The Digital Media Industry
Unlocking New Business Value with Intelligent Technology
“Many industries are now facing the impact of digital transformation. For the media industry, this disruption has already happened, and the landscape has changed forever. From structural changes, such as mergers and acquisitions, with incumbents going for hyperscale, to the vast explosion in data as business models move from business to business to direct to consumer, media is faced with once-in-a-lifetime opportunities.

Specifically, the winners will be those media companies that embrace the following three strategic digital priorities: deliver a compelling content experience, personalize to deliver to an audience of one, and develop new business models that reflect the changing economics of a business powered by digital platforms.

These are exciting times for the media industry. Those who are bold will win. Those who experiment and innovate will reap the rewards. And data and insight will hold the keys to deciding who achieves mere success or greatness.”

Richard Whittington
Global Lead
Media
SAP SE
Media Companies Face New Challenges and Opportunities Amid Digital Disruption

Media has been at the forefront of digital transformation. From the outset, consumers have driven this transformation, combined with digital native companies entering the industry. The winners will be those media companies that drive deep, intimate, personalized, and engaging relationships with consumers in a world of almost infinite media choices. The strategic digital pillars required to win are as follows.

**Evolving content experience**

Content will always be the primary way to engage audiences. To retain and engage audiences, media companies must produce compelling content and deliver a beautiful experience across multiple devices.

**Changing audience behavior**

Consumers are unlocking new revenue models for media companies while disrupting traditional ones. Media companies increase their relevance to consumers by using captured and analyzed data to personalize content offerings and the user experience. They need to match specific content with the most appropriate audiences, channels, and flexible business models.

**Architecting for scale and flexibility**

To maximize this new opportunity, media companies must invest in platforms that allow them to use data as a strategic differentiator. To better compete with disruptors, media companies should build their own direct-to-consumer platforms. As more consumer data is harnessed and advanced analytics are applied, new targeting opportunities emerge.

Media companies are using digital technologies in the following ways:

- Printed classified advertising has been marginalized. Native digital disruptors such as the digital job board StepStone swiftly took the classified business to the cloud. To advance the company’s digitalization strategy across the entire business, StepStone has moved applications to the cloud. Read the full story here.

- Skyrock started as an independent radio station’s music blogging site. Skyrock used analytics and algorithms to link individual followers with matching interests, allowing them to share playlists and form communities. The group dynamic has proven much more effective for winning loyalty than acquiring individual followers. Skyrock became the leading social network in France.
With Huge Opportunities and Challenges, It Is Essential to Focus on the Right Strategic Priorities to Drive Digitalization

Media companies are in the process of transforming their entire approach to content delivery. Driven by consumer expectations, new entrants, and competition for attention, media companies across multiple segments are using technology to reach and serve their stakeholders. Using machine learning to predict choices, blockchain to address the challenges in digital advertising, and artificial intelligence (AI) to write journalistic content are just some of the ways media is using state-of-the-art technology to transform the business.

Delivering an exceptional content experience
To differentiate in direct-to-consumer (D2C) digital engagements, compelling content must be paired with an innovative and interactive content experience. The content experience must always stay on top of the latest technology innovations deployed on devices.

Audience centricity and serving the “segment of one”
The D2C business model requires agile, innovative, content-consumption models that can be adapted to the specific needs of narrowly defined target segments. At the same time, the challenges of acquiring and retaining potentially millions of customers need to be mastered. Digital subscriptions and metered-access models promise the best value and audience acceptance. Subscriber loyalty demands high quality of service with regard to billing, customer lifecycle, and churn management.

Audience insights and data monetization
High-level personalization requires vast amounts of structured and unstructured data to be combined with proprietary algorithms to interpret patterns and meaningful insight. Most of the digital channel data collected from audience interactions is not yet being used to its full value. Increasingly, these data management features become an asset, opening opportunities for new insight-as-a-service offerings.

From content to commerce – maximizing media value for sponsors and advertisers
The economics of the industry are changing. From bundled content to à la carte consumption, old revenue models are under threat. Innovative companies such as wornontv.net are looking to monetize content directly from within a TV show. Publishers responding to the pressure from digital advertisers are experimenting with in-magazine commerce by creating a frictionless shopping experience and capturing some of the revenue that would have gone to online shopping sites.

Business optimization and extending the value of key processes are key priorities for innovative media companies to simplify and reimagine their business and free up resources to invest in transformative programs.

Our Point of View: To Achieve These Strategic Priorities, Leading Media Companies Are Becoming Intelligent Enterprises

An intelligent enterprise enables employees to focus on higher-value outcomes and invent new business models and revenue streams.

