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LEVERAGING ECOSYSTEMS PLAY IN MEDIA

Part 2: New Age Media Companies – A Pragmatic Approach to Ecosystem-Centric Business Models
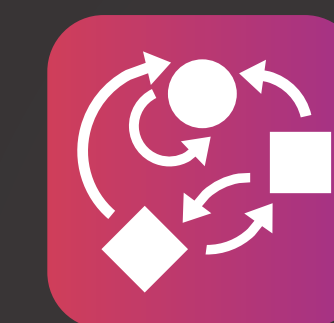
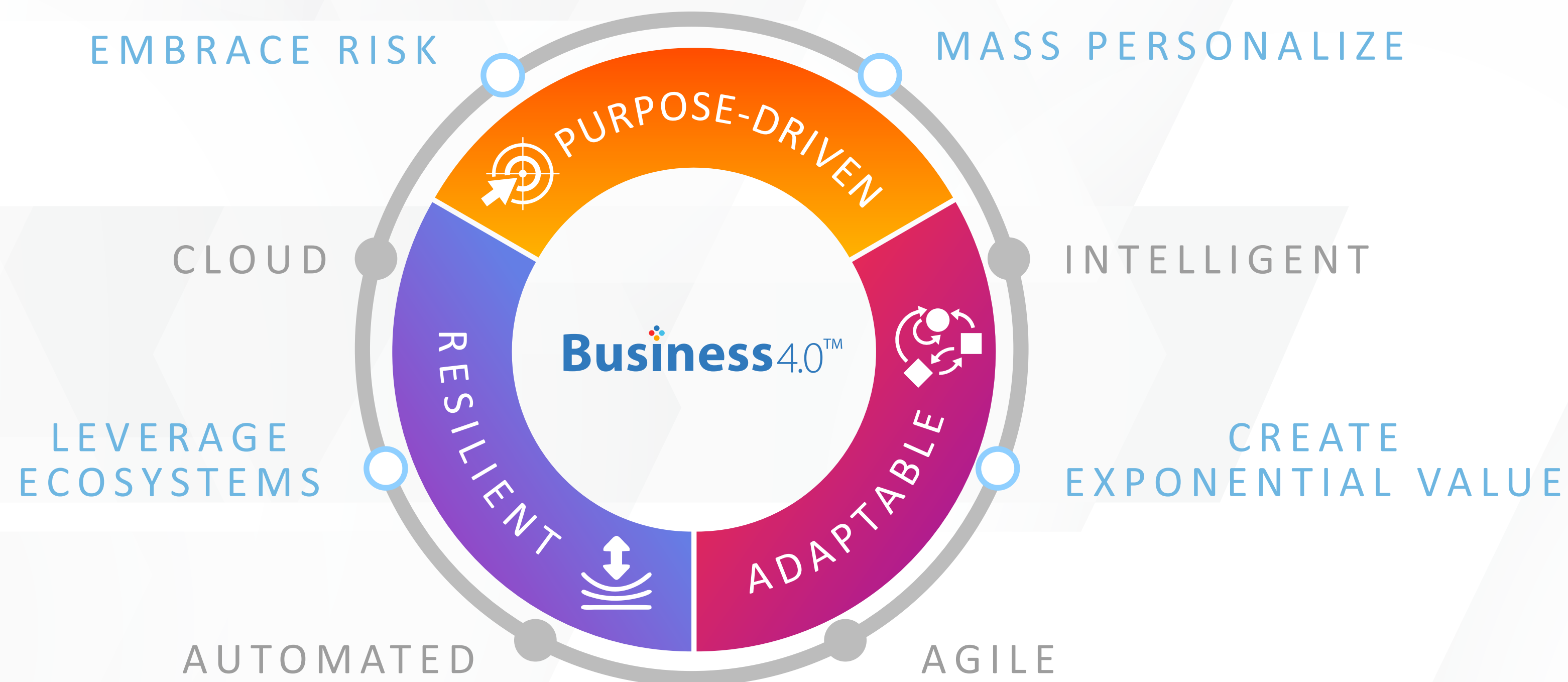Communications, Media & Information Services

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In part-1 of this two-part whitepaper series, we discussed why new-age media companies need to shift towards purpose-centric ecosystem-based business models to stay profitable, relevant and sustainable.

Executive summary

Ecosystems are the cornerstone of future growth. Companies that leverage their ecosystems to build disruptive business models, products and services will successfully survive disruption and grow/retain customers and revenue in today's hyper connected digital economy. In this paper, we explore a set of business models along with a framework that can enable new age media companies to effectively face disruption while creating shared value for customers and ecosystem partners. We will also look at the why and how of media companies leveraging intra-industry and cross-industry ecosystems to disrupt and sustain.

