

# **SABC Target Operating Model**

## **Presentation to SABC Key Stakeholders**

**11 June 2020**



# Reimagine the SABC through a new Business and Operating Model

## The SABC Business Model and Target Operating Model

A **business model** describes the rationale of how an organization creates, delivers, and captures value in a specific economic, social, cultural and other context. The SABC business model will enable the fulfillment of audience and **customer needs** at a competitive price and a sustainable cost and reflect the changing business environments and **market demands**. The SABC Business Model and Target Operating Model highlights all the key indicators the SABC need to consider, to ensure the achievement of their strategic goals, e.g.,

- Create compelling content, leveraging local creativity but in the context of global appeal while reducing cost per minute;
- Reinvent content and brand lifecycles to drive growth in expanding secondary markets on new non-linear platforms;
- Develop new business models, customer relationships and innovative distribution platforms;
- Re-engineer processes to aggressively reduce direct and indirect cost bases;
- Ensure new digital skills in ICT and business to accelerate time to market;
- Implement a consumer/service-centric culture; and
- Implement a fit-for-purpose organisational structure.

A fit-for-purpose SABC Business Model and Target Operating Model was developed using the following as guiding principles:

- SABC's Turnaround Objectives;
- National Treasury's Pre-Conditions; and
- The Strategic Goals of the SABC.

These same guiding principles together with the newly developed SABC Business Model and Target Operating Model will be used to develop optimal, fit-for purpose and enabling organisational structures. Consultation with key internal & external stakeholders on above activities will commence and a consolidate transition plan for implementing the organisational structure will be developed, together with the financial and employee implications of the proposed organisational structure.

## Reinventing the way we do business

The recent economic downturn and the growth of broadband, online video players and evolving consumer behavior, compounded by the COVID-19 pandemic, has created a sense of urgency for broadcasters to reinvent themselves. It has become crucial for a media company's success, to quickly meet its audience's content and its customer's data needs and demands. Customer insights obtained through effective data management are an essential prerequisite for this. This is enabled through a robust business and operating model that clearly define what content and what information is required and how and when it will be acquired, analysed and disseminated to make informed customer and business decisions. These real-time audience and customer requirements radically challenge companies' existing business models. Against this backdrop, companies must reposition themselves and get ready for the future with customer-centered business models. A target operating model (TOM) provides an ideal framework for this.

The total media advertising spend is shifting to different channels, most significantly to online video. While the shift in advertising spend away from the SABC is due to the organisation not having an adequate online value proposition, it is also compounded by operational issues, such as poor sales and marketing effectiveness, ineffective commercial product packaging, old uncompetitive business models, inadequate technology infrastructure, lacks of requisite skills, inefficient business processes and ineffective organisational and divisional structures.

# The Guiding Principles for the New SABC Business Operating Model include the SABC's Turnaround Objectives, NT's Pre-Conditions & the Strategic Goals

**TURNAROUND STRATEGY OBJECTIVE:** To develop a **holistic operating model** for the corporation, inclusive of a *proposed organisational structure* and associated job profiles to serve as a basis for a *staff optimisation process*.

**NATIONAL TREASURY PRE-CONDITION 2:** The SABC must submit a list of identified initiatives for revenue enhancement and cost-cutting initiatives.

## **STRATEGIC GOALS:**

**HUMAN RESOURCES:** To develop a dynamic and motivated *fit-for-purpose workforce* that embraces learning and is sufficiently adaptable to migrate into the digital age

**CONTENT & PLATFORMS:** To acquire and schedule compelling and quality programming, spanning a range of genres, in all official South African languages, across traditional and digital media platforms.

