



Creating Competitive Agility for Media & Entertainment Companies

**Generating Sustainable Profitability
through a Zero-Based Mindset**



It was the best of times, it was the worst of times...

Media and entertainment (M&E) companies could be forgiven for feeling as if they're living in a Dickens novel. But this famous line from *A Tale of Two Cities* does reflect the serious dilemma M&E companies face: **M&E companies are experiencing some of the greatest demand ever for their content and services, yet sustained profitability growth remains stubbornly elusive.**

In fact, Accenture analysis reveals that, on average, the typical M&E company gives back the majority of its profitability gains from a cost-reduction initiative in only two years—and sometimes sooner.



What's eroding profitability?

It's a simple question with a complex answer. Consumers are engaging with M&E content more than ever before. However, it's no secret that consumers have been slowly shifting away from M&E companies' traditional offerings for some time, except for sports—from live linear bundled video and broadcast TV to on-demand video offerings; physical publishing, filmed entertainment, music, and gaming products to digital streams and downloads; and on-location, live entertainment and theatrical experiences to in-home and mobile digital experiences.

As part of these shifts, consumers are exhibiting a lower propensity to pay in many cases or demanding new types of business models altogether—often fueled by competitors' disruption of incumbents in the marketplace. At the same time, more advertising has been moved to digital offerings and economic pressures are eating into highly profitable traditional ad spending. So, it's a double-whammy: Higher content production costs and higher operating expenses required to meet burgeoning demand, and limited ability to raise prices on consumer offerings. For media companies there's the added burden of an erosion in more-profitable ad spending, while the current environment will put massive pressure on live event and theatrical companies that will have a lasting impact on profitability.

Of course, competing digital-native disruptors don't have the same problem. They've built their structures and operations from the

ground-up to be agile, platform-driven, automated, scalable, and cost-efficient. They have been early and ambitious adopters of advanced technologies that drive massive operational efficiencies, including AI, machine learning, analytics, and cloud. And they use microservices technology architectures, partner ecosystems, outsourced operations, and distributed workforces to maintain competitive flexibility and focus in-house activities on what's core to their operations. All of this positions them for profitability as the business scales.

Challenged by Operational Inefficiencies

Conversely, traditional M&E companies' legacy operating orientation, focused on supporting the core business, is less efficient, which is why M&E companies have historically struggled to achieve greater profitability on even their core offerings. Worse, it hinders their ability to respond to the accelerating shift to digital distribution and consumption while remaining cost-competitive with digital-first companies.

It all adds up to intense pressure on margins and a real challenge in building a narrative for the financial markets and investors that demonstrates a path to margin expansion—a critical driver of future shareholder value.

But We've Already Done Cost Reduction!

You have—but it simply hasn't worked.

Many M&E companies have attempted to improve profitability through targeted cost-reduction initiatives. While these efforts may have generated some immediate cost relief, most companies realized no longer-term savings—certainly not enough to achieve the profitability required to remain competitive over time.

Accenture analyzed the financial performance of major publicly traded M&E companies to identify the profitability impact within two years after the announcement of cost reduction initiatives. Our analysis includes 33 traditional M&E companies that have announced cost reduction initiatives publicly between 2014 and 2019 across multiple segments of the industry (See M&E Cost Reduction: About the Research on page 26).

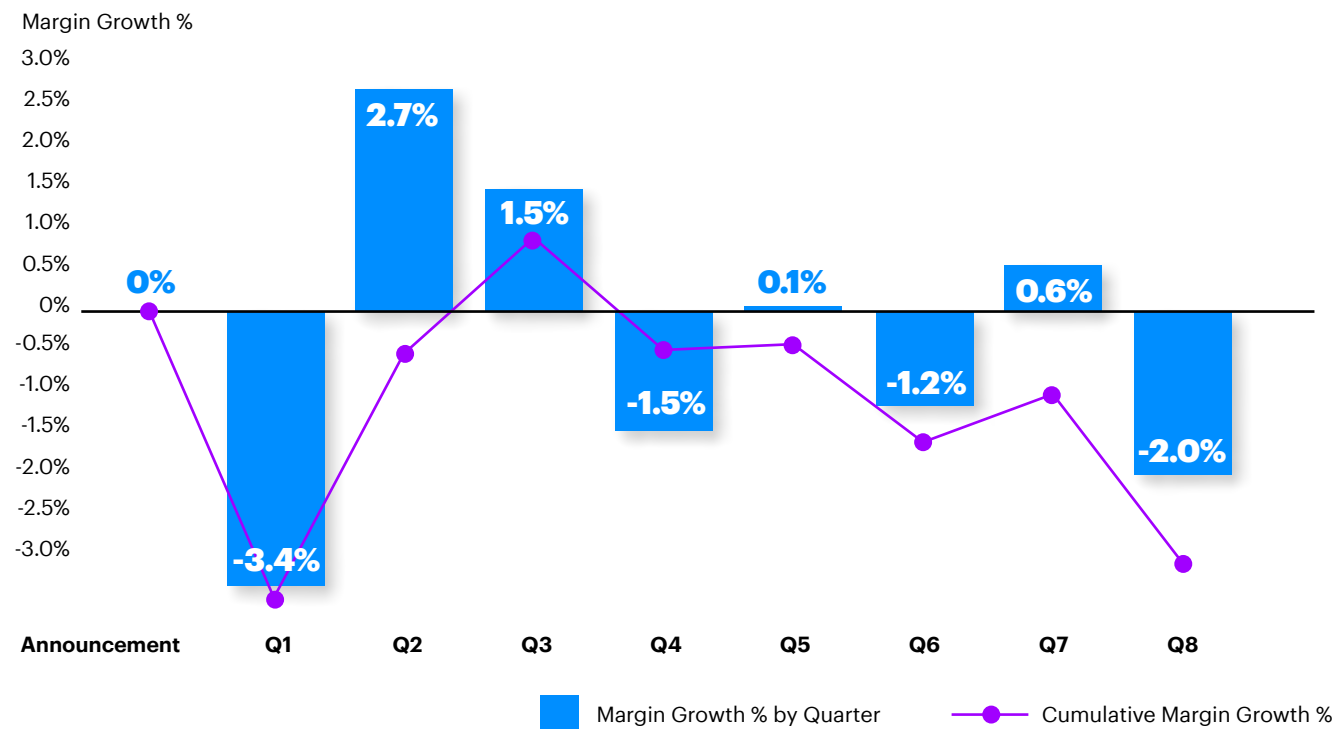
Our intent was to determine how successful the companies' cost reduction initiatives were and whether these efforts resulted in sustainable cost savings. We felt it was important for the M&E industry to understand whether the restructuring actions companies were undertaking truly positioned them to prosper in the future.

