IBM

Overview

Clouds game changing attributes are revolutionizing the media value chain, and forcing media executives to adapt their business models at an unprecedented rate. To gain the full benefits of Cloud, they have to determine how to employ Cloud-enabled business models that promote sustainable competitive advantage.

IBM Institute for Business Value

Leveraging the Cloud in Media and Entertainment

How to use its power for business innovation

The Media and Entertainment (M&E) focus on Cloud has been propelled by the rise of media-friendly but storage-shy smart phones and tablets, as well as better networks. Cloud allows consumers to move content on remote storage under an always-connected ecosystem. It significantly expands the reach and availability of a wide variety of data and content, enabling consumers to share commercial and user-generated content services across devices.

As a result, consumers are increasingly changing their content consumption. They expect to be able to access and share content wherever they are, and to control when and on which medium they consume. Consumers want the benefit of buying digital content that can be accessed across multiple platforms and devices without worrying about permissions, formats and protection.

This changing face of content consumption results in key challenges for M&E executives. However, the potential of Cloud also offers tremendous opportunities to radically change their roles in the current ecosystem, create new propositions and business models, expand content consumption and increase their user bases. And in these ways, they can create new monetization avenues.

To more clearly determine how organizations use Cloud today and their plans for the near future – and how the effort and plans of M&E companies differ from those of other organizations – we surveyed, in conjunction with the Economist Intelligence Unit, 572 business and technology executives across the globe. Fifty-five of them were part of the M&E industry.
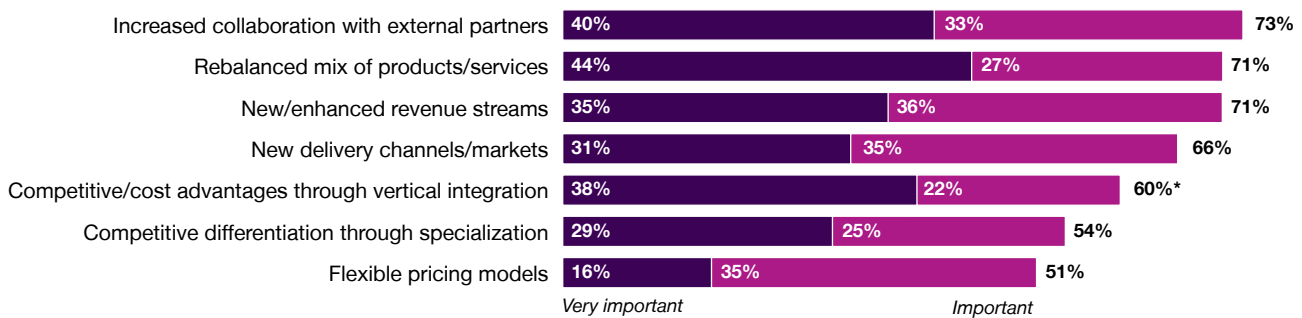
We discovered that M&E companies – both big and small and across all geographies – are embracing Cloud to go forward. More than any other industry, M&E companies in our survey indicated that their companies had piloted, adopted or substantially implemented Cloud in their organizations – 82 percent of M&E respondents versus 72 percent of the entire sample. And 98 percent expect to have done so in three years.

More than other surveyed organizations, M&E companies' focus on Cloud particularly targets more strategic business capabilities. Their top four objectives are related to improving business capabilities such as increased collaboration with external partners; rebalanced product/service mix; new revenue streams; and new distribution channels and markets (see Figure 1). Only one of the top seven objectives cited focused on internal efficiencies. Indeed, the majority (55 percent) of M&E companies identifies Cloud as the leading/important priority of the entire company; 45 percent viewed Cloud as a priority of the IT organization only.

M&E companies are just beginning to understand the power of Cloud to help drive business innovation. Only 18 percent of survey respondents currently use Cloud for sweeping innovation, such as entering new lines of business or industries, reshaping the industry or transitioning into a new role in their industry value chain. However, 52 percent of M&E respondents plan to rely on Cloud for business model innovation within the next three years, significantly more than the 35 percent of the full survey sample.

