Understanding the Return on Investment of Media Asset Management Systems

Executive Summary

Media Asset Management (MAM) systems are revolutionizing the way media enterprises manage and optimize their content life cycles by delivering revenue, efficiency, and creative gains, yet understanding how to financially justify new projects remains a challenge for many organizations.

MAM techniques can significantly reduce operational costs, improve efficiencies, and position organizations for growth in a demanding market. With the recognition that only managed assets have real long-term value, it becomes even more important to understand how to scope, design and implement a comprehensive media asset management initiative.

Implementing new asset management is far more than just buying a technology; it requires leadership, governance, technical integration, cultural change and user adoption to make it work. By undertaking a return on investment analysis organizations are better able to understand the business case, identify where media asset management can provide the greatest impact to the business and identify where business processes can be optimized.

Over the past decade, many customers have implemented media asset management workgroups and systems across the media lifecycle, from ingest and production to transmission. But building on those early initiatives and moving towards an integrated media enterprise can deliver significant additional benefits such as:

- Improved utilization of production infrastructure
- Collaboration across departments
- Dramatically improved location-independent workflows
- Process visibility and optimization
- Automation of manual processes
- Consistent metadata capture and protection through the media lifecycle
- Improved discovery and utilization of archived assets
- Production and multi-platform distribution combined into a single, file-based workflow
- Less production cost and time to create higher quality content
- Streamlined work order management and resource scheduling
- Reduced distribution time and improved quality of the end product
- Creation of an agile infrastructure that supports changing needs
- Expanded supply chain options
- Lower aggregate storage cost through tiered storage management

Taking this wider view helps media asset management systems deliver more concrete cost savings, significant workflow efficiencies and typically a strong, measureable financial benefit.

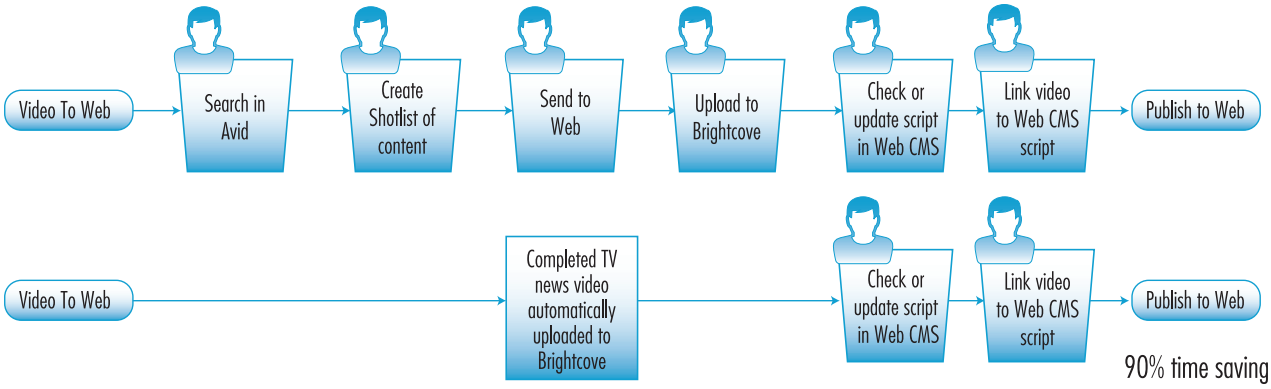
Using activity-based analysis

Understanding the current operation

Reviewing the existing operations and building business process models allows us to look at the underlying costs associated with common media management tasks. Combining the process with the staffing costs we are able to calculate the cost of the processes, and then by adding volume projections look at the cost and efficiencies at scale.

It is not unusual to find significant repetition in tasks, multiple processes duplicating effort, and assets being stored in multiple repositories. As various departments in the media enterprise have evolved organically with localized decision-making it is not at all unusual for organizations to have multiple ingest processes, asset management systems, transcoding systems, and point to point integrations.