“We've become so accustomed to incremental optimization that we've forgotten how to do wholesale transformation.”

– MEDIA C-SUITE EXECUTIVE

Profit margin improvements tend to dissipate within two years after the cost reduction program is announced.

Figure 1: **M&E companies' average quarterly margin growth post-announcement of cost reduction initiative (2014 – 2019)**



Source: Company financials, public filings and press releases, Accenture analysis

The results are truly eye opening. We found that, *on average*, M&E companies' profit margin rises and peaks within roughly three quarters after a cost reduction initiative is launched—then reverts to below prior profit levels inside of two years (Figure 1).

What's most interesting is that M&E companies often give up almost all the profit margin gains *by the fourth quarter* after announcement. This explains the multiple rounds of major cost cutting initiatives we tend to see across select companies within the industry.

It typically goes like this: A company announces a cost reduction initiative. The “quick wins” are realized roughly two quarters after the launch and the major cost savings in three quarters. Then, things begin to unravel. Changes in market and competitive dynamics, sub-optimal restructuring, or cultural issues undermine the effort and result in diminishing returns in the fourth quarter of Year 1 and all quarters in Year 2. At some point down the road, another initiative is launched and the “yo-yo dieting” continues.

Many factors contribute to M&E companies' profitability struggles (see “Seven Challenges Preventing Impactful and Sustainable Cost Savings”). But the fact that M&E companies have been challenged to lock in their cost savings and sustain profitability gains over the long term suggests they need a different cost reduction methodology, transformation design, and execution approach from the traditional methodologies and techniques they've been using.

Seven Challenges Preventing Impactful and Sustainable Cost Savings

There are myriad reasons why M&E companies continue to struggle to realize and sustain significant cost savings. In our experience, these are the most common:



Operational complexities – Traditional media businesses have grown over time by merging to create larger companies, adding new functions and capabilities on top of existing ones (e.g., digital) or by executing tuck-in acquisitions that were never fully integrated.



Outdated planning methodologies – In typical costing initiatives, planning is tethered to current spending levels or existing budgets versus the appropriate spending given business realities and performance.



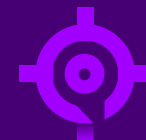
Marginal cost reduction efforts – Savings generally are achieved through multiple rounds of incremental spend reductions, or limited redesigns of legacy operating models, processes, workflows or technology—instead of a wholesale reset of the cost structure through enterprise transformation.



Manual operations – Many M&E companies have less automation embedded within their processes and workflows and more manual touch points. Furthermore, the heritage of some M&E companies often makes them hesitant to make organizational and workforce changes.



Protection of “sacred” functional areas – Functions that are deemed critical and “untouchable” are often excluded or overlooked from major cost-analysis or restructuring efforts, or the scope of changes to operations and budgets are limited to minimize disruption (e.g., with content production).



Minimal reliance on outsourcing – M&E companies are more likely than many other types of organizations to rely on in-house operations instead of using outsourcing and capability partnerships as a lever to focus on core competencies while reducing costs.



Lack of accountable cost-focused culture – The historical mindset in M&E companies was to “spend whatever it takes” to create, market, and distribute popular content and generate “hits.” This culture was tolerable when business was growing quickly and was highly profitable, but it’s untenable in the current economic and competitive environment.

Investing in Cost Transformation—the Right Way—Defines the Winners

Clearly, the pressure is on M&E companies to act. But how? What's the best approach, one that will give M&E companies what they need to compete?

Independent research suggests companies that optimize their focus on operational efficiency and investments during challenging times come out the furthest ahead when the markets recover. In other words, the strategic choices that M&E companies make today will have long lasting implications.

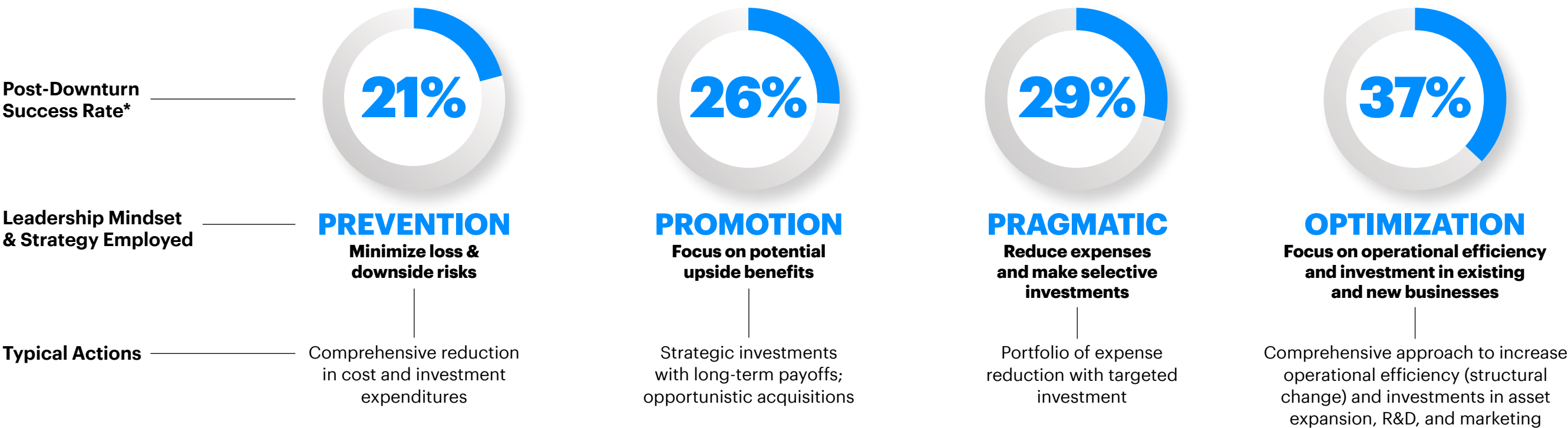
In a study published in the *Harvard Business Review*,¹ researchers analyzed 4,700 companies across three global recessions (1980, 1990, and 2000) to determine how actions taken during a downturn influenced companies' success after it. The analysis revealed that the use of a strategy that optimizes defensive and offensive plays simultaneously yields the highest probability of success—far greater than a pure defensive strategy, i.e., comprehensively cutting costs and investments (Figure 2).