How important are the following objectives for adopting cloud?
*Percent of M&E respondents*

Objective	Very important	Important	Total
Increased collaboration with external partners	40%	33%	73%
Rebalanced mix of products/services	44%	27%	71%
New/enhanced revenue streams	35%	36%	71%
New delivery channels/markets	31%	35%	66%
Competitive/cost advantages through vertical integration	38%	22%	60%*
Competitive differentiation through specialization	29%	25%	54%
Flexible pricing models	16%	35%	51%

Very important   *Important*

* Internal efficiencies, all others Business capabilities

Source: 2011 IBM Institute for Business Value/Economist Intelligence Unit Cloud-Enabled Business Model Survey.

Figure 1: **Media companies clearly intend for cloud to improve their business capabilities.**

Cloud-driven business archetypes
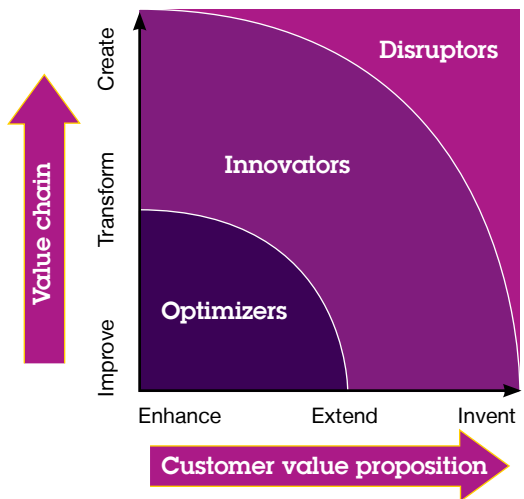
Source: IBM Institute for Business Value analysis, 2012.

Figure 2: **The Cloud-driven business archetypes.**

Key Contacts

Bob Fox, Global Industry Leader, Telecommunications, Media and Entertainment, IBM Global Business Services

Saul Berman, Strategy and Transformation Global Markets and Capabilities Development Leader, IBM Global Business Services

Rob van den Dam, Global Telecommunications Industry Leader, IBM Institute for Business Value, IBM Global Business Services

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit:
ibm.com/iibv

Access IBM Institute for Business Value executive reports on your tablet by downloading the free "IBM IBV" app for iPad or Android from your app store.

We identified some game-changing business enablers powered by Cloud that M&E companies can exploit to drive innovation that extends well beyond IT and into the board room:

- *Cost flexibility* – Transfers costs from fixed to variable
- *Business scalability* – Supports fast scale-up or down of business operations on demand
- *Market adaptability* – Allows rapid prototyping, faster time to market, adoption of innovative ideas
- *Masked complexity* – Increases potential product/service sophistication while hiding associated complexity from users
- *Context-driven variability* – Allows users and providers to flexibly define experiences implicitly through customer preferences, movements and behaviors
- *Ecosystem connectivity* – Facilitates new and different value nets of partners, customers and alliances.

Our research reveals that media companies are increasingly harnessing Cloud to generate additional revenue streams by enhancing, extending and inventing new customer value propositions. The number of M&E companies planning to substantially change their customer value proposition to generate entirely new revenue streams in the next three years is more than triple the number doing so today. And Cloud is also being used to improve, transform and create new value chains. Twenty-four percent of M&E companies expect to change their role within the media ecosystem over the next 3 years.

We observed three business archetypes, representing the extent to which M&E companies use Cloud to impact customer value propositions and industry value chains.

- *Optimizers* use Cloud to incrementally enhance their customer value propositions while improving their organization's efficiency
- *Innovators* significantly improve customer value through Cloud adoption, resulting in new revenue streams or even changing their roles within the ecosystem
- *Disruptors* rely on Cloud to create radically different value propositions, as well as generate new customer needs and segments – and even new industry value chains.

A larger number of disruptors expect to outperform their peers in the next three years than do innovators or optimizers. While they face greater risks, disruptors tend to anticipate higher rewards.

Although Cloud has practically become mainstream in the IT world, the trend has now reached a tipping point where Cloud can create and deliver business value. Thus, Cloud strategy must be a shared responsibility across all lines of business and IT, and they must assess together which archetype – optimizers, innovators or disruptors – they most closely match or aspire to, and how to integrate the archetype into business and marketing strategies, in this way promoting long-term growth and benefits.