By applying intelligent technologies such as the Internet of Things (IoT), AI, machine learning, and advanced analytics, leading media companies transform into event-driven businesses. These event-driven businesses automate repetitive tasks, enable employees to focus on higher-value tasks, and allow the invention of new business models and revenue streams by monetizing data-driven capabilities and applying core competencies in new ways.
SAP Enables Media Companies to Become Intelligent Enterprises

SAP helps media companies transform into intelligent enterprises through integrated business applications that use intelligent technologies and can be extended on SAP® Cloud Platform. This enables next-generation business processes to deliver breakthrough business value on our customers’ journeys to becoming intelligent enterprises.

Intelligent Suite

The set of applications provides the business capabilities that media companies need to run their business. End-to-end business processes span multiple applications, so processes and data must be integrated for automation, a seamless user experience, fast adoption, and ease of operations.

Intelligent Technologies

Several innovative technologies have matured to practical use:

- The IoT makes business applications interact with the physical world.
- Big Data makes large data sets accessible for advanced analytics and intelligence.
- Machine learning and AI automate repetitive processes and learn from human exception handling and decision-making.
- Advanced analytics find data patterns to support decisions and predict the future.
- Blockchain distributes collaborative processes across the entire value network.
- Data intelligence finds new value in data assets for new business models.

Digital Platform

The digital platform, which is powered by SAP HANA®, extends intelligent, end-to-end processes and connects to these data sources:

- Cloud platform that allows customers and partners to extend their intelligent suite to run additional business processes
- Data management to handle and organize data, a key asset of an intelligent enterprise
SAP Leonardo

SAP Leonardo technologies bring the power of intelligent technology to your platform and applications to streamline existing workloads, reveal optimal decisions, maximize revenue and profits, improve customer satisfaction, and capitalize on digitally transformed business models.

In addition, companies can use SAP Leonardo Services, delivered by world-class innovators that combine industry and emerging technology expertise, to help drive innovation and business impact at scale.
SAP Leonardo: Intelligent Technologies Optimize, Extend, and Transform the Business

Media intelligent scenarios
SAP Leonardo technical capabilities are embedded in business-core and industry applications to optimize and extend business processes. Companies can also use them together with innovation services to build and assemble next-generation business processes. For media companies, we support more than 9 intelligent scenarios to optimize, extend, and transform their business. Below are a few highlighted ones that will be further explained on subsequent pages.

- Customer retention
- Resume matching
- Conversational customer experience (CX) bots for service and commerce
- Customer profitability analytics
- Digital boardroom
- AI-based demand forecasting
- Contingent worker intelligence
- Fan engagement platform
- Rights and royalties, smart contracts
- Transform the company’s value chain or business model to capture new revenue streams.

Optimize
- Optimize existing processes for more efficiency or reliability.

Extend
- Extend current business processes beyond efficiency gains to capture new sources of value.

Transform
- Transform the company’s value chain or business model to capture new revenue streams.
SAP Leonardo: Applications Optimize Business Processes

Optimizing business processes results in achieving the same business outcome more efficiently and reliably. We begin with scrutinizing current practices: Among the innovation technologies, machine learning has huge potential to optimize the business. It can automate core process capabilities and eliminate repetitive, manual tasks for increased efficiency and better decision intelligence. Functions in shared service centers (finance, HR, customer service) will be a clear target for machine learning technology.

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<th>Customer retention</th>
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<td>Lack of insight into root causes and indicators of customer churn, making it difficult to prevent and reduce</td>
<td>Difficulty in identifying and acquiring specialized media talent and artists</td>
<td>Costly, high-touch customer service and slow issue resolution</td>
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The SAP Customer Retention application identifies leading indicators based on transactional interactions to anticipate customer behavior, such as services cancellations or renewals. It automatically classifies and finds patterns in and provides insight into root causes and timely predictions to act.

- Identification of customers at risk and reduced risk of customer churn
- Increased customer retention
- Reduced subscriber churn

- Increased productivity for HR
- Improved talent service
- Reduced customer service cost
- Accelerated service resolution

“The collaboration between SAP and NTT Group will provide co-innovation solutions not only for each customer’s issues but also for social issues.”
– Jun Sawada, Senior Executive Vice President, NTT Security

Vodafone is driving transformational change, cost savings, and operational excellence with SAP HANA and increasing penetration of shared services by 90% across the organization.
SAP Leonardo: Capabilities and Services Extend Current Processes to Capture New Sources of Value

Extending business processes aims at generating more value and new outcomes. Begin by challenging the status quo: Could AI help protect the margins of a traditional mass media business? Innovators use digital technology to extend business processes to create new value. SAP Digital Boardroom enables a content provider to track the audience of a specific episode in real time simultaneously across multiple channels and social sentiment sites.

