Prepping for the New Age of Information Services, Media and Entertainment

Increased demand for an improved digital user experience is challenging players industry-wide to reevaluate their existing organizational models and strategies.

Executive Summary

With the convergence of technology and media and the proliferation of new business models, information services, media and entertainment (IME) companies face a host of opportunities and challenges. Technological advancements, especially increased broadband access, climbing tablet use and smartphone penetration rates, are impacting the way content is distributed and consumed. These advancements have significant implications, not only for companies’ revenue and distribution methods but also for their global strategies and organizational models.

Across the industry, decreased demand for traditional delivery platforms, such as TVs, DVDs and physical books, and an increased call for an improved user experience, through heightened access to mobile devices and elevated interactivity via social media, are challenging industry players to re-evaluate their existing organizational models and strategies. This paper discusses industry trends and provides recommendations that will enable companies across the spectrum to position themselves for the industry’s changing climate.

Factors Influencing Industry Trends

Recognizing and effectively responding to industry trends requires organizational transformation and complementary partnerships focused on optimizing core competencies. In the near future, digital media will dominate all segments of the industry, and media consumption behaviors will rapidly evolve. In order to develop solutions flexible enough to address such growth, organizations will need to restructure in order to foster innovation and improve agility.

Digitization of Media and Rising Power of Mobility/Internet

Consumers are progressively switching to digital downloads and on-demand consumption of IME content. The number of U.S. households with both broadband connectivity and at least one 3G mobile device has quadrupled in the past five years and has increased more than 600% globally! The proliferation of new devices and the digitization of content will continue to impact the way media is consumed. For example, by 2014, 33% of all media and entertainment spending will be digital, compared with less than 10% a decade ago.2
The emergence of 3G and 4G networks, supported by advanced infrastructure and enriched by a growing array of mobile applications, will notably increase the capacity for data flow. This will result in an acceleration of mobile advertising and also the convergence of online and mobile applications. Evidence of this trend can be seen in television with the advent of Web-enabled TV, which will be a catalyst for new forms of content consumption that will enable consumers to stream or download content at their convenience.

For all types of content creators, this change will certainly have an impact on operations and revenue streams. Thus, the shift toward digital media compels IME companies to focus on areas that can drive both efficiency and effectiveness, such as strategy analysis, workflow redesign, automation of content creation and distribution, and utilization of outsourcing and shared services.

Disintermediation of Content Distribution
As digital transformation steers the media industry into new territories, companies are increasingly engaging their consumers in product development.

While the industry was traditionally built on business-to-business (B2B) transactions, industry players today operate by building relationships directly with consumers in a business-to-consumer (B2C) landscape, as evidenced by initiatives from content providers to embed social media connectors within their content. This trend can also be seen in the recent purchase of Flixster by Warner Bros. and the development of applications from studios (e.g., UltraViolet) and broadcasters (e.g., HBO GO and ABC Player), which have eliminated the barriers that previously existed between these companies and consumers.

Focus on Social Media and Consumer Experience
Through social media platforms, interactions have increased between content creators, distributors and consumers, resulting in more customized and interactive product development and distribution. This trend is reflected in the rise of social networking, which represents not just a profound behavioral shift but also an illustration of the power of shared information and communication. For example, the television series *Sons of Anarchy* and *X Factor* have successfully integrated social media sales and marketing approaches into their products; *Sons of Anarchy* aired an episode-synched second-screen application that allowed fans to purchase items directly from specific scenes, and *X Factor* allowed viewers to vote for contestants and ask questions of judges during live broadcast through Twitter.

Social networking on various platforms, including mobile devices, is now being embraced by traditional media and viewed as complementary to existing offerings rather than as an alternate medium. Integration between the two enriches the overall consumer experience but demands more agile and dynamic content delivery platforms. Mobility and social networking are driving additional demand for access to information and content, which many consumers are willing to pay for, as evidenced by the $3-per-title rental offerings by Warner Bros. on Facebook.

By enhancing their digital and social media offerings, content providers are improving consumer access, boosting the viewing experience and creating customer buzz and loyalty. In addition, they are finding opportunities to create additional revenue streams through either a subscription or pay-per-use model.

