WHAT'S NEXT?

An M&E industry that's learned to adapt and excel after a year like no other, for one

LOCALIZATION
Dubbing from home is a work in progress

SECURITY
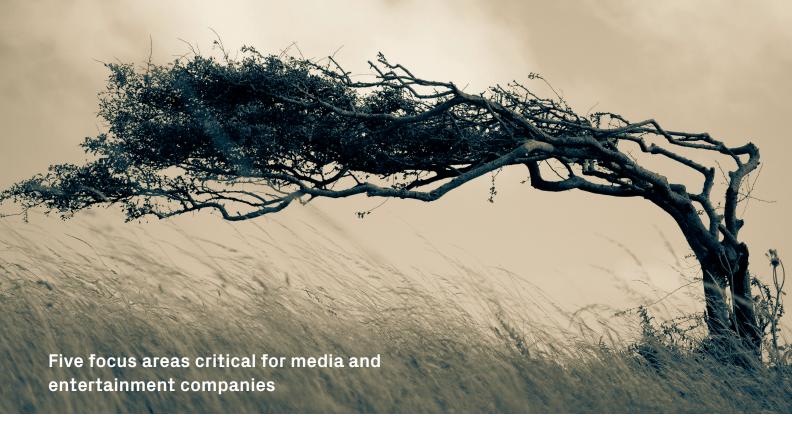How to beat piracy and secure your business during a pandemic

SMART CONTENT
The new ways content players are using data to connect with consumers

NEW WORKFLOWS
Adopting the latest tools fuels a successful change to remote work

20.02

BUILDING RESILIENCE

Five focus areas critical for media and entertainment companies

ABSTRACT: Media and entertainment businesses must build resilience — or even antifragility — as they face increasing consumer expectations, the risks from a content explosion, and the need for seamless operations. We explore how leading companies are unifying experiences, digitizing operations with augmented intelligence, and mitigating risk.

By Brajesh Jha,
Global Head, M&E, Genpact

We all saw the tectonic shift coming: the changes in consumer preferences and media buying that would reshape the industry. But we thought they would arrive at the end of a three-act epic, with lengthy intermissions to adjust and regroup. Instead, COVID-19 accelerated a transformation, most were betting would take years into a three-month window. Rather than getting ample time to stretch and reflect, media and entertainment companies have had to face an abrupt new reality.

It hit so rapidly that the swing in spending on events and linear media in favor of streaming and digital experiences is still being measured. That further complicates an already complex and competitive playing field.

Live events have suffered total shutdowns normally only seen in times of war. Over the first two quarters of 2020, Disney reported $4.5 billion in total negative impact on its parks, experiences, and products. PwC has projected $120 billion in lost revenue year-over-

year from 2019 to 2020 for entertainment and media, a 5.6 percent decline.

And yet, the time is right for organizations to do more than just take stock. It's time to build long-term resilience, not just react to the new normal.

UNDERSTANDING THE FIVE KEY AREAS

Meeting the new demands posed by dislocations like accelerated digital delivery, substantial declines in linear revenue, and a reduction in advertising dollars spent on traditional media isn't just a COVID-driven scenario. It's the path forward to innovate, grow, and gain advantage through further disruption.

We've been working with cross-functional leadership at top media firms as they strengthen five key areas. This approach solidifies short-term positioning and promotes long-term resilience.

■ **Deliver a holistic experience.** Personalized, omnichannel, seamless experiences are essential to capturing and retaining market share in the years ahead. To build those experiences and keep them fresh, media must grow beyond coarse metrics such as audience sampling. Understanding consumers in terms of their activity, participation, and experience across all touchpoints (including social media) to unlock personalization. Holistic experiences generate tangible business impact, including ROI of up to 242 percent and a lift in Net Promoter Score of up to 14 percent.

■ **Digitize operations.** Media and advertising organizations have lagged other industries in redesigning and automating end-to-end processes. Many still rely on outdated ERP systems and have completely different processes across territories and subsidiaries. A typical organization could reduce costs by 35-55 percent with a combination of process standardization, re-engineering, right-shoring and digitization. That's the kind of operational excellence that buys a great deal of resilience against unanticipated shock and disruption.

■ **Migrate to the cloud.** This is about more than moving programming and advertising assets to cloud storage. Media and advertising organizations still hold a great deal of operational data on-premise, frequently in unstructured form and with little standardization.