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<td>Lack of granular margin insights as an obstacle to profitable transformation</td>
<td>Lack of real-time business insights in one place and the inability to predict what lies ahead</td>
<td>Inaccurate sales forecasts that lead to overdelivery, costly returns, and avoidable loss and waste</td>
<td>Lack of broad visibility into the contingent workforce suppliers market</td>
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The SAP Customer Profitability Analytics solution (formerly the SAP Big Data Margin Assurance solution) based on SAP HANA delivers multidimensional margin information at the most granular level. With advanced algorithm and machine learning technology, the application also provides automatic analysis and detection of margin outliers and margin drivers.

SAP Digital Boardroom transforms the boardroom into a real-time digital enterprise, providing a 360-degree view of the entire business as well as instant data-driven insights.

AI with SAP Leonardo connects historical and live data to identify and refine parameters influencing consumer behavior. It then combines all that data for faster and more precise predictions of sales and to reduce returns. In media, this extends to predicting demand for content for production and forecasting ad space inventory for ad buyers.

Real-time benchmarking based on customer data informs contingent workforce decisions using KPIs and monitors talent supplier data.

- Increased margin
- Reduced revenue leakage
- Improved transparency
- Increased productivity
- Improved customer service
- Reduced remission cost
- Increased access to a specialized talent pool
- Reduced contingent workforce costs

Vodafone Germany implements the SAP Customer Profitability Analytics solution to analyze granular customer profitability and identify margin leakage scenarios worth tens of millions of euros.
SAP Leonardo: Intelligent Technologies and Innovation
Transform the Media Value Chain and Business Models

Transforming the business starts with ideas to conquer new markets with current products or deliver new value on your home turf. It often goes along with a renewed view of who the ultimate customer is and what kind of value they really need.

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<td>While established mass-media business models suffer from audience erosion, the growth in digital business models often does not reach the content creators and instead is captured in the largest part by new market entrants that use advanced technology to attract large audiences to their platforms.</td>
<td>Media companies often experience difficulty managing and processing digital distribution contracts due to an inability to define flexible contracts and deals to capture new markets. There is a significant level of manual involvement in the creation of rights-acquisition and license-sales contracts and respective royalty terms and conditions.</td>
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<tr>
<td>Content creators need to pair their premium content with innovative technology to deliver an exclusive content experience on their own platforms, thus disintermediating the current digital media landscape and establishing direct relationships with consumers. These connections then create the basis for multiple new business opportunities, ranging from content subscription to live events, precision-targeted advertising and sponsoring, and deeper integration of the value chain of consumer product customers beyond advertising into e-commerce.</td>
<td>Using SAP Leonardo Blockchain capabilities with smart contracts makes it possible for content owners and distributors to ensure a secure and guaranteed delivery of rights and content without intermediates. As a result, royalty payments are settled faster and paid securely and directly to the associate rights holders.</td>
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- Increased revenue through business model innovation
- Faster adaptation to new market trends
- Decrease of rights infringement
- Faster, more accurate royalty payments
SAP Leonardo: Transformational Scenario – Fan Engagement Platform

SAP customers and SAP experts collaborate to design and build complete use cases using innovative technologies – fully tailored to the specific customer situation and supported by SAP Leonardo Innovation Services.

Historically, product-centric content creation and efficient media distribution to a mass audience has been the centerpiece of the media’s business models.

Digital media companies use data-driven technologies to engage with every consumer directly, effectively creating many audiences of one.

Analyzing individual consumer behavior can help provide a personalized content experience for every customer by defining a personalized bundle based on preferences, context, and relevance.

The data collected during the customer journey is used for personalized content prioritization and recommendations, retention and loyalty strategies, and precision targeting of advertisers’ messages.

Moreover, this data represents an asset in its own right and is increasingly monetized in data-as-a-service business models.
Turn Unused Data Into Value: News UK

SAP has developed a proven innovation methodology, working closely with customers during the innovation process. This co-innovation approach is designed to deliver faster innovation with less risk by combining the expertise of customers, SAP, and SAP partners. Here is a customer example.

