The Financial Case for Cloud-based Media Supply Chains

The operational and financial benefits of moving to a cloud-based media supply chain are impressive. However, clearly quantifying these benefits for the purpose of assessing business value and financially justifying a move to the cloud can be challenging. This article provides a framework for thinking about and making this case.

To begin with, it is essential to get some sense for current operating efficiencies expressed as direct plus allocated cost per unit output. Gathering this data may be difficult, but at least an approximation is key. The comparison of these metrics versus a cloud-based supply chain will be compelling and an important aspect of the financial justification.

Technology-limited, traditional supply chains were designed based upon fixed, on-premise assets that performed specific functions or applications. Simply "lifting-and-shifting" transcoding or QC to the cloud — or outsourcing in the form of a SaaS-based provider — has limited benefit.

Contrary to a fixed supply chain, cloud-based virtualization enables dynamic organization of related processes, multiple applications, on-demand technical resources, and personnel. The compelling operational and financial benefits of a cloud-based supply chain are derived from optimizing these supply chain components in relation to each other. In addition, the point is often missed that a cloud-based supply chain provides unique visibility of infrastructure cost versus the value of the content being processed.

The way supply chain components are organized forms the framework for justifying cloud-based versus on-premise supply chains. The cloud enables dynamic organization, supply chain optimization, and the corresponding assessment of business value for a given use case. Aggregating use cases further enables realization of additional business value for the entire enterprise. At the highest level, supply chain optimization between supply chain partners provides even more value.

The evolution to a fully optimized, cloud-based supply chain can take several years. The justification framework presented in this article is based upon a series of use case-based transitions, each of which provides significant business value versus the traditional on-premise process being replaced.

Companies who are making the transition to cloud-based media supply chains have done so understanding two things;

- First, compared to traditional on-premise workflows, significant efficiencies are possible by re-engineering the workflows associated with a given use case to take advantage of the unique capabilities of the cloud including scaling, and the availability of applications/processing resources on demand.

- Second, a significant, enterprise-level *compound value* is unlocked by optimization of cloud-based supply chains that support multiple use cases–for ultimately the entire enterprise–from ingest through distribution.

Together, these dual considerations serve as foundational elements in a business case for cloud-based media supply chain migration.

Start with a Single Use Case

Most companies begin this analysis by delving into the requirements associated with a high-priority use case that constitutes a portion of the media supply chain.

Common examples include:

- Content receipt
- Content normalization
- Content logging
- Content localization
- Content modification
- Content distribution
- Content archiving

Further reading: Cloud Migration in 5 Steps

The determination of value for a given use case begins with creating a preliminary description of the functionality required, existing challenges linked to the workflow, current operational costs, and current technology costs. The next step involves identification of potential areas for improvement, in terms of efficiency, agility, and cost savings, for both workflow and operations. The final step is to present and correlate real-world data points to specific aspects of this use case, using concrete figures based on actual implementations to demonstrate the significant gains that may be realized.

Real Customer Returns for Content Distribution:

- 25% reduction in operating costs
- 23% increase in revenue
- Post-acquistion, 60% y/y increase in content output
- 45 mins to determine profitability of a new business opportunity
- 15,000 assets delivered to a new platform over a weekend

The matrix shown here focuses on a single use case, content distribution, and supplies a full accounting of the technical and operational benefits that arise with migration to the cloud. It shows that the benefits of cloud versus traditional on-premise supply chains are tangible and significant.

