Evolving the business model

Disruption is sweeping through the media and entertainment (M&E) industry, powering the invention and rapid expansion of new business models and leading to uncertainty about the durability of well-established ecosystems. Consumers are expecting media and entertainment providers of all types to deliver choice, convenience and value, all wrapped inside personalized, customized experiences that are available on-demand and on a cross-platform basis — and with limited advertising and strong data protection!

At no time has the case for change been more compelling. Inertia, caused by either an inability to act or a lack of vision to do so, represents the industry's greatest threat. By acting decisively to evolve their business models, M&E companies can avoid being trapped by legacy and will be well-positioned to take advantage of growth opportunities available today.

M&E disruption is already a reality ...

Change is clear across the M&E landscape. Evolving audience behaviors are putting pressure on the industry's revenue pillars, customer payments, advertising and to a lesser extent licensing. Publishers were among the first to be hit by the new breed of digitally native competitors, followed by music and advertising, and — in recent years — it has been the turn of video to feel the full force of disruption.

With change comes opportunity, new avenues for growth and new monetization models. Incumbent M&E companies must rapidly revamp the products and services they sell, where they sell them and how they monetize them. This is already underway. Content creators, for instance, are racing to embrace new forms of distribution, with their TV shows and movies appearing on a growing array of over-the-top platforms, including their own, fostering a more direct consumer relationship.

... but more reinvention is ahead

In the next year, the imperative will intensify for companies to take action that may not pay immediate dividends but align with the long-term trajectory of the sector. While legacy businesses continue to deliver tremendous value, they should be seen as the mechanism to fund this change. Some priorities are clear:

- **Disrupt yourself**
  M&E companies must be willing to disrupt their own businesses by creating offerings that align with changing consumption habits. Already, several television networks have launched lower-priced, direct-to-consumer (D2C), streaming offerings, and many more are considering doing so. D2C allows companies to "follow their customers" and take control of the end-to-end customer experience. And yet, these services see MVPDs compete with their own channel bundle! In a similar vein, major film studios are considering "premium video on demand" to shrink the current theatrical window, creating a new, stay at home digital option for movie fans, soon after theatrical release and entirely disruptive for the movie industry.

- **Develop in an agile manner**
  New business models must be sufficiently agile to pivot, shifting rapidly with consumer behavior. A hallmark of success will be timely product and services innovation; however, it cannot be a onetime affair. Companies need to develop an enterprise-wide culture of constant innovation and the organization to support it.

- **Define a role in the ecosystem**
  In such an era of disruption, ecosystems will come together and break apart rapidly, and objectives that may be shared will change over time. Collaborators may be competitors, all at the same time. M&E companies need to be flexible and have in place processes to continually monitor the performance of partnerships against their strategic objectives.

- **Rebalance the portfolio**
  Evaluating their strategic portfolios is a necessity for media companies to evolve business models and realize growth. It is a prerequisite for building digital capabilities, entering promising markets and divesting away from legacy or non-core businesses.

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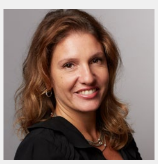

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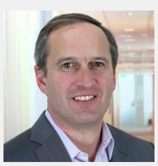

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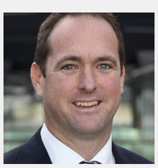

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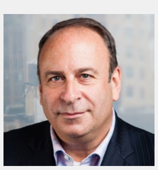

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