Preparing your Organization for the New Age of IME
These evolving trends present IME players with numerous risks and challenges. However, there is now tremendous opportunity and competitive advantage for organizations that are willing to comprehensively analyze their business and transform their content creation and delivery capabilities to address new-age needs.

The following are key recommendations for performing this analysis. IME businesses that use these guidelines will ensure their costs, processes and organizational structures are ready to leverage tomorrow’s landscape.

- **Define and analyze core competencies for your business resources (people and tools):** Future-proofing an IME company starts with a top-to-bottom assessment of the business's core competencies - the areas that are critical to the business and provide competitive advantage. Revisiting which areas are central...
to your business and add the most value to your product or service will drive key decisions, such as when to acquire, with whom to partner, which areas to outsource and what activities should be kept in-house.

Identifying non-core tasks allows businesses to leverage strategic partnerships in order to focus on key capabilities. Moreover, when new business models arise and need to be supported, organizations can turn to their core competencies to understand when a “build vs. buy” model is needed.

When content providers confuse non-core competencies with non-important tasks or processes, they may overlook areas that would easily lend themselves to an outsourced or shared service solution. Often, there are processes and tasks within the value chain that are critical to the business but do not provide a distinguishable competitive advantage, such as copy-editing processes for publishing, quality control and metadata tasks for servicing divisions and digital distribution processes for asset delivery, such as ingestion and archiving. By looking at these critical but non-core activities as an outsourced or shared-service opportunity, content providers are able to leverage specialized knowledge, standardized tools, repeatable processes and consistent methodology, while eliminating resource redundancies.

Additionally, leveraging partnerships for non-core activities allows organizations to reallocate resource time to more strategic, potentially revenue-generating tasks. For example, to address the plethora of new business models facing the industry, companies can create innovation departments, or matrixed organizational groups focused on innovation, which support prototyping and implementing new services/products and drive thought leadership throughout the company. This structure provides direct oversight of new business models, as opposed to cross-departmental task forces, which may inefficiently spread work across various departments without true focus and accountability.

- Develop a unified and global organizational structure: When evaluating an organization end-to-end, it is important to look for opportunities to unify and standardize processes across business units and territories. Specifically, a disjointed global workflow is often caused by several factors, including differing goals and incentives, segregation of departments and incompatible tools and processes across the organization.

  > Goals and incentives: Competing reporting structures often exist across territories and departments, which lead to dissimilar goals that can hinder a streamlined strategic objective and workflow. Additionally, these structures inhibit time-to-market, create inconsistent branding worldwide and can cause process efficiencies that disrupt business partner relationships (e.g., multiple points of contact for customer support) and incur unnecessary overhead costs. For example, business partners might receive the exact same asset file and metadata from separate territory offices for the same content provider. Yet, siloed incentive structures can perpetuate inefficiencies. The incentives given to resources in particular territories should be cohesively aligned to meet a larger organizational goal.

  In addition to differing goals and incentives across global territories, there are also cases of misalignment across windows, which have historically led to cannibalization (theatrical vs. home entertainment) or inflexibility of release windows (print vs. electronic publishing). Understanding the motivations of these departments and those who lead them will often uncover the causes and solutions for fragmented departments within an organization.

  > Organization structure: Recently, there has been an increase in the centralization and collapse of departments across content providers, such as combining sales and marketing into one consumer productions division; combining domestic and international sourcing; bringing home entertainment, digital and TV under the same leadership, etc. Another trend is to modify the way products
are developed, such as publishing companies organizing by customer segment rather than product segment. The ability to restructure these areas is dependent on the following key factors:

> **Shared strategic objectives:** Where can there be a unified strategy across these organizations? Can similar assets and processes be leveraged to reduce effort and resource duplication?

> **Geographic dependencies:** Are there local relationships, legal parameters, language requirements and/or time-zone dependencies critical to the organization’s workflow that necessitate an international presence? Is it important to understand consumer behavior or cultural norms within local territories for product development?

> **Time to market:** Will centralization impact the time to market required for product distribution?

