)

There is a new wave of entrants from established companies such as Disney and Apple threatening incumbents, armed with original, exclusive content and capital. Digital disruption

has been at the forefront of the industry almost since the advent of the Internet, so companies are continually having to offer new differentiating services. The digital landscape is therefore extremely competitive and sensitive to digital disruption. Companies will have to employ digital technologies not just to digitise old processes, but completely rethink their business models on a foundation of digital to offer unique value to their customers. Opportunities lie in re-working user experience (UX) which empowers both the consumer and advertiser through flexible, streamlined processes and personalised offerings via advanced algorithms. Internal processes can also be transformed and given the size of ITV, there is high potential for improving efficiency.

Evaluation of ITV's Digital Supported Transformation Strategy

As ITV operates in an increasingly digital disruptive industry, it is necessary to understand where ITV operates and benchmark its dexterity and agility. This is the second part of Step 1 in the Six Part Model.



Strengths, Weaknesses and Barriers

ITV is a 66-year-old company that is the largest commercial television network in the UK. An organisation this size, with 19 UK offices and more around the world is a large ship to steer. The bigger a company gets, the less agile it becomes and the more difficult it is to implement any change management (Hamill, 2020b). An additional weakness specific to digital supported transformation is that unlike companies born in digital, ITV is built on a foundation of analogue, so the tendency is to simply digitise old processes rather than think outside the box and redefine how business can be done through digital. Culture can be a huge barrier to change and a large organisation such as ITV will have a deeply imbedded culture. With locations around the world, that culture may be varied and different approaches to change may be necessary. In any digital transformation initiative, typically technology is not the main barrier, it is culture and leadership.

Fortunately, ITV has new digital leadership. CEO Carolyn McCall has been leading the digital charge since joining ITV in 2018. Her 'More than TV' initiative encompasses many shifts in ITV's purpose which include not only digital supported transformation, but environmental sustainability and diverse and purpose-driven programming. In only two years at the helm,

McCall has displayed strong vision and motivation in transforming the business model and culture through digital supported transformation at ITV. Indeed, the 2019 Annual Report is titled, 'Accelerating ITV's Digital Transformation' (ITV, 2019a). Because of McCall's history as a technologically led CEO at The Guardian and Easy Jet (Lepitak, 2019), digital is now at the forefront of ITV's business model. She also fosters a culture of 'no barriers', encouraging employees to try new ways of doing things without fear of failure. With the right leadership and culture, the size of ITV can go from being a weakness and barrier to a strength from its influence in the industry and capital to innovate.

ITV has identified three main areas in which to focus its digital supported strategy: growing customer facing products, digitising content supply chain and core processes, and investing in new digital models to transform the core central functions, ensuring teams have the right tool and skills for smarter, more efficient and flexible working (ITV, 2019a). These can be divided into external digital and internal digital in terms of progress ITV has made thus far.

Progress Made: External Digital

External Digital focuses on improving the customer experience. ITV has three types of customers: consumers, advertisers, and distributors (broadcasters and platform owners). Beginning with consumers, ITV has improved its online VOD platforms ITV Hub, the Advertising Video on Demand (AVOD) platform and ITV Hub+, the Subscription Video on Demand (SVOD) platform. They are much more accessible now, available on 28 different platforms including Apple TV, Samsung Smart TVs and Chromecast in addition to online access at itv.com. The Hub itself has gone through major digital redesigns to make it more user friendly, supported and enhanced by a process of continued development and investment around the user interface and the underlying platform. The recommendation model has been scaled, keeping viewers

engaged, and advertising is more personalised which will be covered in more detailed in the advertising customer section.

The biggest development is the launch of BritBox, a joint venture with the BBC to consolidate the best of British television across studios and distributors in one convenient OTT platform. BritBox US launched in 2017 to great success because it offered programming largely unavailable on any US platform. The success of that spurred BritBox UK, offering programming available on other platforms in the UK but in one convenient place. With the UK the second largest exporter of television programming in the world behind the US (Advanced Television, 2018), BritBox UK is well positioned to be a success via the unique value of providing the best of British programming, from nostalgic favourites such as *Only Fools and Horses*, to current must see award winners such as *Killing Eve*. Even though other platforms such as Netflix currently offer some of these programmes, they will soon become exclusive to BritBox and its owners. Industry experts predict success with this unique value add even with the influx of new, primarily American entrants to SVOD such as Disney+, Apple TV, HBO and Warner (Glanfield, 2019).