Rethinking established processes from a new technology perspective

The standard practice in daily copy allocation for newspaper retailers included ample contingency copies to prevent revenue loss from selling. A significant amount of returns and wastage was accepted as a given. Accurately anticipating daily sales at tens or thousands of retailers individually was not possible with established planning systems. When News UK engaged with machine learning experts from SAP, it discovered that it could access years’ worth of past sales figures as well as a large number of known variables that could affect demand, such as the time of the year, the location of the retailer, the day of the week, the topic of the headline, political situations, events, and so forth. A first prototype proved that with forecasting capabilities based on SAP HANA, all this data could be utilized to reduce the cost of unsold copies by 6%.

The final solution delivered by SAP gold partner Invenio exceeded the promised business case, reducing costs by 8% to 10% and accelerating the forecasting cycle from 5 hours to 10 minutes, thus enabling response to sudden events impacting sales with last-minute quantity adjustments—a capability that before was way out of reach. SAP HANA not only helped protect margins but also the environment: over the first year, 4,000 tons of paper were saved by reducing print volume, which represents the equivalent of 48,000 saved trees. And that’s still not the end of the journey: the spare capacity of SAP HANA allows News UK to create new business from offering demand forecasting services to other retail suppliers.

SAP Leonardo provides the right environment for creativity and out-of-the-box thinking, fostering collaboration between people.

Explore
- Business
- Information technology
- End users
- One room

Discover
- Perform on-site analysis
- Listen to end users
- Identify user challenges

Design and prototype
- Use the SAP Build tool
- Design apps
- Get end-user feedback

Deliver
- Get things implemented
- Deliver to end users
- Create business value

“Demand planning is extremely challenging in the newspaper industry, with volatile products, numerous external factors influencing sales, and a shelf life of less than 24 hours.

The solution is already providing the business with great savings, reducing the cost of our unsold newspapers by 8% to 10%—significantly better than the 6% business case we sold to the business.”

– Carl Masters, Head of Retail Allocation, News UK

Read the full story to find out more on how News UK uses SAP Leonardo technologies to protect the margins of its newspaper business.
How to Get Started with SAP Leonardo

Whether you're still exploring new ideas or have defined one idea in detail already, SAP Leonardo brings together world-class innovators, industry and emerging technology expertise, proven use cases, and design thinking methods to help you optimize your business and drive innovation and impact at scale – faster and with less risk.

Explore in a workshop
Identify and prioritize your business challenges, explore how SAP Leonardo might help to rapidly solve them, and define a path for the way forward.

Design for the future
Use a guided process to reimagine the future of your business and uncover where a blend of SAP Leonardo and established technologies might take you – from testing a new business model to organization transformation.

Accelerate
Draw on our library of industry innovation kits to address common value propositions, and let SAP guide you to a business outcome in weeks, not months.

Bring your own idea
Bring a defined idea and we'll support rapid prototyping and progression with a constant eye toward how to scale it across your business.

SAP takes a holistic approach to innovation. Because digital transformation isn’t just about installing the latest technology, we also address the readiness to receive a new idea. From human capital to infrastructure, we bring best business practices across your organization to improve communication, plan for employee training, review technical and regulatory feasibility, and consider other cross-functional needs to drive change and truly scale your innovation.
SAP Is the Innovation Partner for Media Companies

Ten-year innovation vision
Deliver fully intelligent business solutions and networks that span across company boundaries and promote purpose-driven businesses. These solutions will be the most empathic symbiosis between machine intelligence and human ingenuity.

- Self-running enterprise systems
- Self-organizing business ecosystems
- New markets and business models

Comprehensive industry coverage
SAP enables the comprehensive coverage of the complete media value chain across the enterprise. With its clear industry road map, SAP is the partner of choice for the media industry.

- 9 of the top 10 film studios are innovating with SAP solutions
- 74% of worldwide delivered radio and TV content comes from TV broadcasting companies that run SAP solutions
- 83% of global Forbes 2000 publishing companies are SAP customers

Proven services offering
By bringing together world-class innovators, industry and emerging technology expertise, proven use cases, and design thinking methods, we help media companies develop innovations that deliver impact at scale.

- Use proven methodologies to drive innovation, from reimagining customer experiences to enhancing operations
- Fuel your innovation through a managed innovation ecosystem from SAP
- Build your own innovation capability and culture

SAP delivers support for becoming an intelligent enterprise in the media industry – providing integrated business applications that use intelligent technologies and can be extended on SAP Cloud Platform to deliver breakthrough business value.

Learn more
- SAP.com for media
- SAP Leonardo
- SAP Digital Business Services
- SAP Design Thinking