



birlasoft

Media companies turning in a complex rights and contracts web in the OTT world

Unified cognitive rights &
contracts solution to ease
cost of content acquisition.



Executive Summary

In the past 4-5 years, media enterprises have aggressively accelerated their spending on content, both third-party and in-house production, to acquire a digital subscriber base, expand into newer markets, and improve retention rates. Although historically transnational enterprises such as Netflix, Disney, Comcast, Sony, ViacomCBS, etc., have been at the forefront of acquiring premium media asset rights but regional and local businesses are also expediting their spending to maintain their competitive edge.

A good example is Sinclair Broadcasting to invest in launching a sports streaming service with an initial capital investment of US\$250mn. Also, as the cost of these premium media assets continues to increase threefold over ten years, enhancing ROI and scalable multi-screen reach without offsetting margins to become KPI. This paves the way for orchestrating legacy rights and contracts management solutions to meet these continuously changing business priorities and risks.

Today's loosely coupled siloed architecture-centric legacy solutions are insufficient in assisting media enterprises to effectively monitor each content rights usage, enterprise-wide access and authentication of these IP's, and real-time contextual modifications of contractual agreements based on multiple attributes (geographies, devices, platforms, and usage window). Therefore, cloud-based transformation projects will witness a slow but steady adoption curve across both linear and non-linear TV & video segments globally to enable:

- Faster time to market
- Operational productivity
- Negligible revenue leakages, and
- Cost-effective multi-platform reach at scale

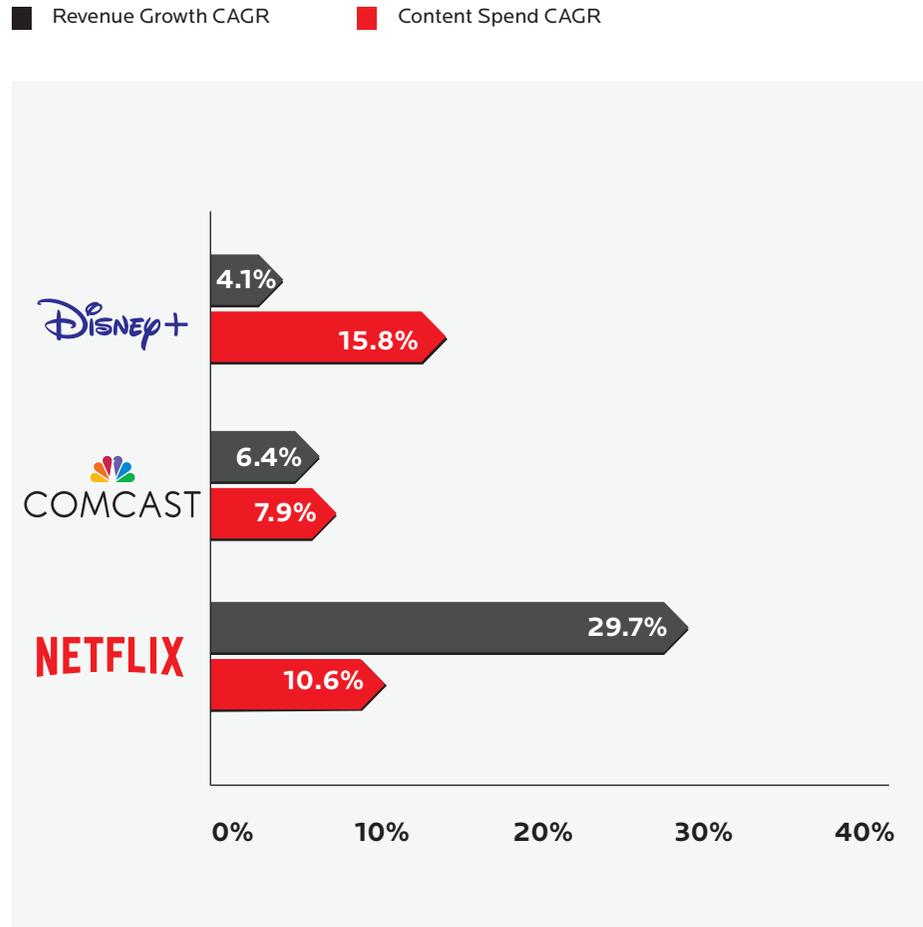
Cost of Content & Consumption Fragmentation Continue To Rise