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Ecosystem-based business models in the media industry

Media companies can adopt from a mix of ecosystem-based models depending on their industry context, business strategy and capabilities. Based on the depth and breadth of ecosystem coverage in their business models, we categorize media companies as (illustrated in Figure 1):
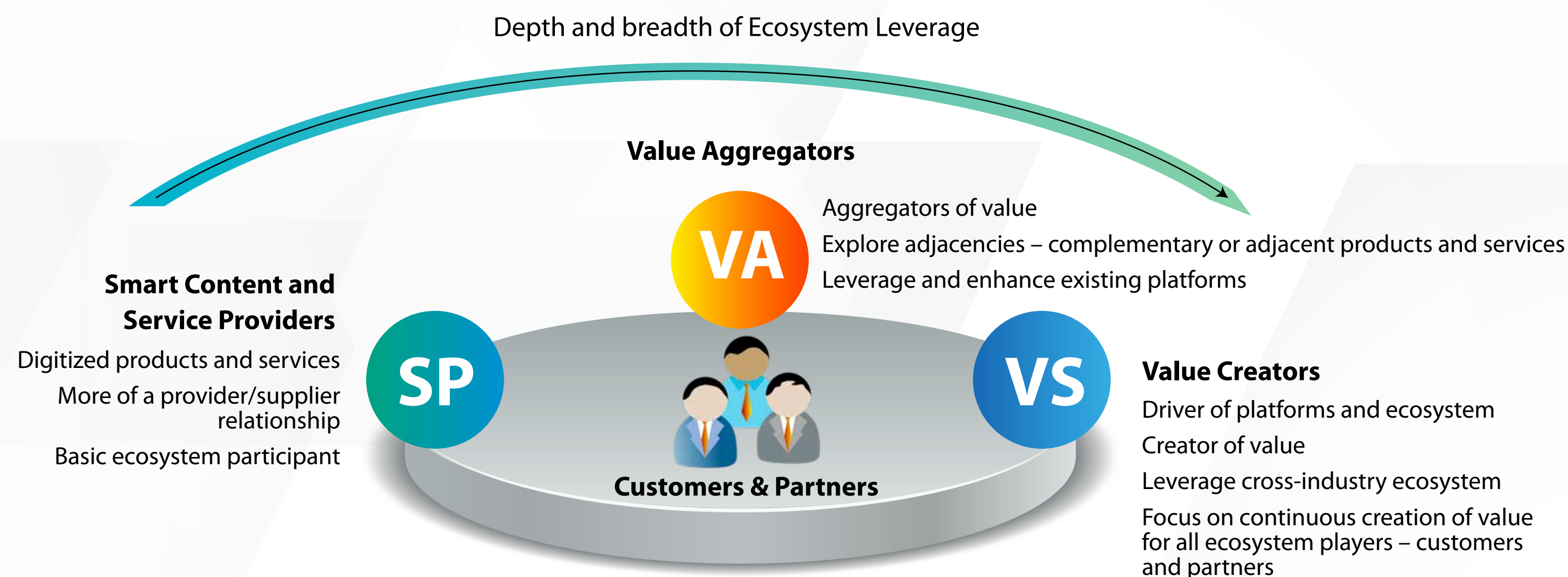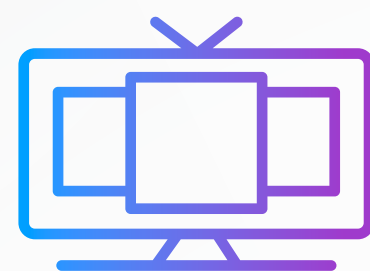
Depth and breadth of Ecosystem Leverage

Value Aggregators

VA

Aggregators of value

Explore adjacencies – complementary or adjacent products and services

Leverage and enhance existing platforms

Smart Content and Service Providers

Digitized products and services

More of a provider/supplier relationship

Basic ecosystem participant

SP

Customers & Partners

VS

Value Creators

Driver of platforms and ecosystem

Creator of value

Leverage cross-industry ecosystem

Focus on continuous creation of value for all ecosystem players – customers and partners

Figure 1: Types of Ecosystem Based Business Models for Media

Smart Media Content and Service Providers

These companies tend to be inward focused - harnessing multiple facets of an enterprise to maximize business outcomes. They invest in digital products, either in-house or through partnerships, bundle them with their core service offerings, and mass personalize/customize them for their consumer and business segments leveraging next-gen technologies such as AI, automation and cloud. Their core services of digital content and other media services need to be integrated to the digitized core in a seamless manner using standardized APIs. These companies can be creators, aggregators and providers of media content and services such as of digital text and video content across partners, personalized content recommendations, freelance content, information as a service for niche areas.

Examples include New York Times, Reuters, various video game publishers and music labels.