Figure 1. News video published to web (before newscast)

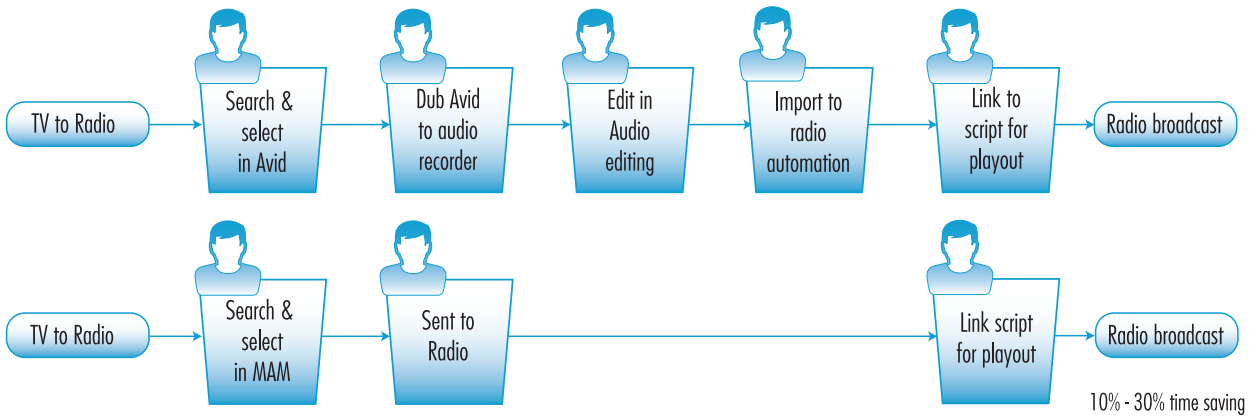


Example 1. Use of media asset management to automate processes, remove redundant tasks and deliver a significantly improved workflow.

Designing the 'to be' operation

Establishing the new workflows and understanding the increased efficiencies provided makes it possible to calculate and project the efficiency gains. In addition to being able to show how valuable these processes can be when compared with the existing operations, it can also be demonstrated how these efficiencies can support additional growth; for example new channels, distribution platforms, and alternative workflows.

Figure 2. TV to Radio

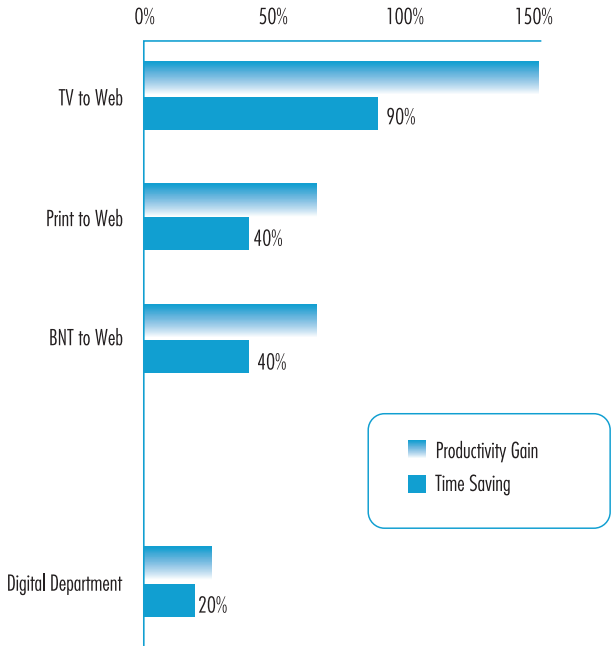


Many media enterprises are now looking for more economies between media properties; being able to share assets between print, television and radio and do so quickly and efficiently is key. Long promised synergies of the content business are now being realized using more advanced integration and automated workflows.

Building a model and prioritizing

Productivity gains reflect savings in certain tasks and workflows that could be improved by automating and streamlining them. Typically estimates are approximate with an inherent error of about +/- 10%

Figure 3. Productivity and time-saving gains



Results

- All cases deliver positive NPV at 10 years
- All IRR > 12% at 5 years
- Realistic case delivers
  - Positive NPV in year 4
  - 36% IRR for 10 years
  - NPV10of $960K

In this simplified example, if a department has four tasks that each take up 25% of their time, and through the introduction of technology two of these tasks can be fully avoided, the subsequent savings can either be used to reduce cost or improve the throughput.

Building the business case

Once the new operating workflow elements are understood it is time to look at the cost side of implementing a media asset management system. Typically the cost components are the software and hardware elements, configurations and implementation services, HVAC, power and annual support.

Revenue typically comes from greater asset utilization on new platforms, deferment of stock footage costs, and program sales.

Lastly the manpower assumptions, including full employment costs are needed.

Taking all of these elements into account creates the ability to project the internal rate of return for the project.

