



Radical transformation.

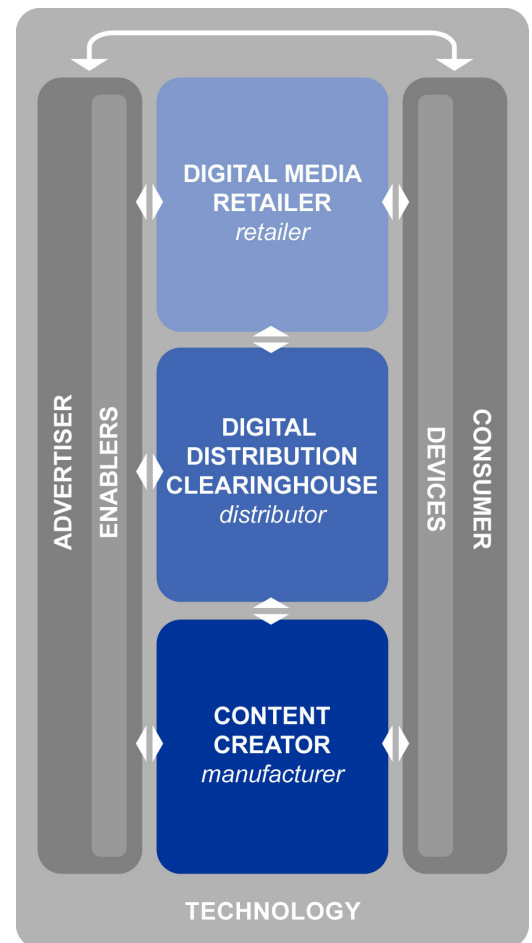
Defining a call to action for the media and entertainment, technology, and telecommunications industries to capitalize on the opportunities in the digital era

Digitization is having a profound impact on media and entertainment companies, as well as the entire value chain that includes technology and telecommunications providers. The emergence of new interactive and nonlinear channels is radically transforming current business models, reshaping ecosystems and driving a significant demand for new capabilities that will be required to support digital media.

The Deloitte Digital Media Framework™ (DDMF) is designed to help businesses adapt to a redefined market and develop cost-effective and consumer-friendly content distribution business models for all forms of digital media. Drawing from Deloitte's experience working with over 500 leading clients in the media and entertainment field, the DDMF is a not only a call to action for content producers, but also represents a significant revenue opportunity for the technology and telecommunications industries.

The DDMF contains a forward-looking point of view designed to address the confusion surrounding roles and responsibilities in the evolving digital media marketplace. The starting point and foundation of the DDMF is a consumer-focused perspective on the future of digital media that anticipates consumers' increasing interest in accessing media at any time, on any platform, and on their own terms. Because the resulting growth in technical scale and complexity cannot be served by the industry's current structure and capabilities, a fundamentally new model is needed to meet the resulting demand.

The DDMF uses a familiar supply chain structure to explain the industry realignment that is necessary to address the expected consumer demand and suggests a more focused and specialized organization of the media industry's business processes. This three-tier supply chain features content creators who focus on manufacturing original content, massive digital content repositories and processors responsible for aggregating and distributing content, and digital portals specializing in packaging and retailing content and services to consumers.



The industry's traditionally integrated structure in which content creators distribute and/or retail their own content cannot effectively or efficiently accommodate the volume and technical complexity of digital media distribution. To manage this costly and highly intricate undertaking, the DDMF describes and provides a rationale for the development of a critical distribution layer – the Digital Distribution Clearinghouse – that is designed to provide an integrated set of digital content management services to multiple content creators and retailers.