## **Increase commercial revenue**

- Develop digital sales strategy
- Develop commercial sponsorship model
- Optimise Unsold inventory through trading with new non-traditional advertisers
- Rollout of multiple trading models
- Actively pursue private sector participation initiatives

## **Turnaround Plan: Content and Platforms**

Content and platforms initiatives can be sub-divided into three main categories namely:

- Know the audience
- Obtain compelling content
- Monetise local content

## **Turnaround Plan: Transmission and Digital Migration**

Transmission and digital migration initiatives can be sub-divided into two main categories namely:

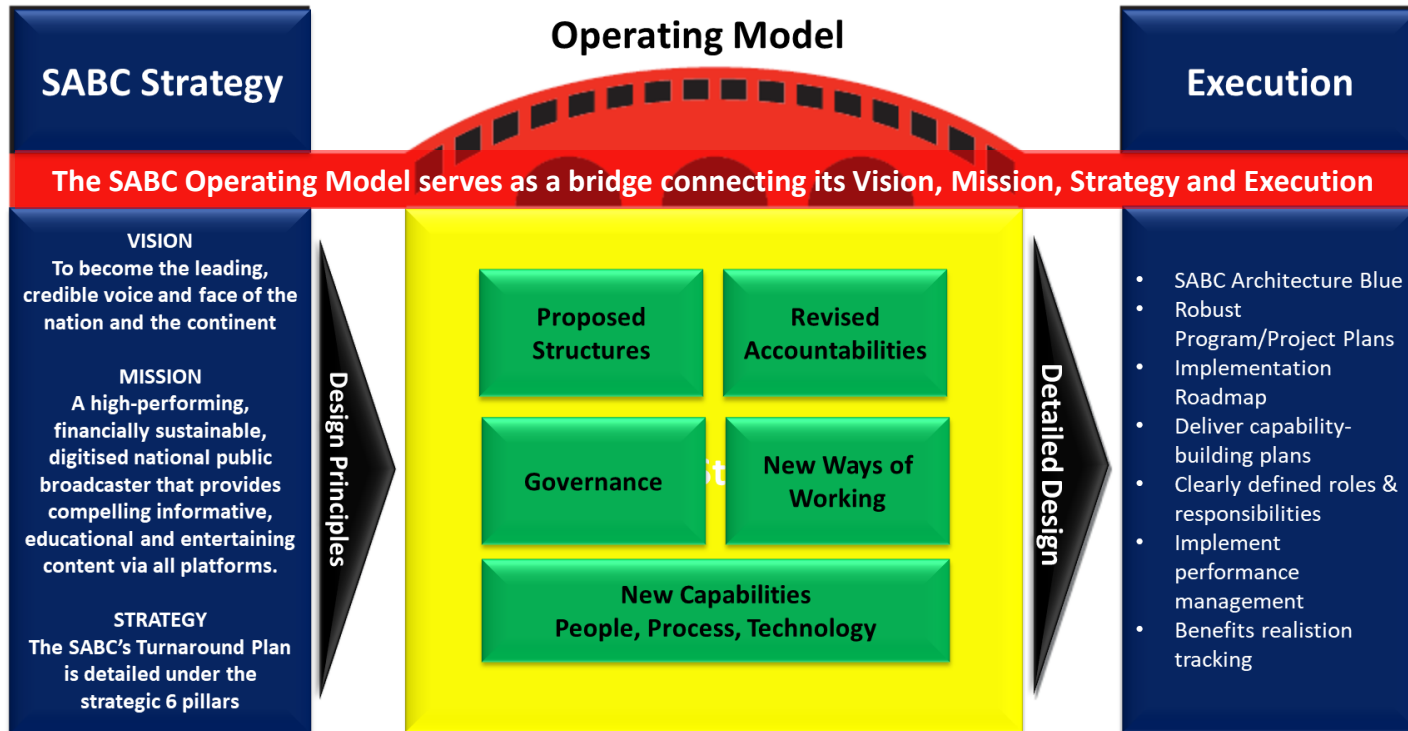
- Reduce the cost of broadcast and transmission – Sentech remain one of the largest cost drivers
- Digital migration – expedite initiatives

# What is an Operating Model?

An operating model is a framework (a blueprint) for how resources are organised and managed to deliver the vision, mission and strategic intents of an organisation. As illustrated in the diagram below, it takes shape through key choices in the following areas:

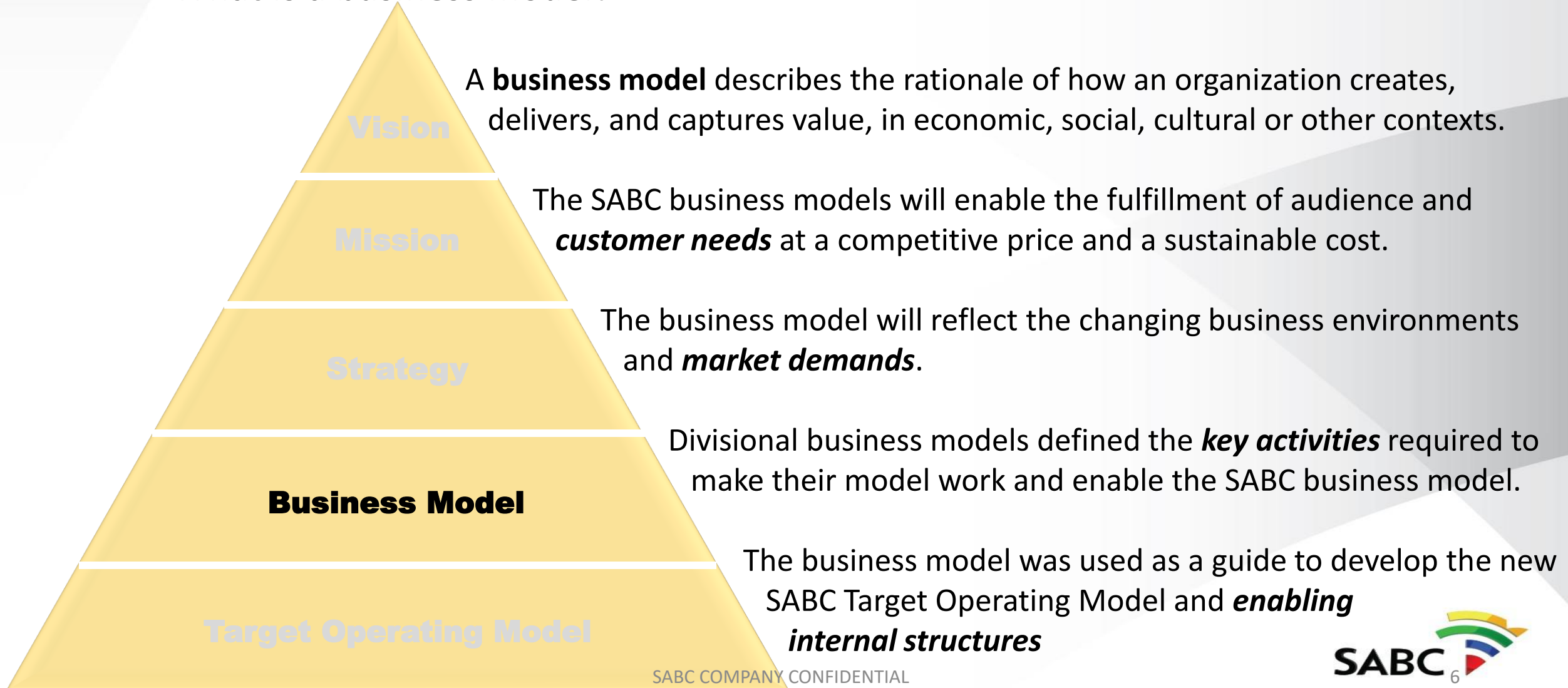
- **Structure** – the matrix of products, geographies, and segments that will work best for an organisation
- **Accountabilities** – aligning roles and responsibilities to excel in key capabilities
- **Governance** – speeding up the critical decisions in capital allocation, IT investment, capital expenditure, product design, and vendor choice
- **Ways of working** – calibrating a culture that fosters collaboration across internal functions and with external suppliers
- **Business Model** – combining people, processes, information and technology to defined how the strategic goals will be achieved