Figure 4. Internal rate of return (IRR) example calculation

Assumption: MAM cost $795K and cost savings of 7 people based on 75 video and 105 multi-platform stories

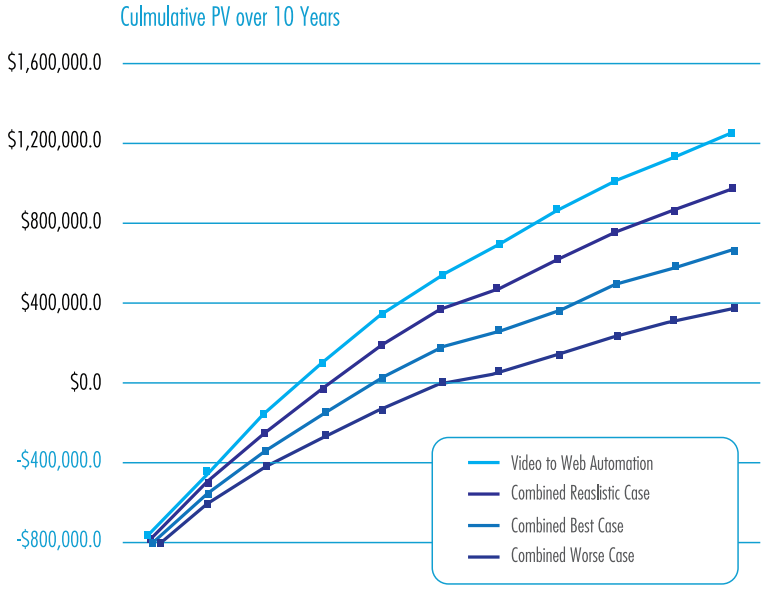
Assumption: Technology refresh of $120K at year 6

Cost of Capital 12%

Year	0	1	2	3	4	5	6	7	8	9	10
Net cash flow	(795,000)	322,100	322,100	322,100	322,100	322,100	322,100	322,100	322,100	322,100	322,100
Staff savings		359,100	359,100	359,100	359,100	359,100	359,100	359,100	359,100	359,100	359,100
Support costs		(37,000)	(37,000)	(37,000)	(37,000)	(37,000)	(37,000)	(37,000)	(37,000)	(37,000)	(37,000)
Cap Ex spend	-795,000						-120,000				
PV factor	100%	89%	80%	71%	64%	57%	51%	45%	40%	36%	32%
PV of net cash flow	(795,000)	287,589	256,776	229,264	204,700	182,768	102,390	145,702	130,091	116,152	103,708
Cumulative PV	(795,000)	(507,411)	(250,635)	(23,370)	183,330	366,098	468,489	614,190	744,281	860,434	964,141

10 Year Net Present Value	$964,141
5 Year Net Present Value	$366,098
10 Year Internal Rate of Return	38%
5 Year Internal Rate of Return	29%

Figure 5. Cumulative present value graph and summary



Creating (and maintaining) strategic alignment

Making sure that project priorities are closely aligned to the primary business drivers can help refine the order in which new workflows are implemented.

Common patterns are emerging as customers adapt to the changing digital landscape, for example:

- Building market share
- Establishing new revenue streams
- Realizing the full value of original content
- Building brand loyalty on new platfrms

Building a link between these high-level business imperatives ensures that the program has the right level of visibility, accountability and traction. In many cases customers will want to tie savings and benefits to a direct departmental budget. It's very common to have a program office managing the business case and ensuring that the promised efficiencies are delivered.

Avid Service Offerings

With decades of experience delivering complex departmental and enterprise class media asset management systems Avid is uniquely placed to build and support the design of return on investment analysis. ROI studies delivered by Avid are based on our broad range of industry experience and knowledge of media business processes and these can be used to support alternative vendor implementations.

Using our global experience we can help customers realize best-in-class workflows and ensure they remain competitive in the fast moving and fiercely competitive media marketplace.

In addition to in-house capabilities, Avid has a many partners within its delivery ecosystem who can help provide impartial and agnostic advice.

Summary

With growing demands on the media enterprise to accelerate innovation and deliver greater efficiencies, building a comprehensive business case to clarify and prioritize the return on investment of a media asset management project has never been more important. Building alignment around the ROI model enables all the stakeholders understand the relationship between key activities and the economic levers; and ensure a broad base of support, the most important element required to gain the full benefit.

For further information:

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