Use Case	Content Distribution
Functions	• Transcode • Rewrap • Package • Fragment • Optimize • Deliver • Metadata processing
Existing challenges	• Limited toolset • Scalability • Cost • Human intervention • Evolving standards & platforms • Lack of agility
Current operational costs	• Media managers
Current technology costs	• Transcoders • Storage • CDN • Packagers • File movers
Efficiency improvements	• Additional automation • Increased scalability • Reduced human touch
Agility improvements	• Increased ability to support new platforms • Time to market • Expanded toolset
Financial improvements	• Reduced footprint • Increased revenue • Increased scalability • Cost allocations
Real customer returns	• **25% reduction in operating costs** • **23% increase in revenue** • **Post-acquistion, 60% y/y increase in content output** • **45 mins to determine profitability of a new business opportunity** • **15,000 assets delivered to a new platform over a weekend**

In the use case illustrated in this simple matrix, one SDVI customer's returns include a 25% reduction in operating costs and a 23% increase in revenue post-acquisition. The company gained not only visibility into cost across the supply chain, but also the ability to make rapid determinations as to the profitability of new business opportunities. The financial gains associated with a single use case, along with unprecedented insight into operational costs, are compelling — even urgent — arguments for cloud migration.

Once improvements and gains for a single use case are identified, the task of proving out the impact across the enterprise becomes less onerous. Calculating the benefits of transitioning multiple use cases to the cloud is vital to demonstrating the value of a cloud-based media supply chain in the context of a broader strategic plan.

Enterprise Value

While real customer returns on a per-use-case basis are compelling, those figures multiply and become even more apparent as an enterprise gradually transitions an increasing portion of the supply chain to the cloud. Re-designing use case workflows for the cloud offers meaningful benefits, but the greatest gain is realized by evolving the entire supply chain to the cloud.

One means of demonstrating the compounded benefits of migrating multiple use cases to the cloud is to select a second use case, apply the same analytical framework used to assess the original use case, and then evaluate findings for the two use cases side by side. Commonalities become more evident when these analyses can be compared along similar axes, and it grows easier to perceive where current costs in the same categories are adding up, where functions are duplicated, and where human and technical resources are devoted.

In terms of key benefits, namely efficiency, agility, and cost reduction, common areas for improvement indicate where gains can be compounded across multiple use cases. For instance, where two elements of the media supply chain have traditionally required independent pools of QC operators and compliance operators, the enterprise can consolidate tasks and resources, in turn enabling completion of tasks in times that are orders of magnitude faster than in the past. This speed directly enables faster time to revenue for new and existing services. Further examples of enterprise value include real estate reductions, data center elimination, and overall reduced operational costs.
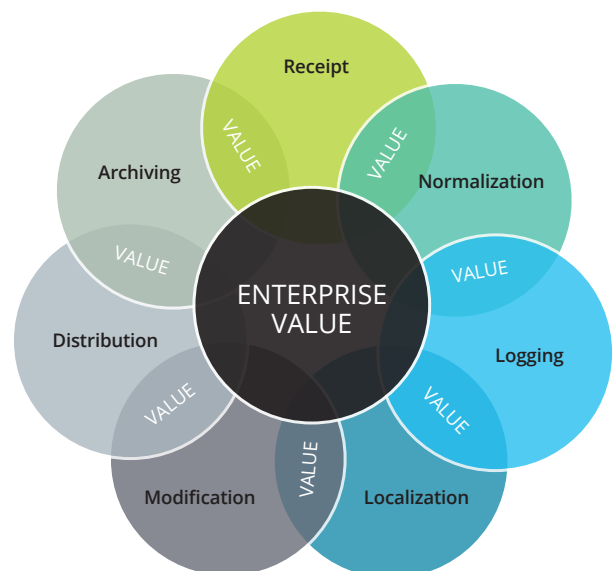
Summary

As multiple use cases migrate to the cloud, the enterprise acquires the ability to recognize, quantify, and optimize the supply chain. Supply chain-generated data and the corresponding analytics becomes an increasingly important component in both business and operations management. Of course, any use case can be a starting point for moving to the cloud, driven by the prospect of an immediate cost savings related to a particular requirement. However, the ultimate benefit is extraordinary enterprise-level agility, efficiency, and the associated financial returns.

Contact SDVI to discuss our full Business Value Matrix, which maps out use cases across the media supply chain and applies real-world data points to assess the value gains possible in each of these use cases.

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Find out more about the benefits of media supply chain management and SDVI Rally at **www.sdvi.com**