Value Aggregators

Value aggregators focus on building a portfolio of services that are adjacencies to their core services. They retain core business and customer base while harnessing the power of the ecosystem to reach and sell products and services to a wider customer base across complementary and adjacent businesses. These companies source and aggregate differentiated capabilities and services from the digital ecosystem in a rapidly iterative agile manner whilst embracing the risks of the unknown when it comes to partnerships. Value aggregator media companies differentiate themselves through superior consumer experience backed by hyper-personalization, omnichannel integration, and service innovation. They must be outward focused to harness the power of partnerships through service aggregation and integration (including solutions, services, and capabilities of third-party entities in their product portfolios) to fortify business with risk mitigation strategies.

The successful transformation of Washington Post from a print to a digital company with journalism still as its core purpose is a relevant example here. The company's annual digital advertising revenue of over $100 million a year is further bolstered through alternate revenue streams such as licensing their cutting-edge content management system to other news outlets, other non-media businesses and through global partnerships for expanded outreach.[1, 2]

OTT players Netflix and Disney+Hotstar are successful customer subscription-based businesses that produce own content as well as source and aggregate from other content partners.

[1] Observer.com, The Washington Post's Most Valuable Asset Is Now Its Software, Thanks to Jeff Bezos , March 2019 (accessed Apr 2020).
https://observer.com/2019/10/jeff-bezos-washington-post-publishing-software-arc-licensing-bp-media-revenue/

[2] https://www.thedigitaltransformationpeople.com, Digital Transformation Lessons from Bezos and the Washington Post, October 2019 (accessed Apr 2020) ,
https://www.thedigitaltransformationpeople.com/channels/customer-engagement/digital-transformation-lessons-from-bezos-and-the-washington-post/

Value Creators

Value creators go one step beyond aggregation by fostering marketplace collaborations through cross industry partnerships. They create compelling and differentiated value in the marketplace for consumers without dependency on their own core business/channels. Value creators develop software-centric platforms that other ecosystem players can leverage, while shifting from the frontline of products and services to the backend. They reorient from delivering products and services that are traditionally core to them to facilitating next-generation digital services. The central differentiation lies in their ability to be the experience custodians for their customers, by offering and managing a platform to provide a range of services covering own, partners and competitor products and services, within or across industries. This radical shift necessitates new business and operating models, skills, processes, and a change in the organizational culture.

These are in addition to the digital core, platform, partner management, APIs and integration, customer insights and experience management capabilities required.

Amazon, Alibaba and Google are examples of platform-based value creators with cross-industry collaborations. Among small and mid-sized companies, we have Nordic media group Schibsted which has evolved to become a marketplace connecting millions of buyers and sellers.

Enabling ecosystem-based business models

With 5G and convergence of technologies we are already seeing blurring boundaries of industries and cross-industry ecosystem collaborations such as that of the telecom leader AT&T Inc's merger with media giant Time Warner Inc and Comcast Corp's acquisition of Sky Plc. The opportunities for creating revenue and value through vertical integration across industries will increase in the future to create purpose centric ecosystems forging collaborations of media companies with other industries such as smart heath, connected cars, education and travel.

Key guidelines to build business and IT capabilities that enable the ecosystem-based business models include:

1 **Define a clear business strategy:** Based on what the company wants to do, industries, ecosystems, and partners to leverage and the kind of business models and value propositions they intend to deliver.

Explore monetization avenues such as monetizing media content, archives, data and customer information, technology systems or the wide audience base of the company.

2 **Build a marketplace or platform:** With the right set of intra or cross-industry ecosystem players (for a platform business model). The platform should generate value for all the key players and be enabled through capabilities including:

- Dynamic partner management

- Modular partner integration, APIs to enable partner integration and collaboration.

A hybrid agile and pervasive integration, which allows integration of on-premise and in-the-cloud applications and data sources, mobile apps, social networks and things as needed

- Dynamic bundling, real-time offers and catalog management

- Real time billing and settlements

- Self-service capabilities

- Capability to create as-a-service value propositions such as platform as a service, information as a service, lead generation as a service, etc.

3 **Build a strong digital core:** This could include digitization, re-imagination and transformation of core business functions such as customer acquisition and engagement, product development/ management, editorial and content management, and sales and advertisement.   Key examples for media companies include: digital-first news rooms, data-driven self-service advertisement sales, AI/ML based recommendation engines for delivering personalized content and recommendations to customers, predictive recommendations to identify and proactively avert customer churn, gauge customer behavior driven cross-selling opportunities such as between print and digital media customers of the same company, editorial automation for performance improvements, cloud enablement etc.

4 **Focus on customer life-time needs:** Deliver needs-based mass personalized value propositions through purpose centric ecosystems. The ecosystem must include:

- Customer centric, contextual solutions and services focusing on customer purpose and lifecycle needs. Delivering highly personalized consistent omnichannel experiences and customer satisfaction across channels. This is critical in building the required customer stickiness to make the platform work, scale and grow.