Whilst SVOD is a rising product across the industry, live linear television still accounts for over 70% of television viewership (ITV, 2019b), denoting the importance of advertising revenue. Thus, improving customer experience for the advertiser is of paramount importance. ITV has completely re-worked the advertising buyer model with the introduction of Planet V, an addressable TV advertising platform which allows advertisers to browse and buy ad packages digitally without the need for a live salesperson. More importantly, it delivers targeted advertising on digital TVs, personalising the ads based on household composition and location using a combination of audience analysis/clustering and delivery technologies. Therefore, two households watching the same programme will receive different ads more relevant to them.

Advertisers can also optimise and monitor their campaigns in real time, 24/7. Use of this technology benefits both the advertising customer with a greater ROI and the consuming customer with more relevant messages and content.

Progress Made: Internal Digital

To analyse ITV's internal digital strategy, The Four Pillars model (Hamill, 2020a) can be employed. This highlights the four areas an organisation must address to undertake a digital supported transformation and their benefits.



Figure 5: The Four Pillars (Hamill, 2020a)

To begin with the First Pillar, key processes at ITV have been digitised to make them more efficient, transparent and accessible. For example, a new project provides scheduling teams with modern digital planning tools and data enabled real-time insights. 'Talent Pay' is a new digital system to pay talent seamlessly and 'FreeCon' is a new programme in development

which enables digital management of the entire contracting process. On the creative side, ITV has switched to a common digital editing platform across all soap opera programmes to enable more efficient workflows and focused post-production management (ITV, 2019b).

To further support people and organisation represented in the Second Pillar, ITV has focused on ensuring employees have the right capabilities, skills, tools and culture to be more agile and flexible. In fact, ITV's ambition is to be 'the most flexible employer across the media and entertainment industry' (ITV, 2019a, p. 13). To drive this initiative, ITV instituted 'Smart Working' in 2019, a digitally supported approach to workplace flexibility incorporating changes in technology and workplace design which offer more choice and manageable work-life balance. This represents not just a technological shift, but a cultural shift which enables more balance and creativity to the employee and thus, ultimately offers more value to the customer.

The Third Pillar looks at how an organisation uses data to add value through actionable insights. Great investments have been made in data analytics, particularly with ITV's new Data Centre of Excellence which brings focus and coherence to the management of data across the organisation, from data architecture to data quality management, master data management and data migration. ITV hired over 20 data analysts, data engineers, and data scientists in 2019 and established new teams, tooling, capabilities and organisational alignment. ITV's data platforms have been scaled, adding new data sets and an econometrics model to optimise marketing investments. A new data driven Client Relationship Manager (CRM) is also being tested (ITV, 2019b). Better data management facilitates actionable insights such as better decision making, operational efficiency and agility, predictable and effective solution delivery, contractual savings and legislative compliance.

Finally, the Fourth Pillar asks what emerging technologies the organisation is utilising to transform the business. To track performance on their online platform, ITV had used a

conventional approach to optimise services through data analytics that could not respond fast enough if something went wrong during live broadcasts, particularly big events with millions watching. It could take ten minutes or more to spot a problem, by which time people switched off. As a solution, ITV turned to Google Cloud Platform and custom-built CROCUS which manages services that automatically scale to match demand (Google, 2020). This sends data in as little as 30 seconds to ITV so issues can be addressed immediately. The Cloud provides serverless hosting, requiring only minimal code for the solution to operate. Viewer statistics are stored and reports generated for later analysis, auditing and debugging purposes. This internal solution improved workflow internally and resulted in higher quality viewing for the consumer.

Business Model Transformation: Leadership, Culture, Organisation

Digital tools alone will not transform a business model. It also takes culture change and digital leadership to drive and support that transformation throughout the organisation. New CEO Carolyn McCall uses digital as a cornerstone of her leadership, delivering podcasts and vodcasts to update colleagues on developments and encourage transparency. She welcomes direct contact through her 'Ask Carolyn' email address. To foster alignment and training with new digital capabilities, McCall has positioned *Enablers*, digital change agents at all levels who drive cultural and business change through technological tools.