A wooden roller coaster track is shown against a solid purple background. The track enters from the bottom left, curves upwards, and forms a large loop. A small, dark, reflective ball is positioned at the very top of the loop, about to descend. The track continues downwards and to the right after the loop.

Companies that are optimization-oriented and balance cost reduction with continued investment are twice as likely to come out of a downturn successfully.

Figure 2: **Optimizing defensive and offensive moves during a downturn best positions companies for success after it.**



* The probability that a company employing this strategy will flourish after a slowdown; achieving better than previous financial results and outperforming key rivals by at least 10% in terms of sales and profit growth
Source: “Roaring out of Recession,” Harvard Business Review.

“According to our research, companies that master the delicate balance between cutting costs to survive today and investing to grow tomorrow do well after a recession,” researchers wrote. “Within this group, a subset that deploys a specific combination of defensive and offensive moves has the highest probability—37 percent—of breaking away from the pack.” Said differently, companies that are *optimization-oriented* and balance cost reduction with continued investment are twice as likely to come out

of a downturn successfully than purely *prevention-oriented* companies that comprehensively reduce cost and investment.

These findings illustrate the opportunity that M&E companies have to generate significant additional efficiencies that unlock investable cash, immediately and over the longer term—and position themselves for post-downturn success. A *zero-based mindset* is the perfect tool for exploiting that opportunity.



With a zero-based mindset, a company essentially forgets about the past and reimagines its cost base not from what it was or is today, but what it should be if the company were to start from scratch.

A Zero-based Mindset Provides the Best Defense and Offense

By now, most business executives are familiar with zero-basing or zero-based budgeting. The concept has been used for years in numerous industries—most notably, consumer goods—to reduce waste and costs. But the narrowly focused zero-based budgeting of old has evolved and matured.

At its core, a zero-based approach today is a key driver of what Accenture calls **competitive agility** (see “What Is Competitive Agility?”) by enabling sustainable cost transformation as well as growth. With a zero-based mindset, a company essentially forgets about the past and reimagines its cost base not from what it was or is today, but what it should be if the company were to start from scratch—and use the resulting savings to fund investments in distinctive capabilities and specific activities that drive growth.

What Is Competitive Agility?

Companies that master competitive agility execute with equal strength across the pillars of growth, profitability, sustainability and trust. To do so, they must effectively manage the core business to maximize investment for new opportunities and fundamentally realign resources for growth.



A DEFENSE PLAY...

A zero-based mindset helps companies move past traditional brute-force, across-the-board cost-reduction initiatives that are unsustainable in the long run (and, even worse, might negatively impact a company’s ability to grow).

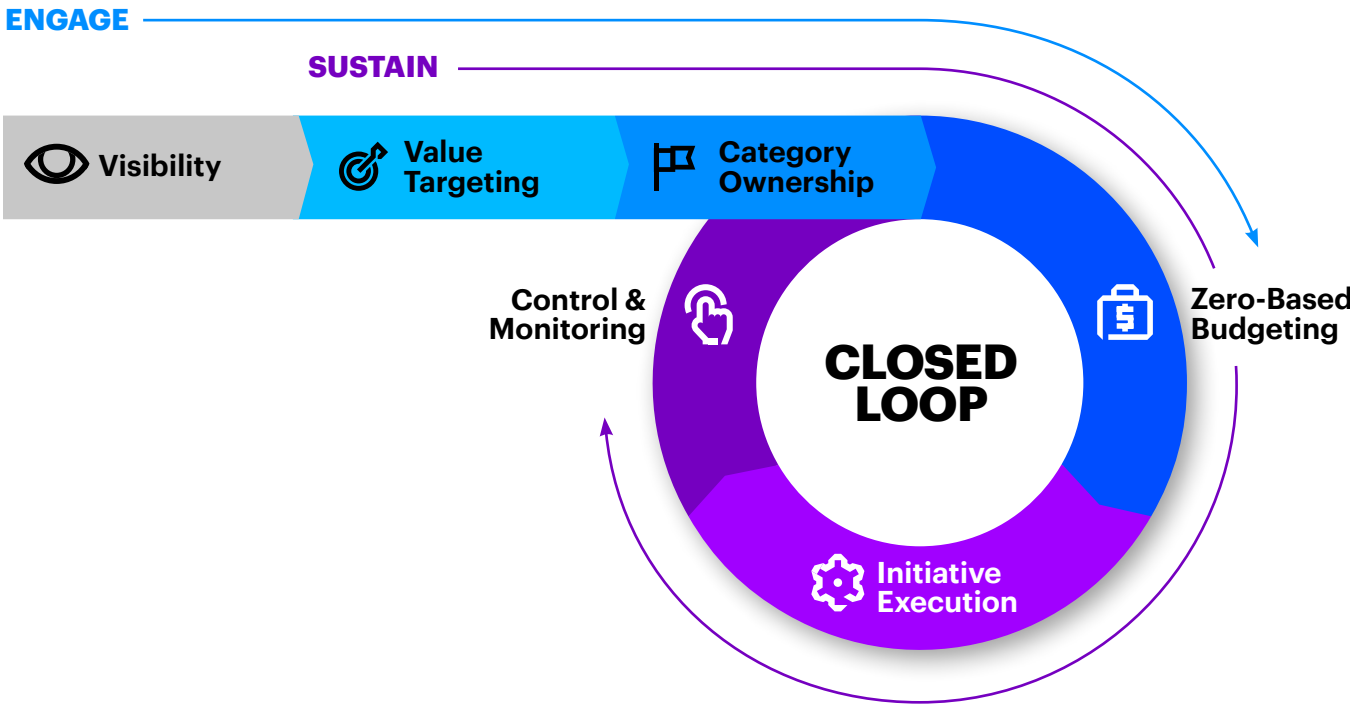
According to Accenture research, only 36 percent of executives believe their current cost reduction efforts are durable.²

As a result, they experience a recurring cycle of costs creeping up, a tactical intervention initiated to bring them down, and eventually another rise in costs—putting companies in an endless state of reactively fending off cost bloat.