5 **Leverage customer data and insights/analytics:** Managing data integration, privacy and security issues would be critical to unlock opportunities for better monetization, personalization, focused targeting, predictive behavior/opportunity analysis and customer engagement.

6 **Re-imagine talent and culture:** Can include adopting agile ways of working to continuously experiment, innovate on business models, products, services, solutions and upgrade talent and skill sets to meet current and future business needs.

Unlocking the potential

Media companies are in an unique position to co-create purpose-centric ecosystems. This collaborative play need not be limited within the media sector and can span across industries to create value for customers and ecosystem partners. It requires media companies to re-imagine, experiment and arrive at suitable strategies, business models and partnerships which co-create value for all stakeholders as well as their current and future target audiences. It also requires companies to adapt and build resilience to emerge stronger in the future with suitable operating models, capabilities, next-gen technologies, culture, organizational mind shifts, and upskilling of talent.

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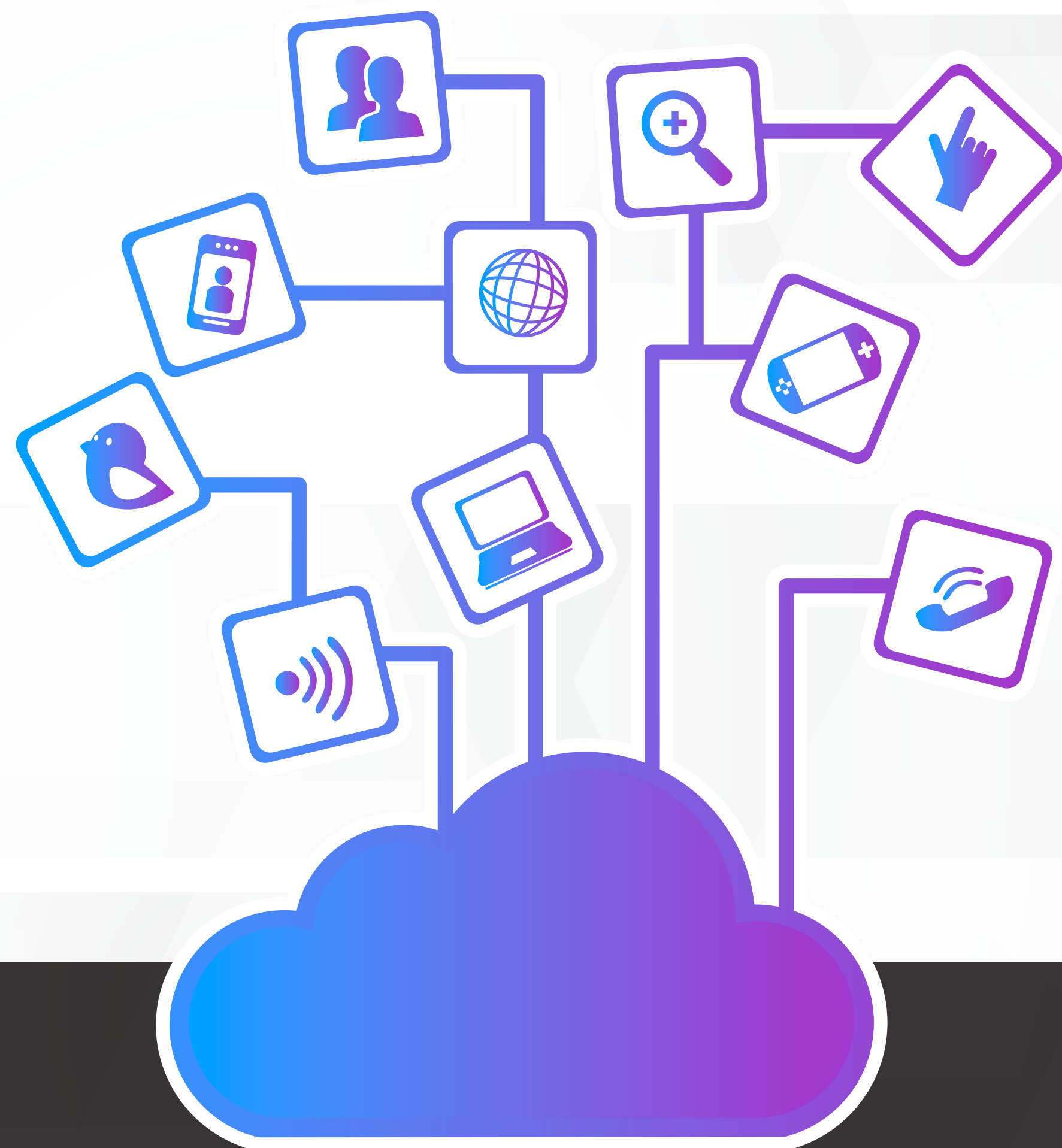

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