The culture change revolves around the notion of 'no barriers' and openness to change, enabling new ideas, new shows, new takes on old shows and new technology (ITV, 2019a). It also enables new relationships with audiences and innovation not just from the top down, but from the bottom up. Employees are empowered with a new digital speaking up process that

includes a reporting tool as well as a freelancer complaints procedure, enabling them to raise concerns around inclusion and culture at ITV. Anonymous online surveys are administered and reviewed closely, ensuring employee voices are heard. ITV encourages experimentation without fear of failing which transforms the business from a traditional broadcaster to a digitally led, agile company constantly re-imagining the way business is done. ITV's cultural change and digital leadership enable revolutionary uses of digital technology, not just to digitise old processes as a digital transformation, but to deliver value to the customer through reimagining processes *built on digital*, resulting in digital *supported* transformation.

Due to the combination of investing in digital technology supported by digital leadership and cultural change, ITV can be regarded as what Westerman et al. (2014) call a Digital Master.

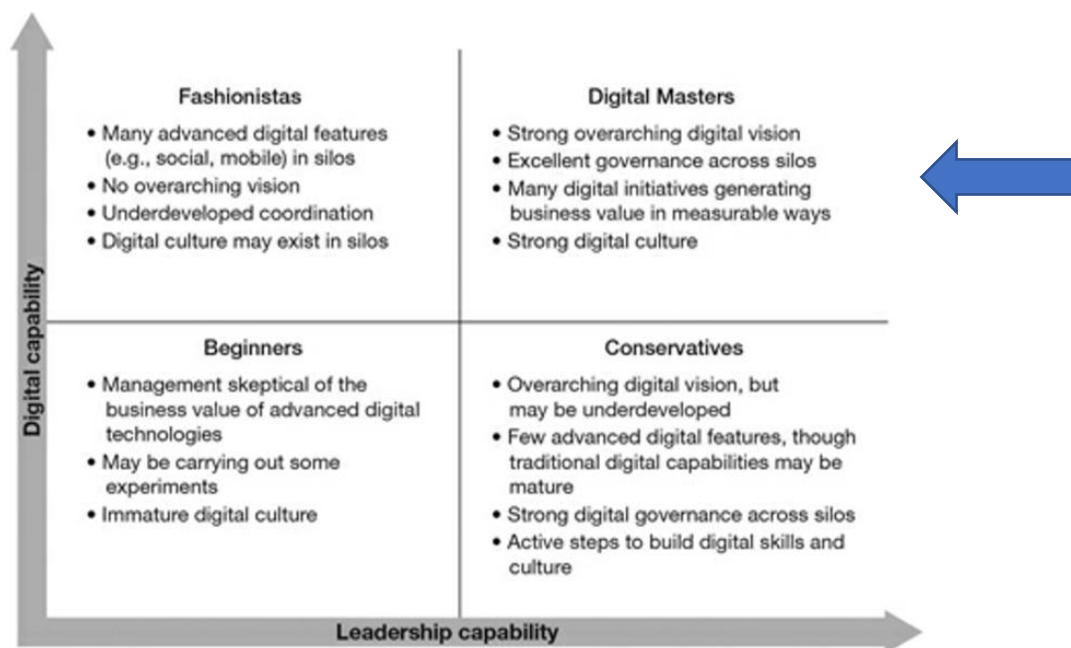


Figure 6: Digital Masters Matrix (Westerman et al., 2014)

As their transformation is still only two years old and many initiatives are in development, ITV is placed on the lower part of the upper right Digital Master quadrant. It also has not developed any social enterprise tools such as Yammer to streamline and add transparency to internal communications. But due to Carolyn McCall's strong digital leadership and ability to pull the

company with her, ITV is placed to the right in the Digital Masters quadrant, with room to move up as more digital capabilities are developed.