In today's OTT TV & video services era, securing rights of premium content repositories (global, regional tier-I TV film titles, sporting events, live concerts etc.), is vital to not only enhance average revenue per user (ARPU) and average revenue per advertiser (ARPA) but also long-tail engagement rates. Also, there is a gradual but steady movement of multi-dimensional media assets (e.g., sports, TV, film, live events, music, etc.) consumption preference from linear towards non-linear TV & video (OTT) and social media platforms.

This is eventually pushing media enterprises towards managing multi-faceted engagement touchpoints at scale to improve single media asset ROI and safeguard profitability margins. Also, as competitive pressures increase, enterprises are steadily following a triple multi-channel publishing ecosystem (as highlighted in figure 2) to accelerate their edge in the long run. This can be witnessed from figure 1, with the spending on content licensing in the past five years more or less exceeding the annual revenue growth for both Comcast and Disney except for Netflix. Although, as Netflix's average annual revenue growth is 3x of the total produced, licensed, and acquired media asset repositories, its 43% content spend as percent of revenue far exceeds both Comcast (32%) and Disney (31%) in 2020.

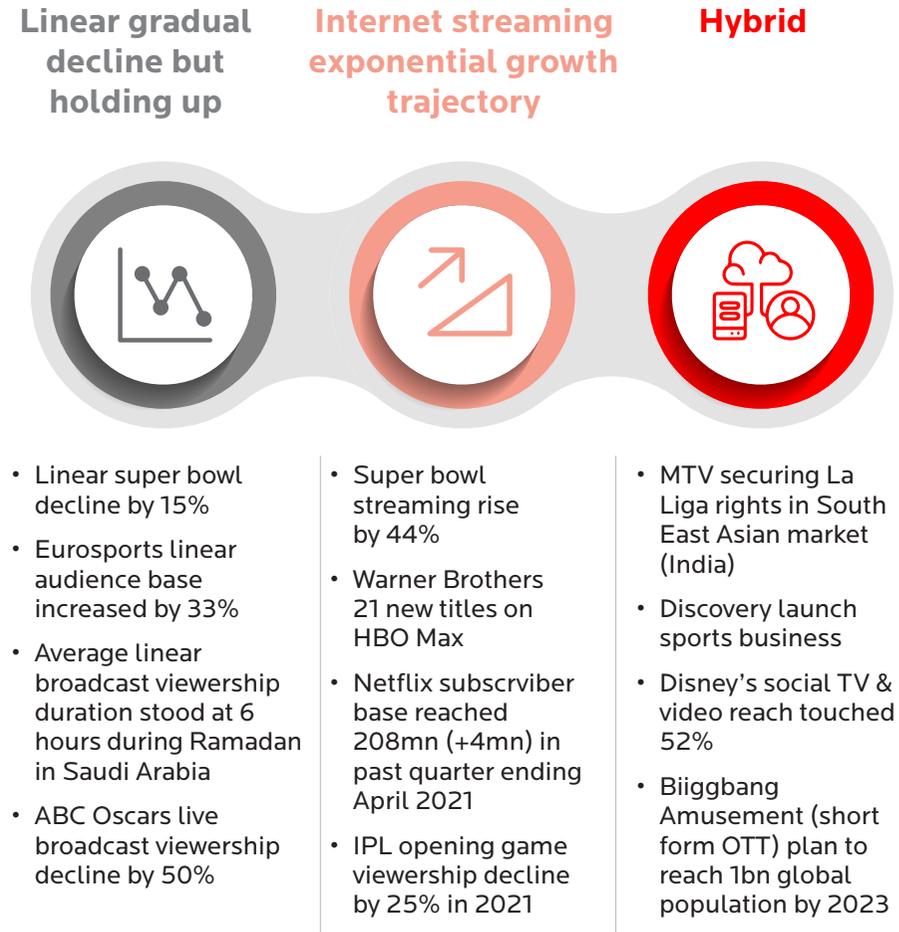


Figure 01: Three leading premium content owners' rights spend to revenue growth comparison (2016-2020)