Taking advantage of advanced automation and digital tools (including analytics, artificial intelligence, and machine learning), a zero-based mindset enables a company to radically and permanently shift its cost curve. It provides granular visibility into costs that leads to more-informed—and faster—decisions about which costs to eliminate or reduce, and identify where to redirect spend to growth-generating

activities that drive the highest ROI. It helps a company to determine precisely what it *should be* spending in line with business priorities by starting from a clean sheet instead of optimizing legacy structures. And with a closed-loop approach (Figure 3), a company can then track the implementation of cost-saving initiatives and the savings realized via financial dashboards or a control tower. As a result, CFOs get immediate insights into where to push for additional cost reductions and cash, as well as a full understanding of and ongoing control over the execution of the initiatives and the company’s liquidity and financial performance.

Figure 3: A closed-loop approach makes cost savings sustainable over time



... COUPLED WITH GOOD OFFENSE

Importantly, zero-basing is not about cuts. It's about re-allocating non-productive resources (from a zero-base) in a way that boosts profitability and future growth while fostering sustainable practices.

It can reveal the art of the possible in some spend areas beyond what anybody would have deemed imaginable—especially content production, agency operations, advertising sales and operations, media / broadcast operations, manufacturing and warehouse distribution, and facilities management.

Furthermore, zero-basing isn't a one-time exercise, but a strategic imperative that requires continuous dedication and management attention. Companies that have embraced a zero-based mindset report that cultural buy-in (67 percent) and change management (41 percent) are the hardest obstacles to overcome.³ Yet the hardest things to do are also among the most important. Culture and change are what make zero-basing stick. Unlike traditional techniques that use a cut-the-fat and gain-it-back approach, a zero-based mindset is a “lifestyle” transformation. It requires a huge shift in organizational thinking and acting so the “weight” never comes back.



What a Zero-based Program Looks Like: A High-level Look

Regardless of the forces driving the need for dramatic cost transformation, companies embarking on this journey should expect and prepare for several critical milestones to achieve success. Executing a zero-based program begins with clearly defining the scope of the spend the company wants to impact: labor, technology, indirect material supply, contractor spend, raw material supply, real estate, or maybe all of it.

Defining the scope includes finding (i.e., gaining “visibility” into) spend that may be hidden in surprising places. Does the marketing department pay for a portion of ad server maintenance costs? Are organizational costs from one department sitting in the P&L for another? The goal is to gain insights into all purchases and spending through forensic analysis and triangulation of spend data, now made easier with machine learning and other analytics.

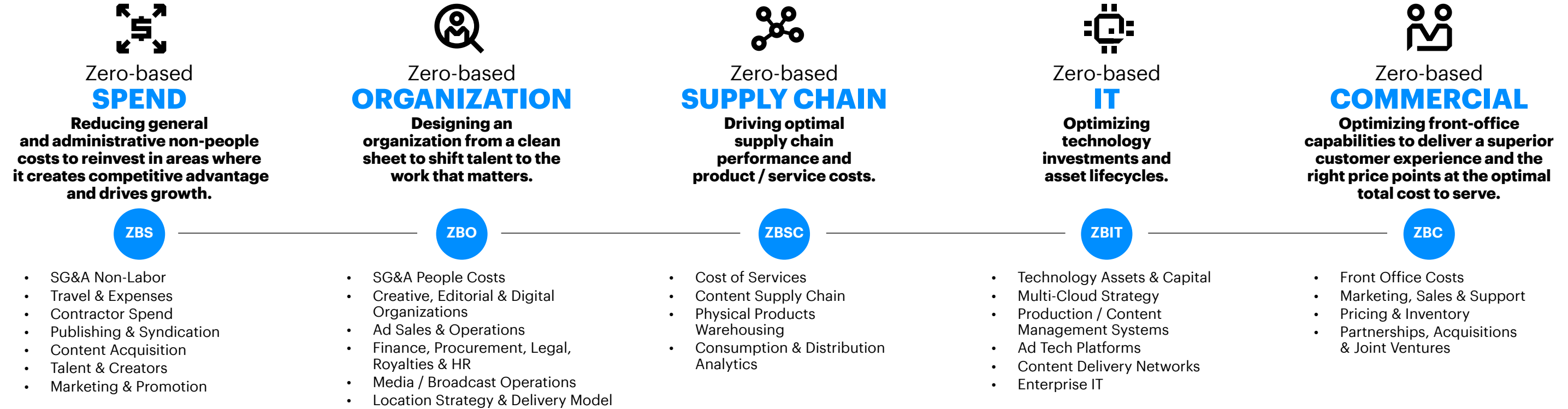
Once a company knows its true demand from activity- or consumption-based drivers (for instance, the number of new episodic TV productions each year, or the number of advertising invoices generated annually), it can target the future spend required (otherwise known as “value targeting”) and define the metrics that matter to track and measure the “should be” cost. This approach also applies to organization, systems, and infrastructure costs.

A company starts from a clean sheet and bases design on the actual demand. From then on, every year, the company should budget from this “zero base” using these drivers, not what it spent the year before.

To do this, companies need to assign “category owners” who are responsible for a spend category and with executing on initiatives to maintain the zero-base for their category. Companies also must implement monitoring mechanisms and governance enforced by top management—controls and corrective actions that result in a repeatable, sustainable, “closed loop” process.

Historically, companies have applied zero-basing almost exclusively to SG&A. But while doing so generated benefits, it also missed significant opportunities for improvement in other areas of the company because the focus was far too narrow. To drive much greater profitability—and generate even more savings that can fund growth—companies need to look at opportunities across the enterprise. They need to improve profitability across the full P&L—content and services, people and capabilities, supply chain and distribution, technology, sales and marketing, and revenue and pricing. That’s why leading companies are applying a zero-based mindset across the various domains of their business (Figure 4).

Figure 4: **A zero-based mindset can be applied across all spending categories**



With its focus on fostering forensic-level profit-and-loss transparency, a zero-based mindset gives decision makers a clear view of the organizational structure, systems, financials, and people. This, in turn, highlights those tasks, outlays, processes, reports (and potentially roles and organization units) that add little or no value. These inefficient costs can be redeployed to where they’ll offer better return on investment, driving a shift from inefficient “bad costs” to efficient “good costs” that will promote growth and create a distinct employee value proposition.

In short, zero-basing focuses on agility over austerity, visibility over guesswork, and the future over the past to fuel growth and competitiveness.

