

*E&M companies
harness industry
dynamics to
create the
“Collaborative
Digital
Enterprise”*

Global entertainment and
media outlook 2011–2015

The migration to digital content delivery and consumption is causing E&M companies to engage in more and deeper collaboration across and beyond the industry. As this type of collaboration escalates over the coming years, we believe the route to competitive advantage lies in harnessing three industry-wide dynamics:

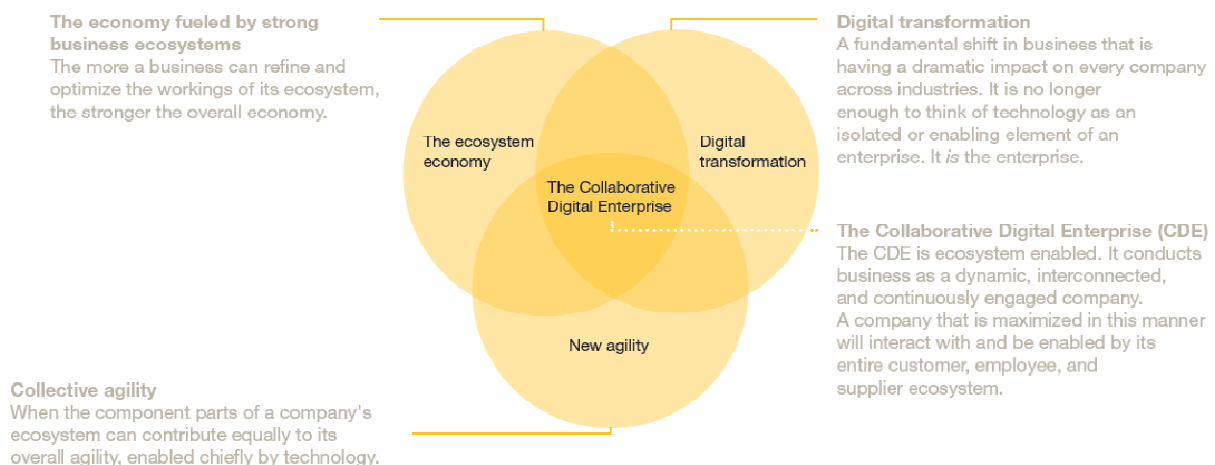
- **Digital:** The digitization of elements including content, business processes, and delivery platforms is both rapid and accelerating. Social media, mobility, and the explosion of apps have already had profound impacts—and these will continue to expand.
- **Demand:** All interactions are being affected by rising customer expectations. Consumers are empowered, connected, able to influence large communities of people, and ready to play an increasingly active role in the development of E&M content, products and services.
- **Data:** The proliferation of digitized content, web access and social media means companies now have the ability to mine and analyze detailed/contextual information previously unavailable. Data is key to the interface between consumers, content experience and brand, as well as to innovation.

To capitalize on these three drivers, participants in the industry will need to focus on the “empowered consumer”, the “involved advertiser”, and “organizing the business for digital”. In combination, all these elements are driving E&M companies towards a transformation into a new operating model specifically designed for the digital ecosystem. We call this model Collaborative Digital Enterprise, or CDE.

What is the CDE?

The dynamics and positioning of the Collaborative Digital Enterprise are illustrated in the accompanying graphic. As this shows, the CDE is located at the nexus of significant new market dynamics, including industry-wide digital transformation; the broader shift to an overall collaborative ecosystem-based economy; and the higher degree of agility that companies will need to remain competitive in this environment.

The Collaborative Digital Enterprise at the nexus of market change



The final, mission-critical piece of the jigsaw is the CDE’s ability to foster and support deep and ongoing collaboration—enabling the business to pursue clearly identified goals holistically through close, transparent and trusting two-way relationships with customers, employees, distribution and technology partners, and suppliers.

Why CDE — and why now?

As the digital ecosystem evolves, we believe that more and more companies will reshape themselves for higher performance by transforming into a Collaborative Digital Enterprise. While CDEs will emerge in many sectors during the coming years, the digitization of content and the surrounding experience—the core offering made and delivered by the E&M industry—gives the model particularly powerful implications for E&M companies.

The CDE has its roots in technology but is much bigger, in that it is designed for an environment of constant disruption—and opportunity—caused by the emergence of the digital economy. This market transformation means technology is no longer an isolated or enabling element within the enterprise. In many ways, it *is* the enterprise. So true digital transformation requires a total recast of what a company does to stay relevant and lead, by conducting itself as a dynamic, interconnected, and continuously engaged enterprise. A company that is optimized in this way will collaborate continuously with—and be enabled by—its entire content ecosystem.

Migrating to the CDE model will also provide companies with a way to address changes to their cost base due to the move to digital. For example, book publishers are trying to work out the pricing structure for their digital books. But at the same time the physical cost base for their “old-world” product is rising, as fewer non-digital units are sold. These products will not be as profitable in terms of margins when fewer people are buying. The CDE’s end-to-end digital processes and interactions will help to keep the overall cost base down, whether the end-product is delivered digitally or non-digitally.

The collaborative future emerges

In PwC’s view, the next five years will see the CDE emerge as a template for the successful E&M company. Not all E&M players will evolve this way; some have unique embedded advantages that will enable them to “go it alone” without joining the wave of collaboration. But we believe that the organizations that adopt the CDE model will generally be more successful.

The new collaborative landscape in which CDEs will thrive is already emerging. Across the leading digital markets, we are seeing pipe owners, content owners, device manufacturers, operating systems and app developers working together in varying configurations to produce engaging content and service experiences, all fed by instantaneous consumer feedback and analytics. The momentum is unstoppable.

The Collaborative Digital Enterprise will escalate and elevate this collaboration from a series of discrete initiatives to a sustainable and interconnected collaborative digital ecosystem. By 2015, we think most E&M companies—and the vast majority of the industry winners—will have digital collaboration infused into their DNA. The real question is how quickly this comes about.