Source: Annual reports (2016-2020), and DTVE Europe (2021)

Figure 2: Premium content rights consumption by mode (2020-2021)



Furthermore, as content Anywhere Everywhere becomes the primary consumption model across today's connected media economy, this paves the way for an increase in multi-layered rights and contracts management complexities in the long run. These changing dynamics are highlighted below:

- As depicted in figure 2, in large-scale events such as the super bowl, Oscar's viewership sharply declined on linear TV & video platforms. Still, Eurosports witnessed strong growth in audience base in 2021. Thus, the slowdown in linear is eminent but niche positioning and sustainability across a few markets and content aggregators. Therefore, this balanced outlook maintains premium content rights investments across linear TV & video platforms on a short to mid-term basis.
- On the other hand, millennials and Gen Z are driving premium content consumption such as super bowl, OTT first films, Oscars, Euro 2020, and other live events on Internet TV & video streaming platforms such as Hulu, Netflix, Amazon, HBO Max, and Disney Plus. Thus, exponential incremental spend on niche rights across the non-linear TV & video platform will witness a surge in the next 3-5 years.
- Finally, horizontal integration (Discovery, Amazon securing sports rights), short-form (pure-play OTT Biigbang Amusement launched in Asia) differentiation, and social-first strategy (Disney's focus on user-generated content-centric engagement) will demand not only streamlining of rights and contracts management but also enriching the workflow to adapt to this converging consumption ecosystem.

Thus, optimization of cost of content, and enhancing every content rights ROI effectively on all of these multi-layered consumption modes to become a necessity in today's multi-screen TV & video services landscape for premium content owners such as Netflix, Comcast, Disney etc.

As third-party acquisition and original programming of local content lie at the epicenter of the majority of premium content owners' audience engagement roadmap in the next 2-3 years, government regulations further support this investment trajectory globally. A few examples are as follows:

- 30% quota towards regional content repositories in Europe
- Directive to allocate 20-25% of home market OTT revenues towards local content commissioning and production on an annual basis in France.

Therefore, as pre-integration of local and regional media asset repositories across linear, non-linear, and hybrid engagement touch points to be necessity to not only comply with regulations but also acquire niche digital user base in home markets. Thus, as horizontal diversification of engagement touchpoints (beyond linear) and content rights (beyond premium tier-I film, TV, and live assets), portfolios continue to surge, paving the way for rights and contracts management workflow transformation on the long-run basis.



Paradigm Shift Towards Adaptive, and Multi-Modal Rights and Contracts Management Solution A Must



As most media enterprises have embarked on the D2C (OTT) and social-first strategy in the past few years, the traditional content rights and contract administration framework is ineffective to meet this changing business requirement. A good example is fixed duration-based fees for an EPL game across the linear TV & video space stood at £10.2mn (on average as highlighted by Sports Business Institute Barcelona). Still, this pricing model is inefficient in the non-linear TV & video landscape due to usage-based rights acquisition.

Furthermore, as most time-bound projects such as sports, live events, etc., are witnessing a shorter monetization lifespan attributed to the availability of rich media tsunami globally, flexible contract management is fast becoming the new norm. Finally, as the need for a horizontally (short and long-form) and vertically (film, TV, sports, concerts, music, news, etc.) diversified rights portfolio aggravates, managing these multi-faceted IP at scale is also crucial in the long run.

Thus, majority of legacy rights and contracts management solutions are inefficient to support this paradigm shift and facilitate media enterprises to build the new age hybrid monetization avenues.