The Dramatic Impact of a Zero-based Mindset on Profit Margins

The impact zero-basing has had is nothing short of transformational. According to Accenture research, with zero-basing, companies are seeing average cost reductions of 15 percent and average bottom-line savings of more than US\$260 million annually.⁴ This could be worth significantly more savings than what's generated by traditional cost-cutting programs based on headcount, spans and layers, and benchmarks—depending on the situation.⁵

What's more, over 91 percent of companies who have implemented a zero-based approach have fully met or exceeded their program targets.⁶

Beyond cost savings, zero-basing also has significant operational impacts, including business simplification, faster speed to market, enhanced cycle times and throughput, more effective resource management, and the optimal mix of labor and technology.

Companies that embrace a zero-based mindset are rewarded handsomely. One large chemicals company, for instance, applied zero-basing to its annual facilities cost of around \$400 million. Using digital workplace solutions like smart building technologies, real-time operations management, space management and smart working, the company cut facilities costs in half.

Another example: a \$25 billion-plus consumer goods company with more than 100 manufacturing locations all over the world found that raw materials, packaging materials, and conversion costs made up a large percentage—approximately 44 percent—of its revenue. By resetting procurement, supply chain, and manufacturing strategies and budgets from a zero base leveraging digital solutions like machine learning, intelligent automation and control, and digital energy and safety management, the company reduced cost of goods sold by approximately 40 percent.

One of the best examples of the benefits of a zero-based mindset is AB InBev, the first company in its industry to aggressively embrace the concept. The company became a cost-reduction machine that used the savings generated to build a huge cash stash to fund acquisitions. AB InBev was even able to acquire its biggest competitor, which had always considered itself more likely to be the buyer than the seller in any future deal.

While zero-basing has been implemented in other industries with great success, the M&E industry has been slow to adopt it. But given the changing industry and competitive dynamics and many M&E companies' deteriorating financial positions, the time is right for that to change. Early M&E adopters of a zero-based mindset can create competitive advantage, generate cash for growth initiatives, and increase firepower for acquisitions as the M&E industry continues to consolidate.

How Can M&E Companies Get in the Game?

Given the changing mix of media products and services, with digital often contributing lower margins, M&E executives feel an increased sense of urgency for massive changes across the industry. Many executives acknowledge they need to redesign their businesses to be more durable, agile, and profitable.

The fact is, it's no longer good enough to chase after incremental savings based on cutting or trimming line items, tweaking operations, or relying solely on external benchmarks to define savings targets. To address their profitability challenge and create long-term competitiveness,

M&E companies need to dramatically shift their cost curve by focusing on what they should cost to operate, which typically will be drastically different from what it costs today. A zero-based mindset makes that possible. (see “M&E Zero-basing in Action”)

M&E companies that embrace a zero-based mindset will find they can operationally respond to changing market shifts and customer demands

more rapidly and with less disruption. They can produce and distribute content at costs comparable to those of leading competitors. They can sell and flex advertising campaigns at speeds and costs that approach those of digital players. They can offer direct-to-consumer services with cost-to-serve profiles that are at parity with leading providers. They can leverage their mid- and back-office functions and technology operations and infrastructure to serve both internal and external customers more responsively, with better quality, across geographies and at lower costs.

Of course, creating intellectual property and content isn't the same as making a can of soup, or a bottle of beer, or an innovative polymer. It can be much harder to get a forensic-level view of all the costs that go into content creation. But that's the beauty of a zero-based mindset. It can be applied to any cost category in any type of company—even M&E.

To be sure, M&E companies are highly complex. As mentioned earlier, they've often grown through adjacent market entry or acquisitions; many are diversified conglomerates that run several businesses in various industry segments and geographies. That said, most companies have some commonalities across lines of business, functional areas, and geographies, which present significant opportunities for simplification and operational excellence—and, hence, cost savings. Zero-basing can help M&E companies uncover these and other opportunities and identify ways to execute work that are not grounded in the current or past operating model.

M&E Zero-basing in Action

An Accenture M&E client has taken its initial steps toward zero-basing and has developed a clear line of sight to significant savings. This integrated media company—with operations focused on television broadcasting, film and television production studios, Pay TV distribution, and digital websites and apps—was experiencing declining revenue due to market shifts and increased competition from digital providers, which resulted in profitability challenges. The company had implemented cost reduction initiatives in the past, but those efforts proved to be insufficient for the company to meet its business plans over several years.

Convinced it could do better, the company began working with Accenture on an ambitious zero-based cost transformation program to:



Create visibility to all costs through general ledger mapping and standardization of cost categories across multiple business units



Develop a financial dashboard that serves as the foundation for value targeting, financial performance management, and zero-based budgeting exercises



Foster a zero-based mindset throughout the company by creating an executive accountability matrix that assigned ownership of spending to key individuals to establish cost controls

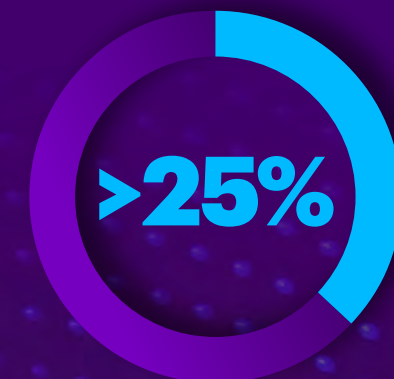


Apply a zero-based organization (ZBO) approach to determine the “should-be” headcount for select areas within content production, media operations & solutions, as well as all of the finance and accounting, procurement, legal, and human resource organizations across the enterprise



Explore new types of operating models and capability sourcing approaches that aligned with the “should-be” designs while delivering substantial cost savings

Through this effort, the company has uncovered **additional cost-saving opportunities in the current spending base** of more than 25 percent, with the extent of the savings dependent on the company’s final decisions on its new operating model design and capability sourcing options.



In our experience core M&E functional areas are, perhaps, the richest target for a “clean sheet” approach.

These areas often retain the design legacy from when the function was initially created. Other cost opportunities often exist in better integrating the organization, redesigning and automating workflows, and rationalizing technologies to common systems and platforms.

Optimizing M&E labor within processes and workflows is also possible. Importantly, such workforce rightsizing doesn't necessarily mean job reductions; in many cases, it could result in redeploying excess labor to growth areas of the business or operations that require additional capacity.