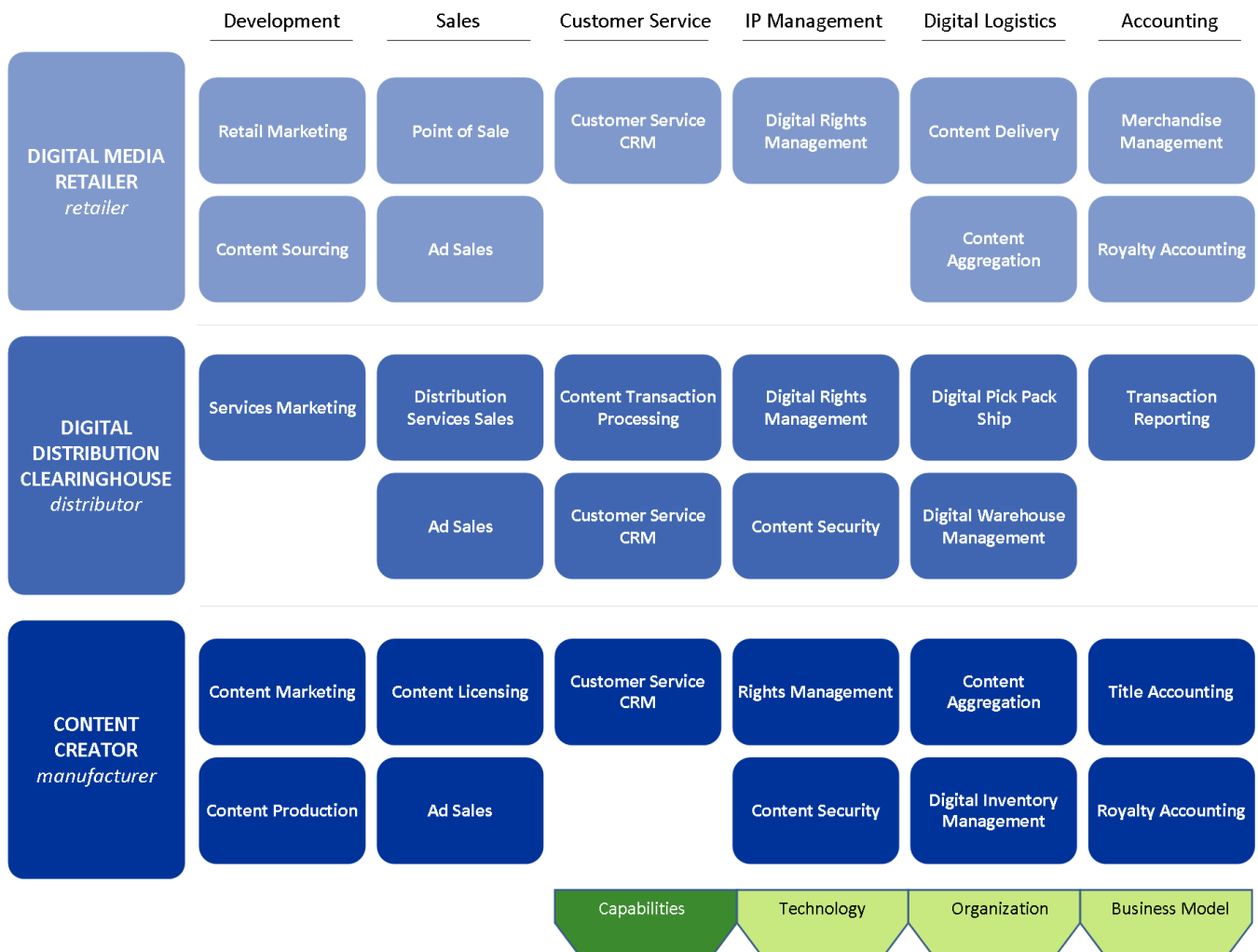
The DDMF foresees increasing media demand as the digital media value chain matures and as physical distribution and older technology become obsolete with the advent of new players and new roles. Utilizing the DDMF as a guide, Deloitte is assisting companies as they evaluate and secure their desired/optimal roles in the digital value chain, maximize and implement new business models and supporting infrastructures, and facilitate alignment with key supply chain partners. The DDMF Capability Model illustrated below allows clients to assess their current capabilities in a structured manner and determine future priorities, go-to-market strategies and areas of specialization.

Though its simple architecture may seem intuitive, the DDMF is unique in its ability to illuminate clearly the realities of digital versus physical distribution and provide sprawling media companies with forward-looking tools to assess and refocus their current operations, capital investments, and business strategies.

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Accelerating change the Deloitte way

As companies race to adapt to the new rules of the digital era and capitalize on the revenue opportunities that exist, they are increasingly turning to Deloitte. Nobody else delivers the range of professional services that help our clients accelerate the evolution of their business models in this dynamically changing marketplace. Our broad solution portfolio, delivered via an integrated model, brings the multiple disciplines of strategy, operations, human capital and technology consulting, risk, governance and audit, tax, and financial advisory services. Coupled with our deep industry insight and global scale, we help our clients tackle the challenges and opportunities of the digital age.

Some examples of our recent work include:

Digital workflow for a major film studio

Deloitte assisted the client in transforming its studio operations from analog to digital and in evaluating content security risks with emerging devices. Deloitte conducted in-depth evaluations of potential vendor's content protection systems and performed device testing to ensure compliance with client's security requirements. The client was able to successfully execute numerous digital distribution deals with content partners across several formats.

Digital supply chain evaluation for a major music label

The label was facing plummeting physical revenue streams and struggling to deliver the digital product volume demanded by the market. Deloitte provided the client with an in-depth understanding of the pain points across its organization, as well as the efforts needed to overcome organizational and cultural barriers to change.

Digital content production for a major publishing company

Deloitte was engaged to define the future state environment required to support digital creation, management, and distribution of digital products. Deloitte provided the client with insight into the different elements of digital content that generate value external to the organization. Deloitte defined new processes, capabilities, and technologies that were required to support digital operations. Deloitte also designed a new Digital Services Group which was integrated into traditional production.

Content security for a filmed entertainment trade and standards organization

Deloitte assisted the client in addressing several digital controls issues. A customized maturity model based on input from all member studios was created to assess the security of vendor sites. Deloitte evaluated client's vendor/partner facilities and recommended upgrades to content security. Leading practices to improve content security were implemented.

Digital rights management and strategic information systems plan for a family of cable networks

Deloitte developed a digital rights management roadmap to help the client gain visibility into programming inventory and generate greater licensing opportunities. Deloitte reduced content acquisition costs through more efficient use of existing inventory. Deloitte also collected and validated over 300 individual process/technology observations. These observations formed the basis for a three-year strategic information systems plan that prescribed nine recommended projects the client should undertake to enable them to keep up with the demands of emerging nonlinear platforms and direct-to-consumer business opportunities.

Technology transformation, strategic review of post production services, and digital transformation strategy for a major international broadcaster

Deloitte identified technology transformational support requirements across the network's Digital Media Initiative program and provided transformation support. Deloitte was also engaged to evaluate the deployment options for desktop post production technologies within the network and assisted with the development of a pragmatic approach toward digital transformation, which would allow the network to effectively exploit the benefits of digital production technologies.

And there is much more...

For more information, or to schedule a meeting to discuss these and dozens of other findings, please visit: www.deloitte.com/us/realitycheck

www.deloitte.com

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