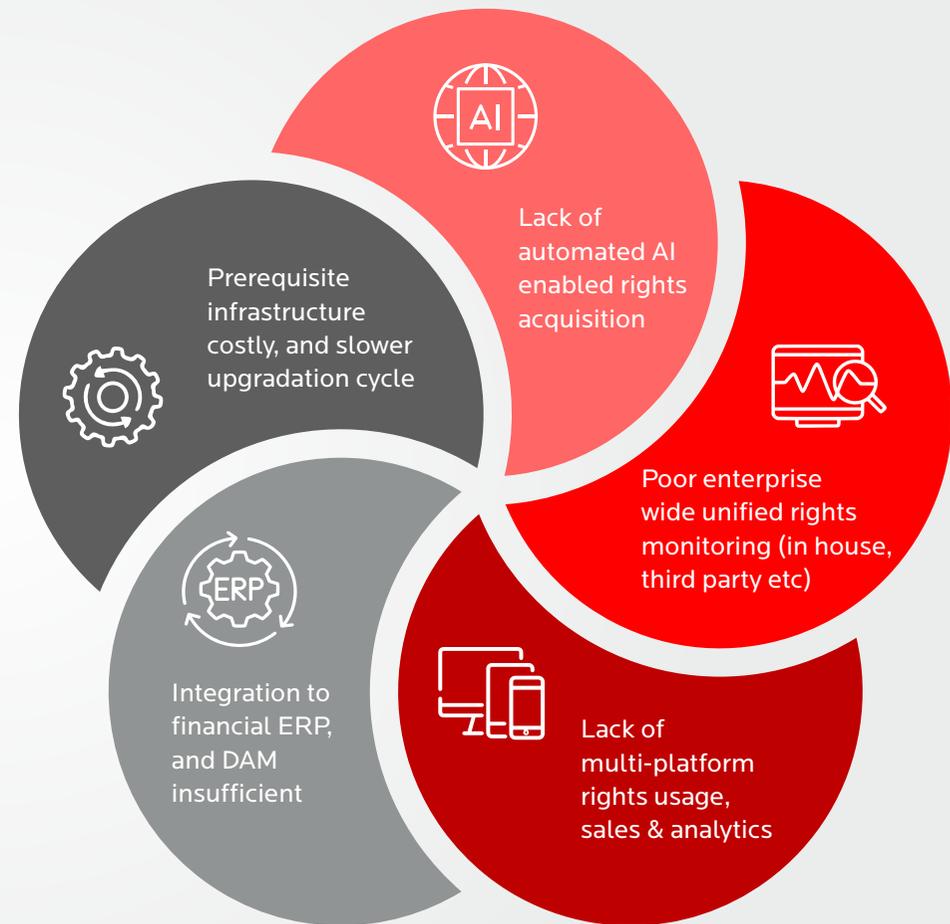
Current systems challenges outpace the benefits

Media enterprises, especially broadcasters, have followed the traditional siloed best-of-breed approach across the rights & contracts management workflow. This has resulted in multiple deployments of discrete solutions across diverse business activities and geographies within a single enterprise. Furthermore, the launch of in-house OTT TV & video services has further multiplied the fragmentation of systems across both linear and non-linear workflows. A good example is on average. A single broadcaster has close to 2-4 rights and contracts management solutions deployed. On the other hand, most of these on-premise systems are closing end of the lifespan with a slow up-gradation cycle resulting in higher maintenance and total cost of ownership (TCO). Also, as every rights and subsequent contract is tailored to every consumption platform, device, usage duration, and geography, the legacy systems are inefficient to meet these multi-faceted complexities.

This not only increases revenue leakages (such as unaccounted royalty payments to third-party content owners) but also hampers time to market and loss of brand equity. Some of the primary challenges faced by media enterprises with their existing rights and contracts management solutions are:

Figure 3: Current rights and contracts management solution core challenges, 2021

As it can be witnessed from figure 3, that most of the primary challenges in current rights and contracts management solutions not meeting today's business value proposition is predominantly attributed to the historical siloed approach i.e. leveraging diverse systems for linear and non-linear along with regionalization of the procurement strategy resulting into further fragmentation of the ecosystem. Unification of these multi-faceted systems to not only accelerate enterprise wide rights and contracts monitoring but also reduce TCO and integration insufficiencies. This is slowly but gradually pushing media enterprises to embark on the cloud based transformation journeys to create a highly converged, scalable but modular upstream media value chain.