Even merger integration can benefit: Incremental cost savings and new policies and management controls from a zero-based program can drive a deal's value well beyond the synergy targets that were originally determined during merger due diligence. For example, one multi-billion dollar technology company identified over 1.5x the original synergy estimates using a clean-sheet approach, while a financial services institution identified an incremental \$14 million (34 percent) savings through zero-basing.⁷

The fact is, significant opportunities abound for companies to apply a zero-based mindset to their enterprises. Figure 5 highlights the most prominent ones.

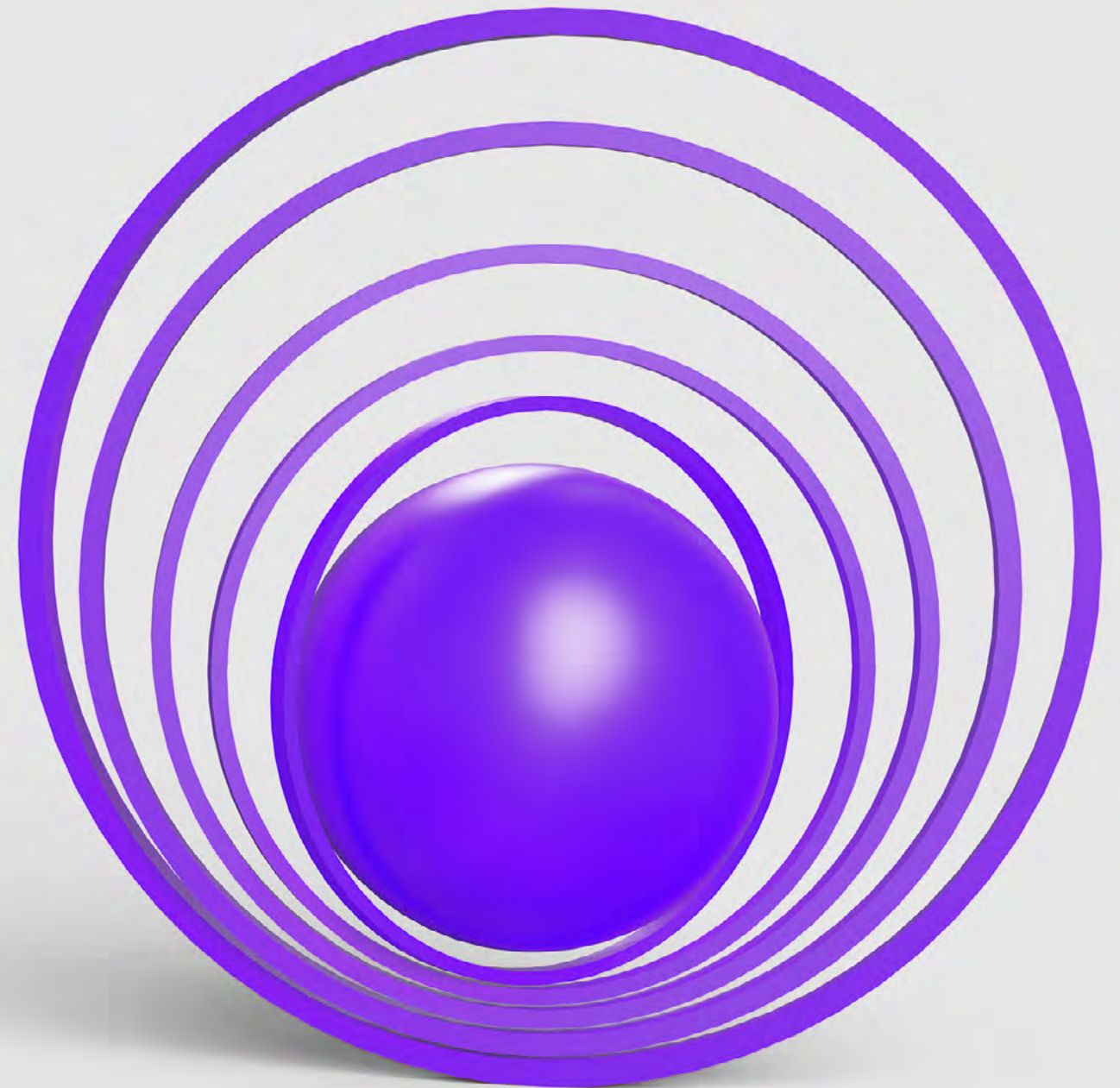


Figure 5: **Examples of zero-based cost transformation opportunities for M&E companies**

