

Case Study: Global Music Company Changes its Tune

Finance and Accounting Service Delivery Evolves to Support Business Needs and Adapt to Market Changes

At A Glance

Company Profile

The business is an iconic global music company with a portfolio of artists that includes a wide selection of both national and international artists, as well as a vast catalogue that comprises some of the world's most famous recordings. It works with its artists to release music across many musical genres in a variety of formats and has multi-million pound annual revenues.

Services Featured

- Strategy and assessment
- Market assessment of service providers
- RfP process management
- Negotiation support
- Transition support
- Retained organisation re-design

Business Processes Involved

- Finance and accounting

Executive Summary

This business had to change the finance delivery model in order to operate efficiently in a changing business environment. These changes were being driven by a shift in customer demand from physical to digital products and the associated pressures on revenue and margins. EquaTerra developed a business case for various strategies to clarify the need for change to the wider organisation.

EquaTerra then worked with the business on its project to realign and optimise its finance operations, both in North America and Europe, and ultimately supported the delivery of significant cost savings, increased flexibility and access to best practice expertise.

Business Challenge

The music business was facing significant challenges in its key markets which have seen a move from consumers demanding physical products such as compact discs to digital products such as music downloads. This significant shift in market dynamics was placing pressure on the company's revenue and profitability. As a result, the business has re-examined its finance cost base for both its North American and European operations and identified an opportunity to deliver cost saving and efficiency benefits to the business.

The company required a commercial framework that delivered significant cost savings supplied in a manner that ensured sustainable service delivery and reflected its unique culture. To enable this, a robust transition approach and framework was required. A drive towards continuous improvement in partnerships with service providers was also necessary.

How We Helped

EquaTerra supported the business in its work to realign and optimise its finance operations, both in North America and Europe.

Advisory activity carried out by EquaTerra included strategy and assessment engagements which evaluated the various delivery models available, including a buy versus build option - either buying services from a third party or investing in the infrastructure to build their own service delivery capability. This evaluation covered the 20 European countries in which it currently operates. Crucially, EquaTerra was able to finalise the business cases for the range of options within the six week deadline necessary to meet wider business objectives.

A detailed business case model was also developed and maintained. This allowed the business to easily track the required investment for the delivery models being considered and the anticipated savings which could be realised.

A rapid market assessment of finance and accounting outsourcing (FAO) service providers for the European scope of work was then conducted. This encompassed:

- Record to report
- Procure to pay
- Order to cash
- Royalty and copyright processing
- Budgeting and forecasting

EquaTerra drove the Request for Proposal (RfP) process and provided significant assistance on the commercial structure of the contract and the negotiation of the operational schedules. Subsequent to the RfP evaluation, budgeting and forecasting was removed from scope due to insufficient transaction volumes. Also, the royalties scope was reduced pending an end to end review of the process.

Additional advisory services provided by EquaTerra included transition support and change management. EquaTerra was also heavily involved in the negotiations phase of this initiative, bringing market best practice to the contracting and transition approach. Detailed work was also conducted to drive the future state design of the retained organisation model, as well as the governance organisation that was charged to manage the service provider interface.

Results

In order to best support the needs of the business, the decision was made to outsource finance and accounting service delivery. The US-based section of the business selected two specialist service providers, while in Europe, a single service provider was chosen.

Significant cost savings are anticipated as a result of the project. In addition, the business will have access to finance best practices which will help to ensure that service delivery remains optimised over time. The project also led to the adoption of a variable pricing model for Europe, which meant that the level of service and costs would be better aligned to the changing needs of the business as it could easily grow and contract as required.

A further benefit to the business is improved controls and compliance of finance processes. This was achieved by improved service level reporting and the move from a country to a regional view of its finance function.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported more than 2,000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement, Real Estate and Facilities Management and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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