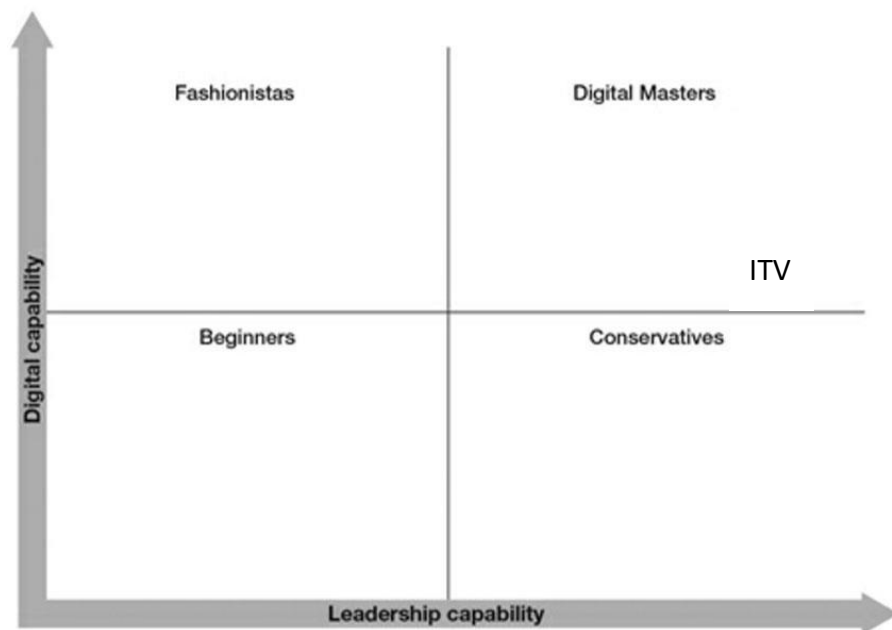


Figure 7: ITV within the Digital Masters Matrix

Strategic Recommendations for Improvement

Plan the Journey

Plan the Journey

Agree the transformation vision and strategy; set SMART objectives, KPIs and targets.
Distinguish between ultimate business objectives and drivers that help to achieve.

Now that the digital landscape has been analysed as well as ITV's place within it, the second step in the digital supported transformation framework is to plan the journey for improvement. The ultimate business objective for ITV should be agreed upon to raise profits through its various revenue streams. The drivers to achieve that are improving advertising experience through Planet V, improving consumer experience using online platforms to increase viewership, and increasing BritBox sales. To set SMART objectives, the following KPIs and targets should be placed for 2021, based on past ITV performance and competition:

Online Viewing: Increase by 15%, up from 13%.

Advertising Sales: Grow revenue by 20%, up from 18%.

BritBox: Increase sales to 500,000 from 380,000.

Be Customer Focused

Be Customer Focused

Build personas covering all 'customers' for your transformation strategy including internal customers.
Focus on leveraging the full potential of digital for delivering exceptional customer/employee experiences at KMOT in the customer journey

Being customer focused means understanding the customer journey to pinpoint places for improvement. Since viewership drives advertising and platform subscriptions, the consumer journey will be explored. ITV can concentrate on their Most Valuable Customers

(MVCs) and Most Growable Customers (MGCs). Since 18-34 year olds tend to watch more Video On Demand, will share more on social media as digital natives and are the most prized marketing demographic, they are MVCs. MGCs are older consumers who are more likely to watch linear television but who could be swayed to buy an online subscription for the flexibility SVOD provides.

To analyse the consumer journey, Solis (2013) recommends defining and closely managing Key Moments of Truth (KMOTS) the customer experiences with ITV, moments where a yes/no decision is made. The Ultimate Moment of Truth (UMOT) then comes when the customer decides to share their experience, forming the first KMOT for another potential customer.



Figure 8: Customer Journey and The Ultimate Moment of Truth (Solis, 2013)

ITV Consumer Journey

The consumer must first become aware of ITV content, in this case through social media. This is often through a clip of a show that ITV has shared on Facebook:



This post does not pull the viewer in and motivate them to engage with it. Generation C, the constantly connected generation (Solis, 2012) demands engagement, and a one-way broadcast such as this is not likely to pull a consumer in. This is the first KMOT.