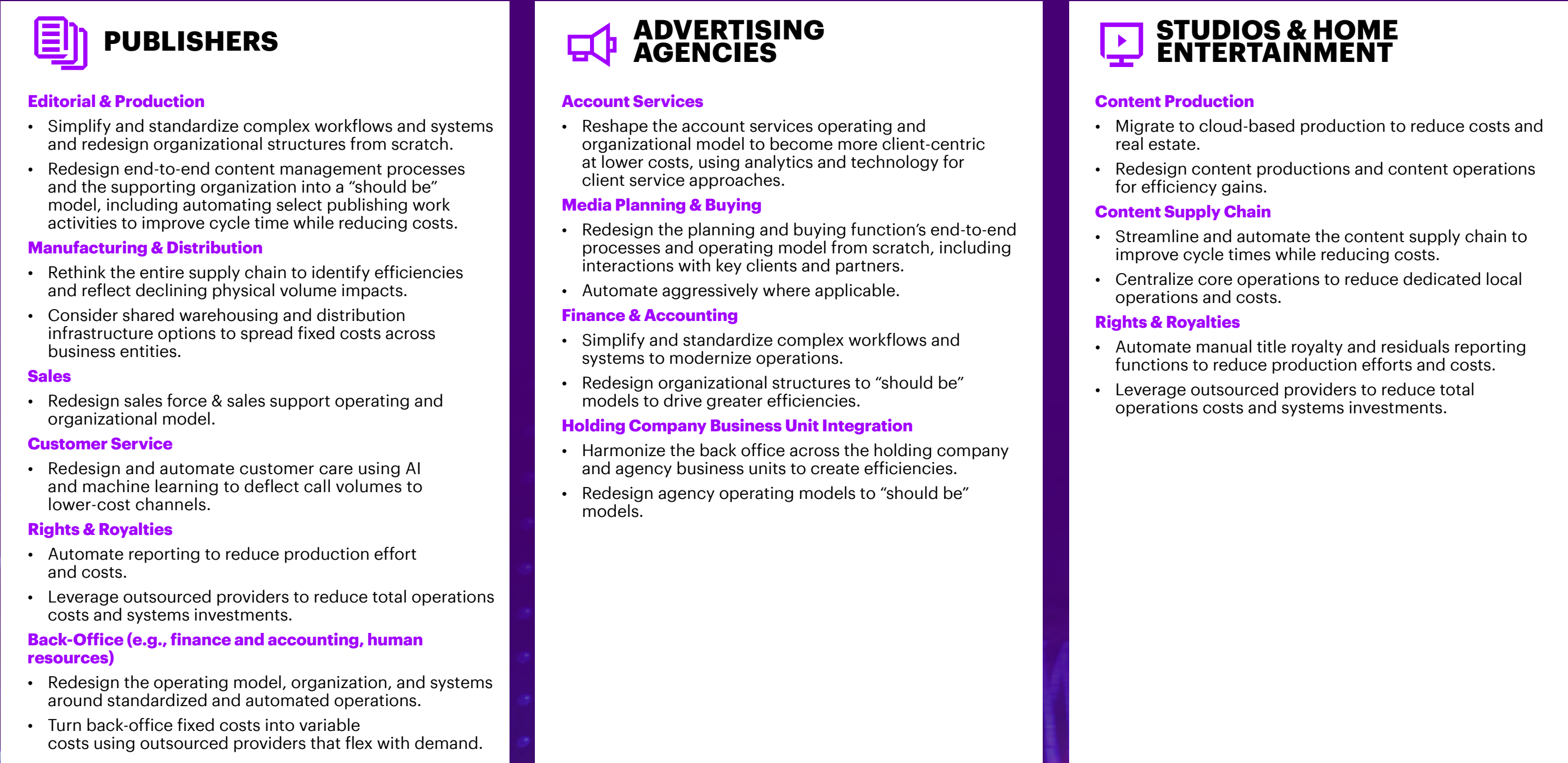


Figure 5: **Examples of zero-based cost transformation opportunities for M&E companies (cont'd)**



BROADCASTERS / PROGRAMMERS

Ad Sales & Operations

- Redesign the ad sales organization to a “should be” multiplatform selling orientation.
- Simplify and standardize complex ad operations workflows and systems and outsource ad operations.

Broadcast Operations

- Redesign broadcast operations, streamlining, modernizing and automating the content supply chain to improve cycle times while reducing costs.
- Centralize operations to reduce dedicated local operations and costs.

Technology & Platforms

- Redesign IT by standardizing enterprise technologies and applications for productivity gains and efficiencies.
- Rationalize technology stacks / platforms, applications, and infrastructure.

Back-Office (e.g., finance and accounting, human resources)

- Redesign the operating model, organization, and systems around standardized and automated operations.
- Turn back-office fixed costs to variable costs using outsourced providers that flex with demand.



DIRECT-TO-CONSUMER SERVICES

Content Production

- Enhance original content production infrastructure, cloud, and AI capabilities to increase throughput and reduce costs.

Marketing

- Migrate creative content production and marketing services to lower-cost outsourced providers to reduce costs and focus resources on core marketing activities.

Technology & Platforms

- Rethink engineering approach to increase feature experimentation.
- Consolidate data sources, platforms, and infrastructure to boost efficiencies.

Various Functions

- Redesign organizational models on “central versus local” for global expansion, leveraging automation and workforce optimization.



GAMING

Creative Studios

- Rethink the studios operating model for increased efficiency.
- Simplify workflows and consider leveraging offshore resources for creative asset pre-production and character re-creation.

Marketing

- Redesign marketing operating models and spending approaches.
- Migrate creative content production and marketing services to lower-cost outsourced providers to reduce costs and focus resources on core marketing activities.

