

Value chain optimisation

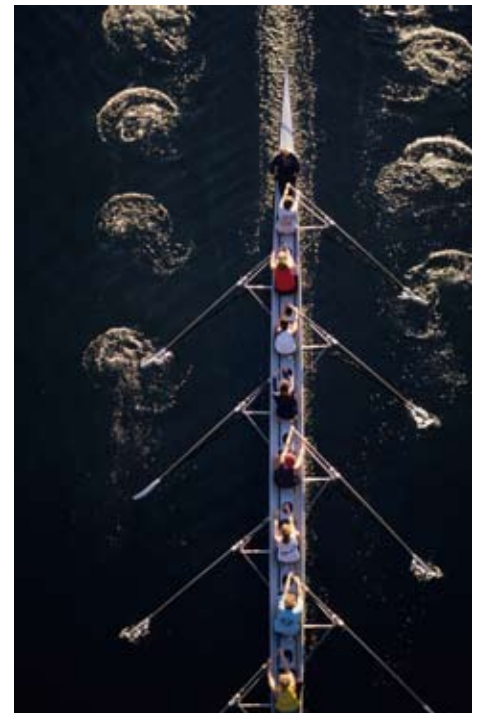
Discover value in hidden places

Leading media companies of the future will have set themselves apart by successfully transforming and simplifying the way they do business today, from strategy through to delivery and the end-user. Many entertainment and media companies are finding it difficult to know where to start.

The answer is likely to be a more disaggregated value chain, in which swift decision making and the selection and optimisation of partnership arrangements will be increasingly critical.

Providing content across different channels clearly increases technical complexity of delivery. It also makes it harder to realise the return. As consumers take charge of how they access content, companies face the challenge of adapting content to different media and working out the right pricing model, bundling and unbundling services to determine what would support a subscription service and what should be delivered free. They then need to look at how to target production, delivery, pricing, payment and advertising accordingly, though few have been as successful as they would like.

Many companies have therefore come to accept they can no longer be all things to all people. They are increasingly looking to partners to provide particular content, expand their distribution capabilities and develop targeted sales, advertising and customer relationship capabilities for specific channels and market niches. The key to creating value will thus move from end-to-end delivery towards the ability to spot opportunities and bring together the necessary alliances to realise them. Such structures will in turn reduce fixed costs and provide the agility to adapt to changing demand.



On top of demand

The development of enterprise performance management capabilities will enable companies to build up a much richer and up-to-the-minute picture of evolving consumer behaviour and the resulting opportunities. Firms can then judge how their value chain of production, delivery and monetisation will need to change and ensure they have the skills, resources and flexibility to successfully respond to these opportunities ahead of their competitors.



Delivering value

PwC is helping entertainment and media companies achieve cost savings by optimising their value chains. We do this by analysing their strengths and weaknesses, assessing strategic options and adapting their business models to the changing demands of the digital era. Support for execution includes project management and advice on acquisition and partnership options. We are also advising firms on the restructuring of their tax, pension and financing arrangements. We are helping companies to adapt their value chain and operating model to meet the demands of digital migration, ensuring they can quickly identify and decisively address both the opportunities and the potential pitfalls.

To speed up their response to market developments, many companies are already looking at how to simplify the often complex management structures that slow down decision making and disconnects in the operating model that can hamper effective execution across different countries and multiple channels. They are also re-thinking the way they target investment and development as demand for content is already evolving much quicker than before and there may need to be a considerable amount of experimentation and iteration to find winning models. This will then demand a change in mindset that accepts the risk that in a more diversified and fast-changing business model, some ventures will fail.

Organisational collaboration and relationship skills will be important as companies seek to develop multi-channel delivery and forge alliances with outside providers. Enterprise performance management will be particularly valuable in enabling companies to track costs more effectively, evaluate the true returns on investment and successfully manage partnerships.

To maximise the benefits of value chain transformation, forward-looking firms are also looking at how to balance their commercial and operational priorities with the tax and systems implications. The result is a more profitable business earning a greater degree of those returns in a more effective tax location.

Contact us

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