Should the consumer want to watch this show on ITV, they would need to search for it at itv.com. This is the second KMOT where the viewer could decide to give up. If the viewer finds this show *Absolutely India*, clicking on it brings one to a Sign In page:

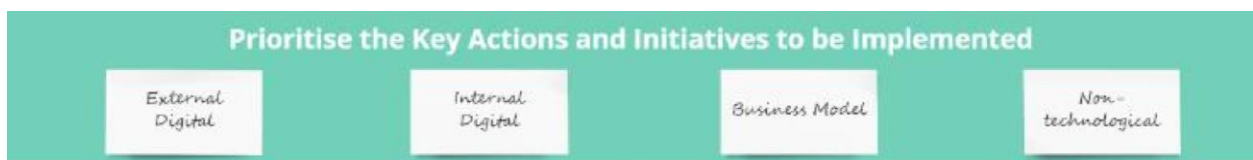
This is the third KMOT. Is the viewer really interested enough to enter in their details to watch a show they may or may not like? Signing up brings the viewer here:

Should the viewer wish to proceed, they are taken to a page where they can watch for free with ads or sign up for ITV Hub+. This is an important KMOT as it is the Consideration of Purchase and determines whether the consumer will become a Direct to Consumer customer, paying ITV directly for SVOD. Should they wish to use the seven-day free trial, they must fill in payment information here:

The experience, whether good or bad, of interacting with ITV Hub+ and watching the programme is the final KMOT and will determine if there will be an Ultimate Moment of Truth (UMOT), where the consumer shares the experience. They must then go back to social media after watching the show and post about it. The entire process presents many obstacles to pulling the consumer in and making them a customer.

To make this journey more seamless, ITV should provide the direct link to watch the programme on ITV Hub on the post. The sign-up prompt should include social media logins such as Facebook to make it easy. This eliminates numerous KMOTs where the consumer could easily turn away. Finally, link social media with the ITV Hub platform so viewers can 'like' programmes and share them on social media, all from the ITV Hub platform. As ads appear on the AVOD version, provide links to sign up for subscriptions service so they can continue watching uninterrupted. KMOTS are reduced and the UMOT is much easier to reach, resulting in more awareness, potential consumers and paying customers.

Prioritise the Key Actions and Initiatives to be Implemented



Key actions to prioritise involve both internal and external digital. Internally, digital can revolutionise communications, increase efficiency and enable innovation. Whilst the 'Ask Carolyn' email is a good start, it is an opaque process with a singular conversation. ITV should introduce a social enterprise tool for internal communications such as Yammer, Slack or Workplace by Facebook so that discussions and suggestions can be open and transparent. If one person has a suggestion for Carolyn, others can add to it, enabling a conversation which prompts action and innovation.

Blockchain holds many possibilities both internally and externally including maximising content monetisation, improving data security, lowering the cost of media distribution, creating new user experiences and improving advertising efficiency (Hofer, 2018). For example, instead of paying a monthly fee for an SVOD package that contains countless programmes viewers will never watch, they could use blockchain to purchase directly from content creators such as ITV Studios. Moreover, viewers can engage with content, funding projects they want to see get produced and earning tokens when those programmes are viewed, effectively becoming executive producers. As a broadcaster, ITV Networks can utilise blockchain to manage content housing, content acquisition, distribution rights, transaction processing and records management with greater transparency and security.

The UK company LiveTree already uses blockchain to deliver content funded by the community. Users are empowered by becoming part of the filmmaking process, from investing, to voting for best picture, to attending film premieres. A short video on LiveTree can be see [here](#):



Figure 9: LiveTree Alpha (LiveTree, 2018)

Orchestrate and Mobilise the Transformation



To orchestrate and mobilise the transformation, it takes strong leadership from the top to create and direct a vision. But it also takes leadership from the bottom up to innovate and create solutions through digital. Everyone needs to be a leader to drive transformation. This provides a culture of ownership and autonomy which drives transformation forward.



Figure 10: Everyone a Leader (Hamill, 2020b)

The creation of a Chief Digital Officer is useful to direct the digital transformation from a technical aspect. They work closely with the CEO to design their vision with technical solutions, always with an eye on digital disruption. Since this is becoming more commonplace in a *VUCAD* world - Volatile, Uncertain, Complex, Ambiguous, and now *Digital* (Hamill, 2020c), the CDO

needs to be a permanent position. However, support must be provided from the top to ensure culture and leadership do not become barriers, but enhancers to the CDO's purpose.

Monitor and Assess



Digital supported transformation is not a one-off process that will have an end date. ITV will have to continually assess the digital landscape, its place within it, and innovate to keep adding value for the customer. This will involve close governance, assessment of resources, and measurable performance indicators as explored in this report. The Six Steps to digital supported transformation is not a destination, it is a journey.