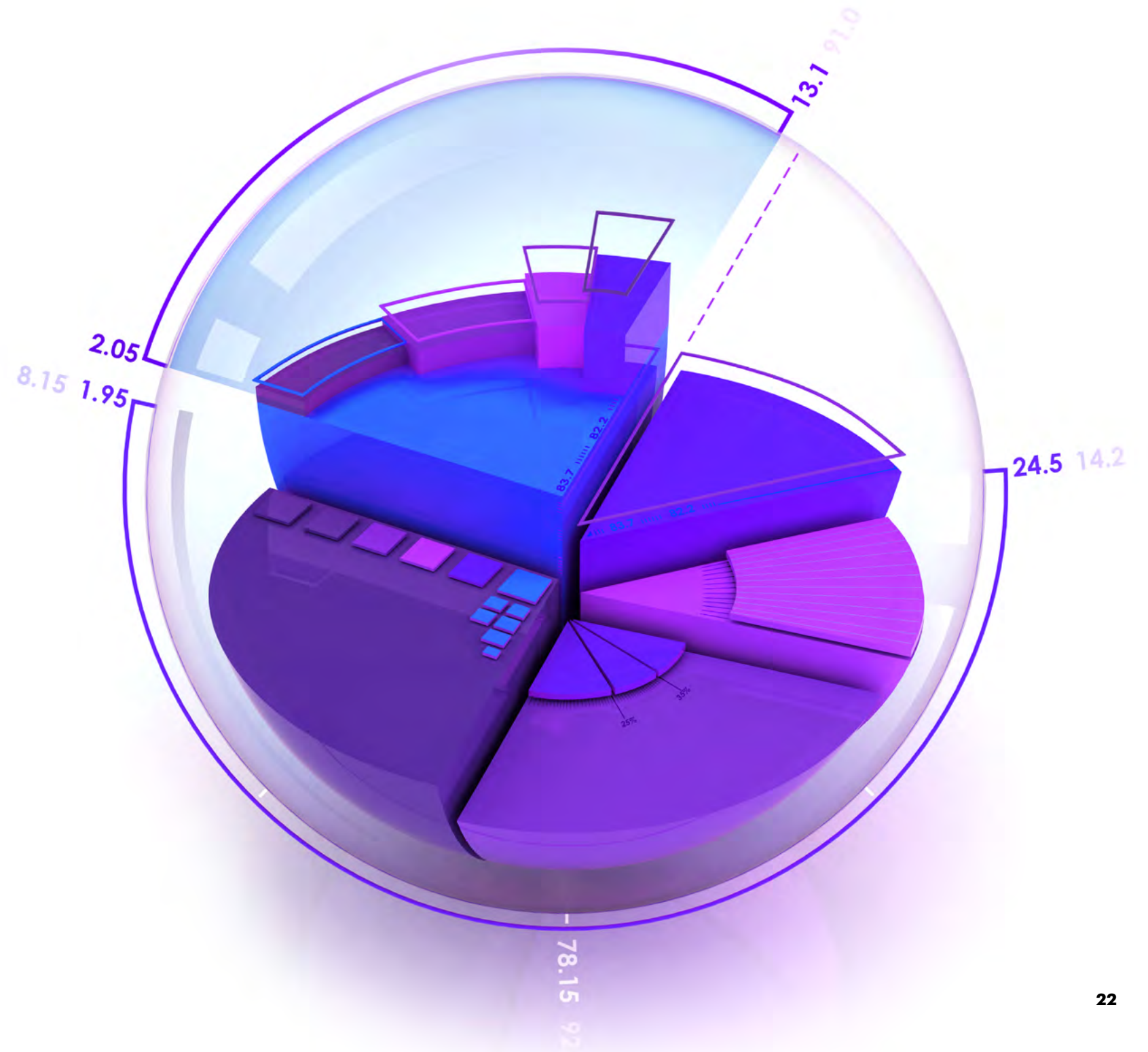
Technology & Platforms

- Reshape IT by standardizing platforms and systems.
- Rationalize infrastructure by using cloud for rendering and other functions.

Product Development & Quality Assurance

- Automate core product localization activities, including language translation and sub-titling using AI and machine learning, combined with human oversight, to reduce costs.

Defining the scope and rationale for a zero-based cost transformation is essential.



Starting from Zero—Where to Begin?

With so many opportunities for zero-basing available to them, it can be difficult for M&E companies to determine how to get started. To help, Accenture has developed a framework that M&E companies can use to determine their best path forward (Figure 6).

Figure 6: **An outcomes-based framework to help M&E companies determine where to start their cost transformation**



When considering a zero-based cost transformation, M&E companies will have to decide how broad the scope of their program should be. Will it be enterprise-wide or function specific? Also, companies will need to determine the rationale behind the cost transformation. Is it to increase cash flows or make the company more operationally competitive? The answers will largely depend on the different market, competitive and financial circumstances each company faces.

For example, a company operating in a growing market segment and experiencing revenue and profit margin growth can use a zero-based mindset to strive for **market leadership**. That means focusing the scope of its cost transformation efforts on key functional areas to boost competitiveness.

But what if the market segment is growing but a company’s revenue growth is flat and profit margins are declining? This calls for **competitive modernization** through an enterprise-wide zero-based cost transformation that can increase overall competitiveness and profitability.

Conversely, if the fundamentals of both a company and its market aren’t strong—the market segment’s flat to declining and the company’s revenue and profit margin are both falling—**cash flow expansion** should be the starting point. The zero-basing effort should be enterprise-wide to increase cash flows for greater profitability and optimize key investments in existing and new businesses.

Finally, a company participating in a flat to declining market segment, and experiencing revenue growth but flat profit margins, can achieve **functional innovation** by focusing its scope on select higher-cost functional areas to boost profitability.



Understand that cost transformation is not a crash diet, but a lifestyle change.

The Next Five Steps M&E Companies Need to Take to Shift Their Cost Curve

M&E companies are late to the zero-based game for a variety of reasons. They have operated resilient and profitable businesses, their business models have stayed constant until recently and, frankly, many media executives share a perspective that their businesses are unique and that the approaches and lessons learned from other industries do not apply. But those reasons shouldn't be excuses for not embracing a zero-based mindset today. Hundreds of Fortune 500 companies across all industries are using it for one simple reason: It works, and in many cases, spectacularly well. It's time M&E companies begin reaping the benefits as well.

Given many M&E companies' revenue growth and profitability challenges, and the macro-economic factors and monetization issues continuing to pressure the broader industry, the case for cost transformation is apparent. Tried-and-true cost reduction approaches and efforts simply won't be enough to prepare traditional M&E companies to be competitive or deliver on investor expectations over time.

We believe M&E companies today have an historic opportunity to dramatically and permanently shift their cost curve, design a new business for the future unencumbered by their legacy operations, and unlock a tremendous amount of money to fuel their growth.

To capitalize on that opportunity, they need to:

- 1. Be bold, yet pragmatic in their transformation vision.** Stretch the organization when setting cost reduction objectives and designing the future enterprise.
- 2. Put all parts of the business on the table.** Eliminate sacred cows when it comes to cost reductions
- 3. Take a "clean sheet" approach to cost transformation.** Align operations, capabilities, and the overall organization to what they should be versus what they are today.
- 4. Aggressively leverage ecosystem partners.** Use third parties that can bring key capabilities to the table to transform operations and reduce costs.
- 5. Understand that cost transformation is not a crash diet, but a lifestyle change.** Instill a cultural shift to a new way of working that will sustain savings while focusing on activities and spend that truly matter.

The fact is, no one knows exactly what the future looks like in terms of content consumption, creation and distribution, and monetization. And that's precisely why M&E companies need a zero-based mindset. It will lead to more economically feasible models today while infusing the agility M&E companies need to remain profitable and competitive, regardless of what's in store for the industry in the years ahead.

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M&E Cost Reduction: About the Research

Accenture Strategy analyzed thirty-three publicly traded M&E companies across a variety of financial dimensions, including revenue growth, operating margin, and total return for the eight quarters following the public announcement of cost management programs in their 10-K, 10-Q, 8-K, or press releases between 2014 and 2019. The companies were indexed according to the 2017 version of the NAICS codes and adjusted to reflect the current media landscape.

Companies included in the research represent the following M&E industry sub-segments: advertising, PR and related services, diversified media conglomerates, gaming publishers, motion picture and video industries, newspaper, periodical, book and directory publishers, and radio and television broadcasting.

About Accenture

Accenture is a leading global professional services company, providing a broad range of services in strategy and consulting, interactive, technology and operations, with digital capabilities across all of these services. We combine unmatched experience and specialized capabilities across more than 40 industries — powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. With 509,000 people serving clients in more than 120 countries, Accenture brings continuous innovation to help clients improve their performance and create lasting value across their enterprises. Visit us at **www.accenture.com**.

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- ⁴ Ibid., 3
- ⁵ Ibid., 3
- ⁶ Ibid., 3
- ⁷ These are actual results from Accenture client engagements.