> **Skill requirements:** Can the necessary skills to support the organization be filled by a centralized structure?

The greater the dependency on local markets to drive business decisions, customer support and products, the stronger the need for a decentralized organization. However, there should be a consistent strategy developed across departments that is driven and overseen centrally. For example, the digital distribution strategy can be driven by the domestic office and implemented by resources located worldwide that report directly to the executive team domestically.

As digital continues to become more prevalent, organizations must ensure that their social media strategies are leveraged across multiple windows.

> **Tools and processes:** A key opportunity for content providers is to consolidate processes and technologies that support the digital supply chain. For example, many servicing and distribution groups use differing technologies within and across territories, which interrupts the inability to collaborate effectively on operations and distribution. For example, multiple asset inventory databases and spreadsheets, requiring numerous resources to support, are used to collect the same information within the organization. Many of these incompatibilities were left over from the physical distribution model, since there was greater dependency on technologies and formats of the local market. However, the growth of digital distribution and operations lends itself to the opportunity to evaluate tools and processes to enable economies of scale and a flexible workforce. For example, studios should consider the use of a single digital asset management repository for marketing collateral throughout the organization to improve asset reuse and streamline associated processes and resources.

> **Build organizational competency around social media:** According to an Experian Simmons report, 98% of online 18- to 24-year-olds already use social media each month, as do nearly three in four online seniors and 82% of online adults aged 55 to 64. This trend has changed the way content providers must market and distribute their products. Marketing spend is slowly shifting from traditional avenues, such as billboards, TV, terrestrial radio and newspaper ads, to online media and digital initiatives. As digital continues to become more prevalent, organizations must ensure that their social media strategies are leveraged across multiple windows.

### Ready to Implement: Three Key Questions

When partnering with our IME clients on implementing the small- or large-scale organizational change required for future success, we have observed three factors in the implementation and change management activities that lead to successful organizational adoption and support:

1. **Does the initiative have executive buy-in and support?** A critical factor to successful organizational change is ensuring the effort has an “owner” and champion to see the change through, from inception to implementation. The individual appointed as champion should lead the committee that will support the change and be empowered to make adjustments and decisions based on feedback throughout the process. Some companies have created roles such as chief product officer and/or chief content officer as a fundamental way to drive product strategy and see the organizational vision through to completion.

2. **What is the business continuity plan?** Determining a plan for business continuity (i.e., keeping your existing business stable during
the transformation) is an important and sometimes overlooked step in the preparation for organizational change. Commonly, a company’s best resources are pulled into the transformation program, yet their day-to-day operations still need to be maintained. To avoid over-taxing individuals who will also be responsible for implementing change, it’s important to find the balance at the individual resource level between transformative execution and business-as-usual operations. Leveraging strategic partnerships can also help to support this balance.

3. **Do the skills of our resources match our needs?** As the organization is remodeled to react to current trends, it’s important to evaluate skill sets and knowledge acquisition. Investing in the knowledge and skill set resources will have an immediate impact on training, recruiting and productivity.

**Is Content Everything?**

For companies in the IME space, “content is king,” but it is not enough to stand out given continuous industry changes. IME organizations are, therefore, challenged to take advantage of new and varied distribution platforms and strategic partnerships to gain competitive advantage and realize organizational and process effectiveness. Executives must take a close look at their organizational structure and vision to determine if they are properly positioned to meet the future needs of the business.

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**Footnotes**


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About Cognizant Business Consulting & the Information Services, Media and Entertainment Practice

Cognizant’s Information Services, Media and Entertainment (IME) Practice serves leading global companies across the film entertainment, TV, music, publishing, information services, broadcasting, advertising and new media industry segments. Cognizant’s IME practice has significant experience working with leaders in the industry to enable departmental system, process, cost, and organizational efficiencies.

With over 3,000 consultants worldwide, Cognizant Business Consulting (CBC) offers high-value consulting services that improve business performance and operational productivity, lower operational expenses and enhance overall performance. Clients draw upon our deep industry expertise, program and change management capabilities and analytical objectivity to help improve business productivity, drive technology-enabled business transformation and increase shareholder value.

About Cognizant

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