> *THE BUSINESS CASE for building resilience is as simple as it is urgent. These five key areas strengthen the foundational pillars that enable organizations to deal with external shocks.*

This is too brittle a base for today's data-foundation requirements, and leaves improved security, agility, and savings on the table. Media needs to run on a data ecosystem available anywhere that can be accessed quickly to provide up-to-the-minute insights for every business question today, and forward-looking margins for tomorrow.

■ **Introduce augmented intelligence.** Traditional decision-making cannot keep up with the pace of change in the new virtual media supply chain. Resilient decision-making requires the combination of human judgment and artificial intelligence (AI) insights. For example, media planners at advertising companies use AI recommendations to make more effective and targeted campaigns that maximize business impact. Publishers and broadcasters are also using AI to maximize ad-sales revenue. When machines support decision-makers, people are better positioned to make strategic decisions faster. The critical building blocks here are the volume, variety, and velocity of data available for real-time algorithmic augmentation of decision making.

■ **Strengthen your risk framework.** A holistic approach to risk can help media companies focus on necessary decisions across revenue acceleration, product development, and security. For example, when a media company's financial controls expose its past filings to intense, costly scrutiny, it will be difficult to commit adequate resources toward future growth.

Enhanced risk assessment should include a predictive view of potential IT and information-security liabilities, and tighter identification of incremental

Brajesh Jha *is responsible for Genpact's media and entertainment global industry services vertical. His organization drives business outcomes through digital transformation within microsegments such as studios, cable providers, publishers, entertainment companies and advertising agencies. He is passionate about building new operating models and customer experiences through targeted deployment of analytics, artificial intelligence, and intelligent automation. brajesh.Jha@genpact.digital @brjtweet*

fraud and revenue leakage that can reduce exposures as well as reduce overall compliance costs. A revised approach to risk and compliance can cut segregation-of-duties violations in half, speed risk assessment by a factor of two to five, and substantially improve audit and control efficiencies. Across a global media organization those benefits can add up to $20 million or more in value.

COLLABORATING ON STRENGTH

Improving resilience requires a proven, focused approach. We recommend running a design-thinking workshop as the first step towards adopting these five initiatives to draw expert insights from critical stakeholders representing various parts of the organization.

In the first stage of a workshop, line-of-business experts collaborate to discover the state of readiness for change, including available data sources. In the second stage, the problems and remedies are synthesized and prioritized, and the most feasible problems progress to a co-innovation workshop. At this step a broader group of stakeholders provide their input.

Typically, about eight weeks into the process, the workshop team shifts focus to minimum viable products (MVP) to address the initial problem definition. Successful MVPs proceed to the pilot stage. Once the group prioritizes projects by feasibility, complexity, and resource requirements, the workshop process can roll out pilot projects less than four months from problem definition. These pilots introduce re-engineered processes, redefined workflows, new risk controls frameworks, infrastructure upgrades, intelligent automations, and machine-learning-infused analytics.

Media companies that have focused on building resilience in all five areas have enjoyed early benefits. These include an improved ability to cultivate subscriptions and diminish the impact of piracy, enhanced audience measurement, and rapid adjustments to ever-changing consumer expectations. In advertising, the low-hanging fruit includes greater compliance, improved omnichannel reach, quicker responses to changing revenue streams and business models, and the ability to make sharper decisions at speed through augmented intelligence.

REINVENTION AND REWARDS

The business case for building resilience is as simple as it is urgent. These five key areas strengthen the foundational pillars that enable organizations to deal with external shocks. Companies must consider resource constraints and practical value when prioritizing projects. And this is why a clear and consistent mandate from the top will ensure the journey is worth the effort and costs.

Based on our experience of working with companies around the world on these areas, we have seen an improved ability to deliver omnichannel, personalized experiences that increase market share. And they also become more confident about growing their market share against the shocks that will follow this COVID-driven acceleration. There are no guarantees, but we believe that the initial design-thinking workshops provide a proven, repeatable framework for success.

In both media and advertising sectors, companies can achieve measurable cost savings in as few as three months, while securing revenue diversification and growth within a year. Over the longer term, improved operational agility makes it easier to adapt to the next big shift — or better yet, be the pioneers riding the next wave of change. ⊞

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