Conclusion

Within the short fuse, big bang industry of television, ITV is well positioned to not just be resilient to digital disruption, but to be at the forefront of it as a Digital Master. Whilst their transformation is only two years old, major initiatives are already in place which add value for all stakeholders by empowering them through technology. ITV has enormous potential to keep transforming, and recommendations such as social enterprise tools will prompt further culture change to fulfil their 'no barriers' mantra. Social media engagement is crucial to be customer focused, and ITV must create a two-way line of communication to gain more customer revenue. However, the future lies in blockchain technology which will disrupt the current business model. ITV is poised to be at the forefront of the revolution armed with a focus on technology, digital leadership and cultural change. Whilst mainstream use of blockchain may be a few years away, one thing is certain - the revolution will be televised.

References

- BRADLEY, J., LOUCKS, J., MACAULAY, J., NORONHA, A. & WADE, M. 2015. *Digital Vortex: How Digital Disruption Is Redefining Industries*, Global Center for Digital Business Transformation.
- DELOITTE 2012. *Digital disruption - Short fuse, big bang?*, Deloitte Australia
- GLANFIELD, T. 2019. Broadcasters bet on the best of British as the streaming wars intensify. *RadioTimes* [Online]. Available: <https://www.radiotimes.com/news/on-demand/2019-11-08/britbox-uk-on-demand-streaming/>.
- GOOGLE. 2020. *ITV: Delivering a higher quality live viewing experience through data* [Online]. cloud.google.com. Available: <https://cloud.google.com/customers/itv> [Accessed 17 May 2020].
- HAMILL, J. 2020a. Digital Strategy: Internal Digital. PowerPoint Lecture, The University of Edinburgh Business School.
- HAMILL, J. 2020b. Digital Strategy: Strategy and Implementation. PowerPoint Lecture: The University of Edinburgh Business School.
- HAMILL, J. 2020c. The Future of Leadership in a VUCAD World - Online Modules. Available from: <https://www.linkedin.com/pulse/future-leadership-vucad-world-online-modules-jim-hamill-dr-/?trackingId=bRt3GL0WdrFkgNT1vYBWTg%3D%3D>.
- HOFER, L. 2018. How Blockchain Could Reshape TV Broadcasting. Available: <https://theblockchainland.com/2018/11/28/how-blockchain-could-reshape-tv-broadcasting/>.
- ITV 2019a. Accelerating ITV's digital transformation. *ITC plc Annual Report and Accounts*. ITV.
- ITV 2019b. Continuing ITV's Digital Transformation: 2019 Interim Results. ITV.
- ITV. 2020. *Our Strategy* [Online]. Available: <https://www.itvplc.com/about/our-strategy> [Accessed 29 April 2020].
- LEPITAK, S. 2019. ITV chief Dame Carolyn McCall on digital transformation, diversity quotas and leadership. Available: <https://www.thedrum.com/news/2019/05/13/itv-chief-dame-carolyn-mccall-digital-transformation-diversity-quotas-and-leadership>.
- LIVETREE. 2018. *LiveTree Alpha!* [Online]. YouTube. Available: https://www.youtube.com/watch?time_continue=30&v=Ns2to-SVXtY&feature=emb_logo [Accessed 19 May 2020].
- SOLIS, B. 2012. Meet Generation C: The Connected Customer. Available: <https://www.briansolis.com/2012/04/meet-generation-c-the-connected-customer/> [Accessed 17 May 2020].

SOLIS, B. 2013. *What's the Future of Business: Changing the Way Businesses Create Experiences*, Hoboken, John Wiley and Sons.

STATISTA. 2020. *Value of the entertainment and media market in the United Kingdom from 2013 to 2023* [Online]. Available: <https://www.statista.com/statistics/237778/value-of-the-entertainment-and-media-market-in-the-uk/> [Accessed 16 May 2020 2020].

ADVANCED TELEVISION, A. 2018. Report: UK TV industry 2nd biggest exporter. Available: <https://advanced-television.com/2018/05/17/report-uk-tv-industry-2nd-biggest-exporter/>.

WESTERMAN, G., BONNET, D. & MCAFEE, A. 2014. *Leading Digital: Turning Technology Into Business Transformation*, Boston, Harvard Business Review Press.