## SABC Framework of Aligning Strategy to Execution



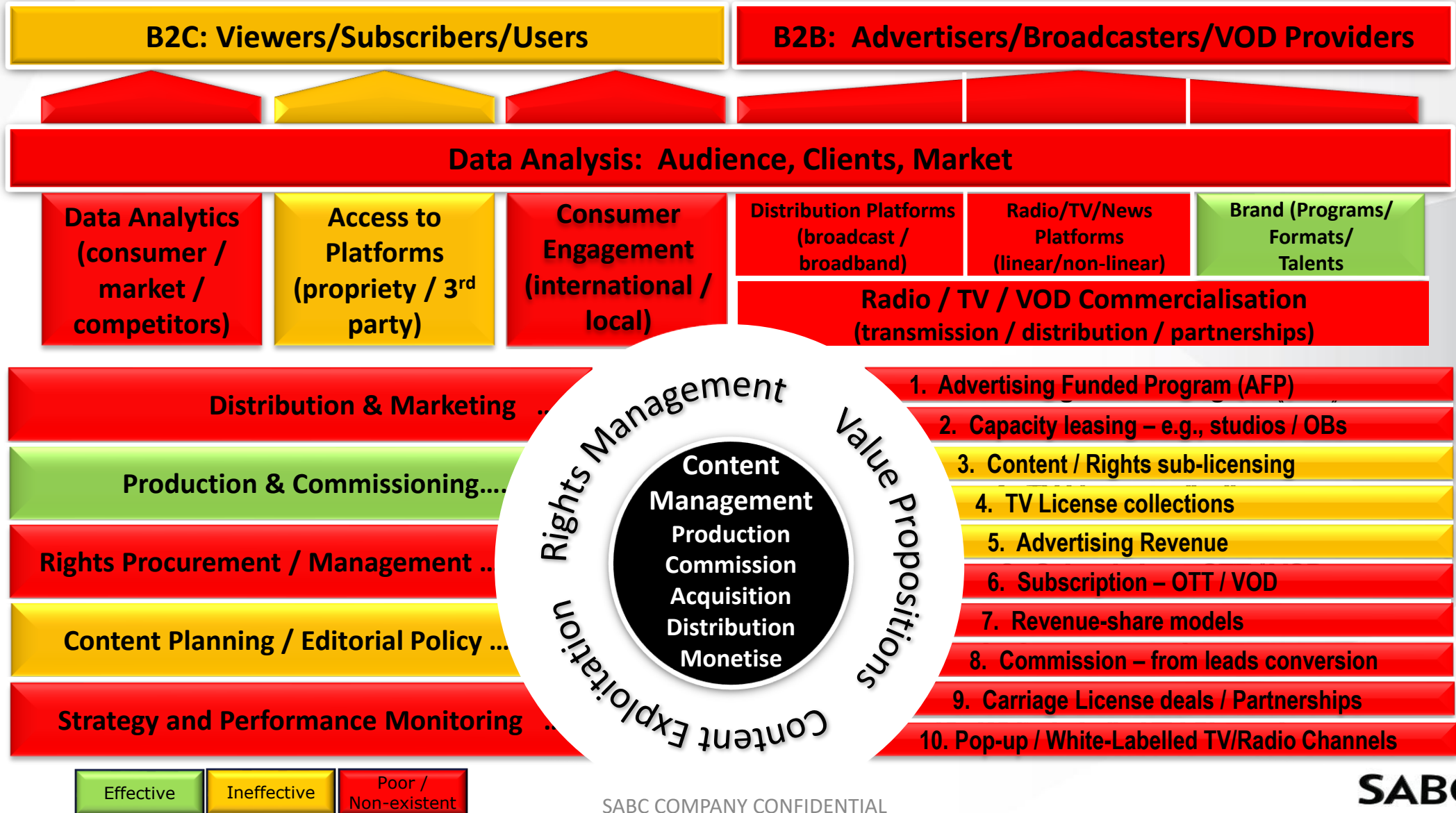
# Defining the SABC Business Model to convert strategy to Results