Cloud Adoption to Surge in the Next 3-5 Years

C-level executive at one of the leading UK based broadcaster stated that “moving rights and contracts management workflow to cloud enabled them to attain flexible contract modification, and multi-faceted rights analytics at scale”

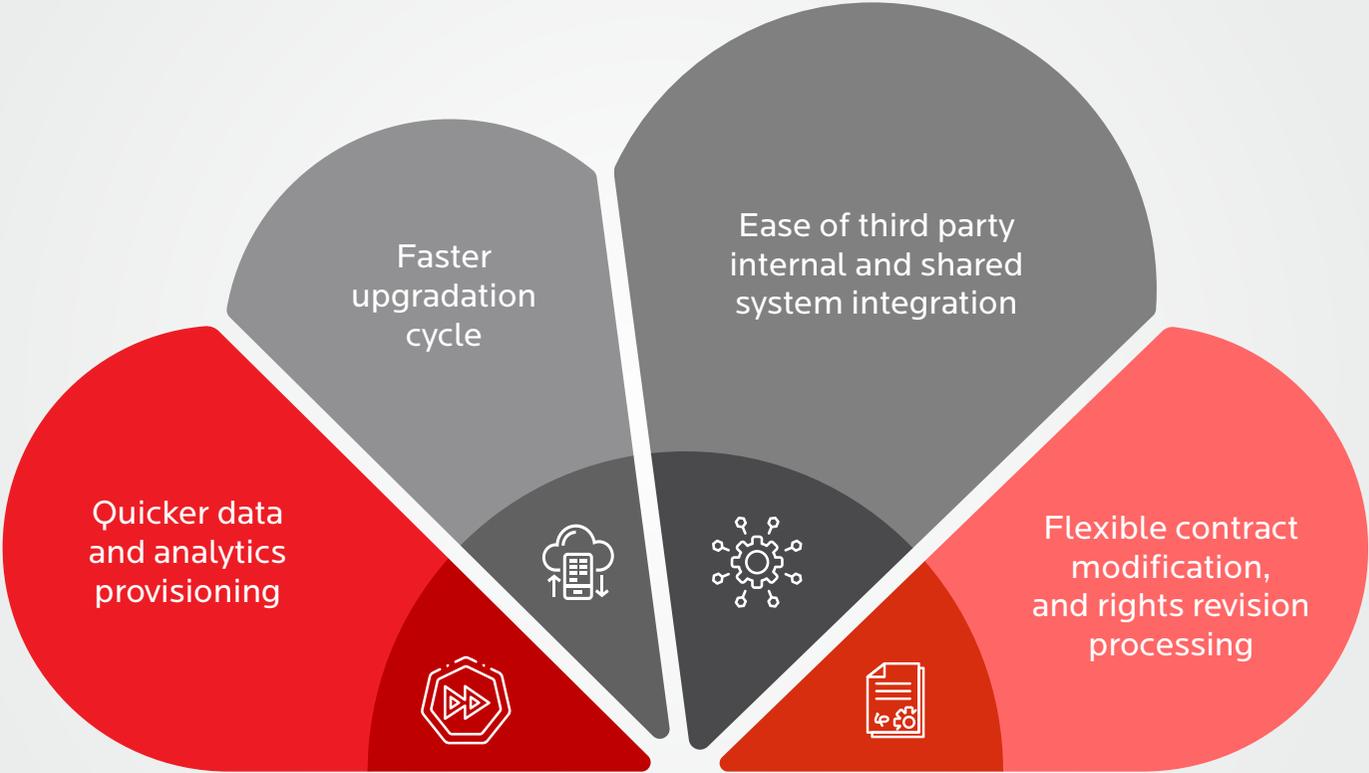


Time to market and multi-screen reach at lower TCO are the leading business priorities for media enterprises with OTT's first growth strategy in the next 12-18 months. As highlighted earlier, enterprises need to not only enhance ROI with the gradual decline of monetization lifespan for each of the produced or acquired single media assets, resulting in embracing agile infrastructure to lower operational inefficiencies in the long run. Although we at Birlasoft believe that most of the rights and contracts management workflows will remain on legacy infrastructure, cloud adoption will rise in the next few years to accelerate growth across non-linear TV & video and hybrid consumption modes, i.e., conversion of customer retention into incremental ARPU. On broader basis, an agile rights and contracts management solution far exceeds the traditional advantages of negligible prerequisite costly infrastructure and faster up-gradation cycle to:

- Better data synthesis and tight integration with audience analytics plug-in to lower cost of content acquisition on a mid to long-term basis
- Streamlining content rights acquisition to multi-platform distribution workflow improving operational productivity
- Faster launch of newer hybrid monetization avenues reducing cashflow margin risks
- Uninterrupted access of licensed content to production and creative teams improving resource utilization rates
- Minimize royalty based revenue leakages safeguarding margins



Figure 4: Cloud based rights & contracts management solution value propositions, 2021



Automation, Cognitive Services (AI), and Pre-Packaged Audience Intelligence Important Characteristics of Future System



Rights and contracts management is one of the most complex workflows across the media supply chain. This is primarily attributed to the lack of single regional or global buy and sell exchanges for multiple media assets, i.e., TV, film, sports, etc. (excluding a few siloed exchanges such as Rights Trade and recently launched Whip Media Exchange). Therefore, this results in the storage of highly non-standardized rights and contract catalogs across multi-dimensional loosely coupled tailored systems. Furthermore, the lack of streamlined rights procurement framework is one of the key drivers towards the rising cost of content acquisition (per media asset pricing) on a year-on-year basis. Although customization of the system is essential along with tight integration with third-party internal and shared ecosystem such as financial ERP, media asset management (MAM), high performance shared storage, etc. but cost-effective multi-screen scale demand:

- Automation of contracts, legal and financial processing workflows
- Predictive multi-platform rights, usage, sales analytics, and reporting in close partnership with third-party audience intelligence platforms such as IMDB, etc.
- Single multi-faceted rights and contracts repository (TV, video, film, sponsorship, music, merchandising, etc.) across both linear, non-linear and hybrid consumption platforms

Therefore, a unified cognitive rights & contracts solution to assist tomorrow's premium content owners in optimizing their cost of content acquisition and improving time to market.

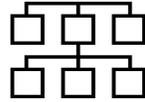
Author



KEDAR MOHITE heads the Media & Entertainment practice at Birlasoft. Kedar area of focus includes media technology and ICT service developments across broadcasters, digital service providers, sports franchises, OTT, publishing, and enterprise video segments. Kedar is a regular speaker at IBC, NAB, and vendor-sponsored industry conferences, and his work has been cited by the BBC, Wired UK, IBC.org, and Business Wire.

Appendix

Taxonomy



Premium content owners includes broadcast TV & video, digital service providers, sports franchises, and pure play OTT TV & video platforms such as Netflix, Disney+, Hulu, DAZN, and Amazon.

Methodology



Most of the insights and viewpoints addressed in this whitepaper have been derived from our internal databases, sources, and trade interviews with technology vendors and premium content owners. We have duly used secondary research-based quantitative intelligence in a few sections, and sources have been supplied to enhance the reliability and validity of the hypothesis and next-generation rights and contracts management solution.

References

1. Content Delivery Network (CDN) Market by Type, Solution, and Geography - Forecast and Analysis 2021-2025. Retrieved from <https://www.technavio.com/report/content-delivery-network-cdn-market-industry-analysis>
2. Perspectives from the Global Entertainment & Media Outlook 2020-2024: Pulling the future forward: The entertainment and media industry reconfigures amid recovery. Retrieved from <https://www.pwc.com/gx/en/entertainment-media/outlook-2020/perspectives.pdf>
3. <https://magnetglobal.org/>

Media & Entertainment to the Power of Digital

Partner with us to streamline your content value chain, optimize your critical creative and business processes, and apply design thinking to innovative solutions that help you become leaner and more customer centric.

To learn more about how you can leverage us in your business transformation journey, visit us at

birlasoft.com/Media-Entertainment-to-the-Power-of-Digital



RESOURCES

contactus@birlasoft.com | birlasoft.com

Enterprise to the Power of Digital™

Birlasoft combines the power of domain, enterprise, and digital technologies to reimagine business processes for customers and their ecosystem. Its consultative and design thinking approach makes societies more productive by helping customers run businesses. As part of the multibillion-dollar diversified CK Birla Group, Birlasoft with its 12,000+ professionals, is committed to continuing the Group's 159-year heritage of building sustainable communities.

© 2021 Birlasoft and its logo(s) are trademarks of Birlasoft. All rights reserved.
All other logo(s) used are trademarks of their respective owners.