## What is a business model?



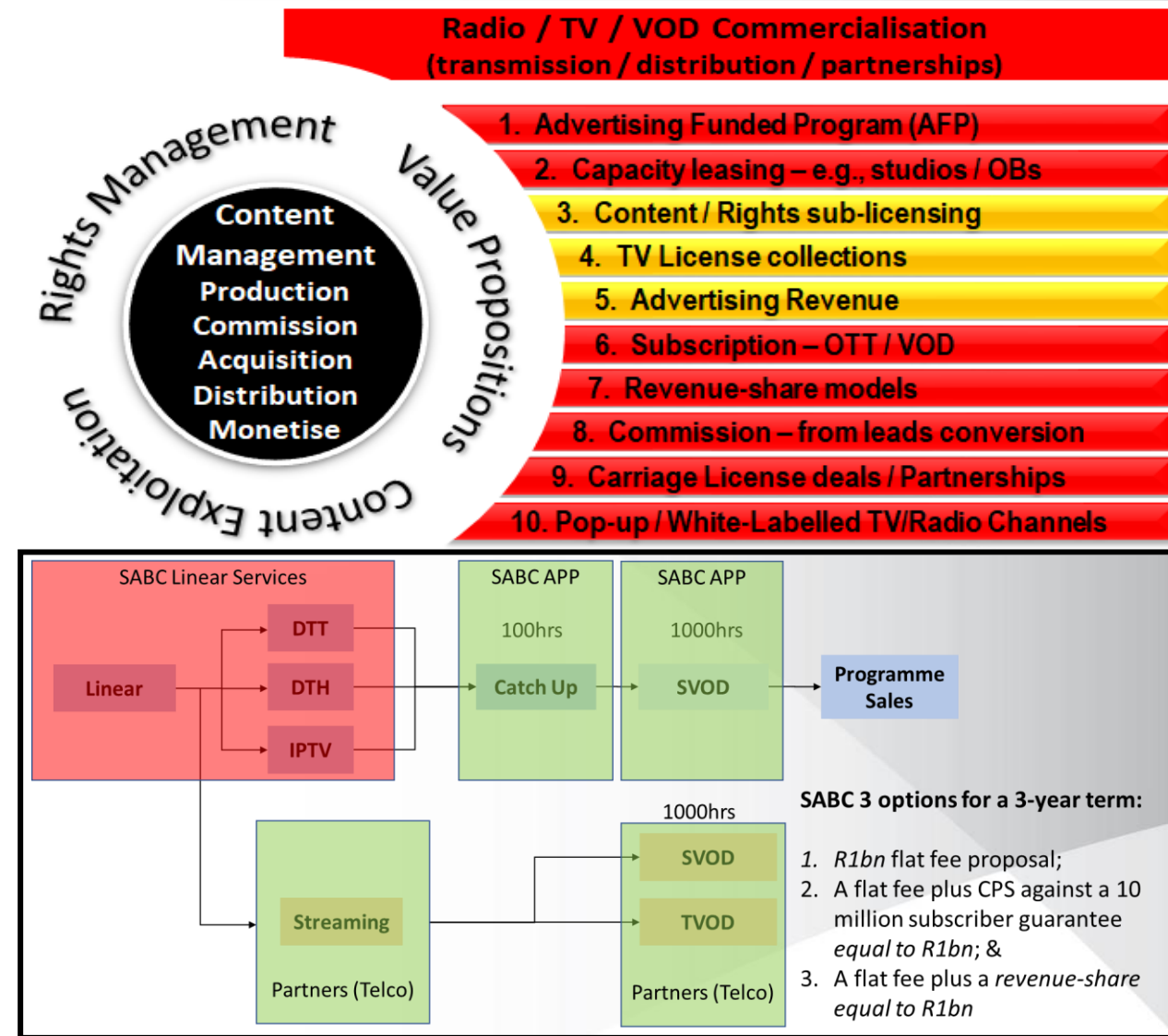
# The New SABC Business Model embeds its newly defined Value-Drivers

The core focus of the new operating model is to enable the value drivers in the most efficient & effective manner



# Unlocking the SABC Value Drivers through Strategic Partnerships

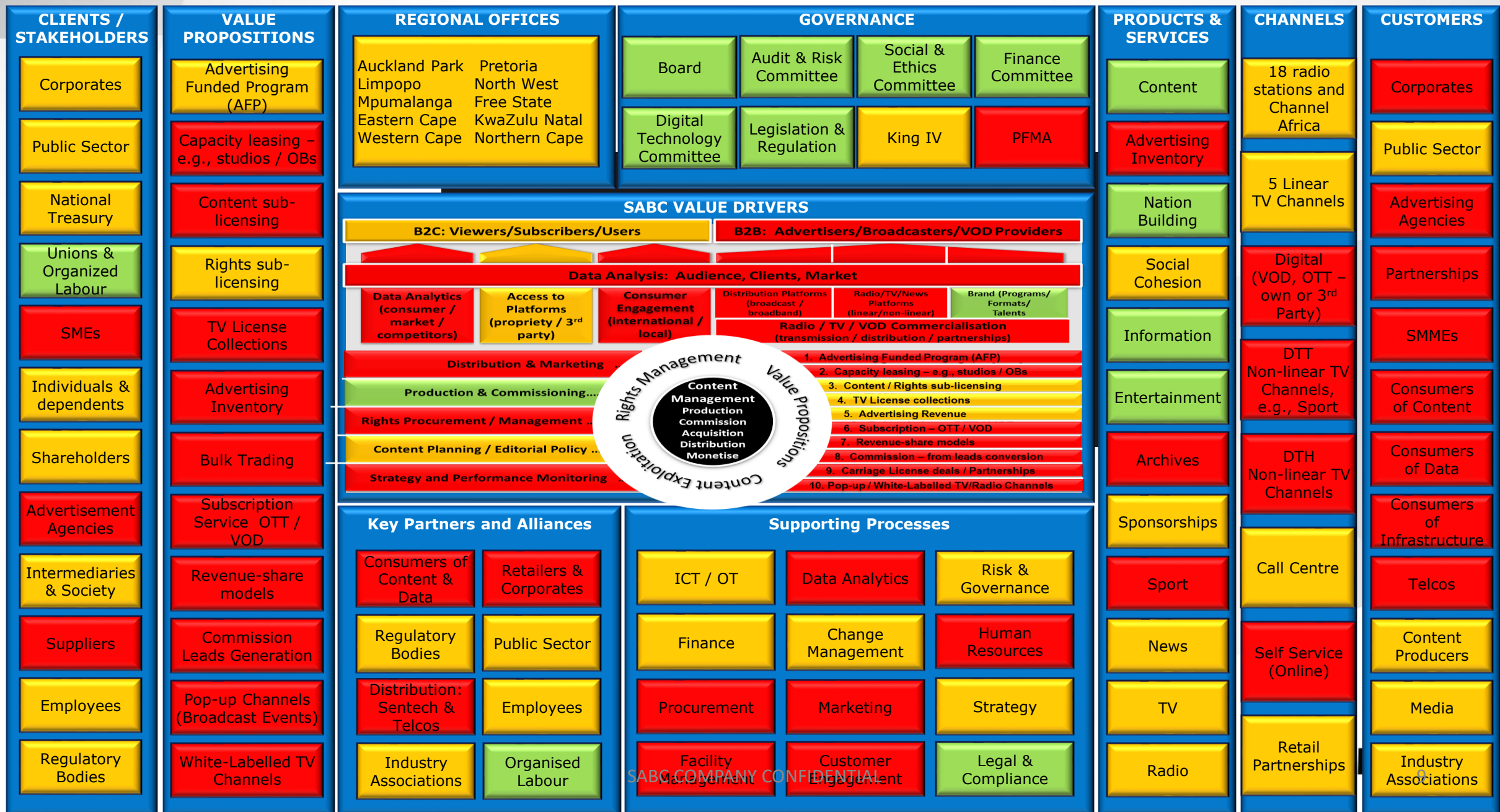
- A core pillar of the SABC's turnaround strategy is Partnerships (*National Treasury recognised the importance of partnerships in its preconditions for funding support to the SABC*)
  - † Revenue generation or cost reduction – or both
  - † Bolster the funding model
  - † Increase acquisition and distribution on various platforms
- For the past 18-24 months the SABC has been exploring potential revenue generation partnerships
  - † Exploit potential presented by digital convergence opportunities
  - † Global trend of partnerships between telecommunication service providers and broadcasters
  - † Need to generate revenue
- The due diligence exercises included an analysis of media assets
  - † More appropriate/correct valuation of some of the SABC's prime content - critical importance
  - † Private sector partnerships is on the distribution of the SABC's content
  - † Involve advertising and revenue share deals
  - † Exploring channel carriage deals (content distribution and revenue share)
- It is within this background that we should view the proposed partnerships with Telcos.





# SABC Target Operating Model

Effective    Ineffective    Poor / Non-existent



1. Advertising Funded Program (AFP)
2. Capacity leasing – e.g., studios / OBs
3. Content / Rights sub-licensing
4. TV License collections
5. Advertising Revenue
6. Subscription – OTT / VOD
7. Revenue-share models
8. Commission – from leads conversion
9. Carriage License deals / Partnerships
10. Pop-up / White-Labelled TV/Radio Channels

# The Guiding Principles for the Proposed Organisational Structures include the SABC's Turnaround Objectives, NT's Pre-Conditions & the Strategic Goals

## TURNAROUND STRATEGY OBJECTIVE:

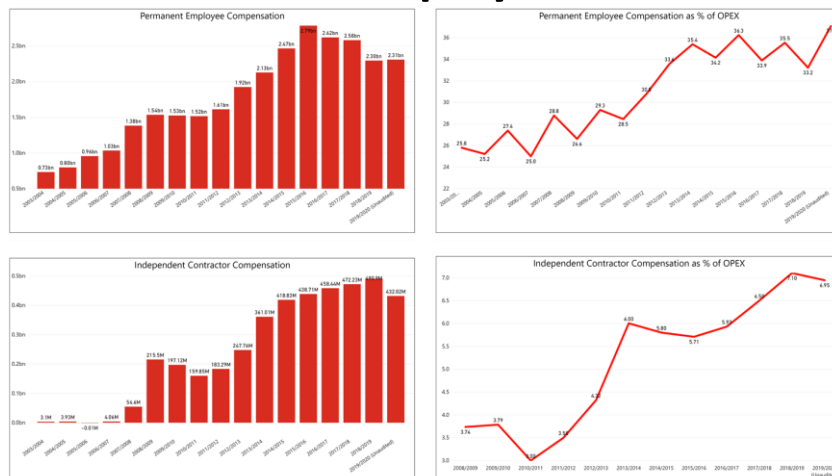
1. Develop a **holistic operating model**, inclusive of a **proposed organisational structure** and associated job profiles to serve as a basis for a **staff optimisation process**.
2. Deploy a vision for a modern digital, multi-channel SABC that is customer-focused, delivers on its public broadcaster mandate while **being commercially viable and financially sustainable**.
3. Develop optimal divisional and overall SABC structures.
4. Analyse the employee and financial implications of the proposed operating model and organisational structure.
5. Consult with key internal & external stakeholders on above activities.
6. Consolidate and finalise detailed transition plan for implementing the organisational structure.

**NATIONAL TREASURY PRE-CONDITION 2:** The SABC must submit a list of identified initiatives for revenue enhancement and **cost-cutting initiatives**.

**STRATEGIC GOAL: HUMAN RESOURCES:** To develop a dynamic and motivated **fit-for-purpose workforce** that embraces learning and is sufficiently adaptable to migrate into the digital age

## SABC Cost Optimisation is key to its financial Sustainability

### Unsustainable Employee Cost Driver



### Unsustainable Sentech Distribution Cost Driver

