Benefits of retransmission fee management

The exponential growth of retransmission fees has become a primary component of a broadcaster's total revenue and valuation and the most important driver of growth. But these fees are a complex and laborious revenue stream for finance departments to manage for compliance, revenue assurance, cash application, and reporting purposes. SymphonyAI Media can provide the experience and expertise to help.

Compliance requirements and the friction of adapting legacy advertising-oriented systems and manual workflows to manage retransmission fees coming from hundreds of sources with disparate reporting methods and levels of reliability represented a new set of infrastructural challenges. In response to these challenges, some broadcast groups have turned to the size, scale, and expertise of SymphonyAI Media to outsource the management of retransmission revenues.

By outsourcing, the entire data flow can be externally managed, from invoicing, processing monthly remittance data and creating journal entries to making necessary adjustments and accruals, resolving discrepancies and managing aging balances and collections. These broadcasters derive the same general benefits offered by providers such as ADP for payroll services: better data, cost savings pertaining to labor and infrastructure/technology, scalability of service, access to skilled resources and reduced corporate risk. For U.S. broadcasters, this outsourcing provides further industry-specific value in three key areas:

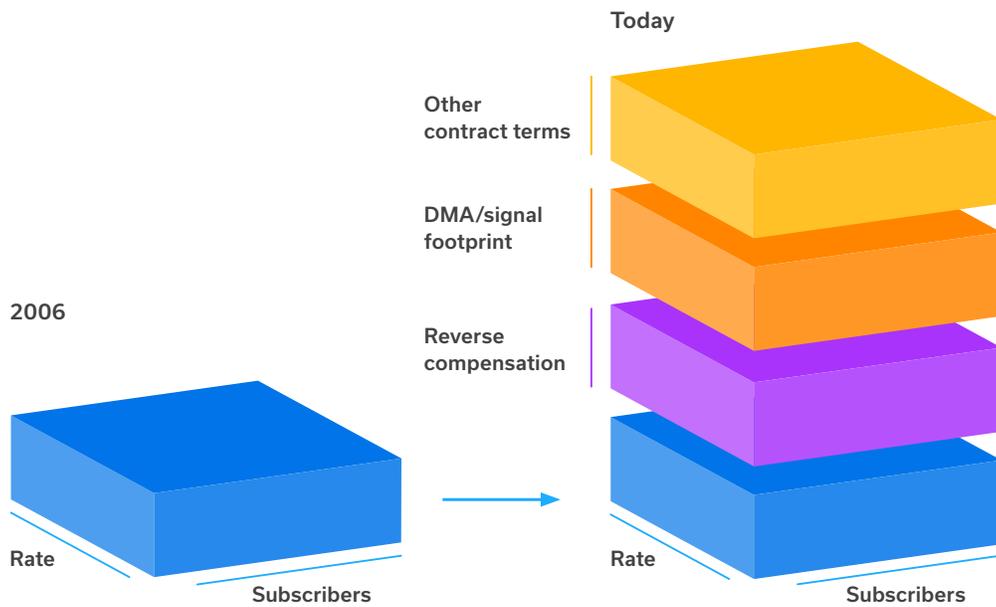**Agreement compliance**   **Process standardization**   **Reporting**

Agreement compliance

As retransmission revenue has grown, broadcasters' agreements with MVPDs have correspondingly become more complex (see diagram on next page). Rate calculations have evolved from a simple "rate x subscribers" model to include other considerations such as in- and out-of-market DMAs (designated market areas), carrier penetration and rate contingencies, specialized subscriber calculations for non-single family home accounts, and other terms affecting payments borrowed from traditional cable network agreements. Particularly in light of heightened M&A activity, accurately and efficiently ensuring agreement compliance has become quite difficult. However, SymphonyAI Media's expertise in managing this process for many networks and stations has enabled broadcasters to identify and resolve agreement compliance and reporting issues each month in real time, saving money, reducing cash conversion cycle, and removing the need to deal with large adjustments and difficult MVPD collection efforts at a later date.

Rate evolution

"The data aggregated by and through SymphonyAI Media's outsourced service was foundational in developing a sophisticated capability to analyze retransmission revenue all while offloading the heavy volume of laborious, lower-value processing work."

Process standardization: simplification and best practices

The labor-intensive processes to fully and transparently process retransmission fees received from many MVPDs are numerous and highly technical. This work far exceeds passive cash application, as it requires interpretation of data, detection of payment and reporting errors and omissions, intuiting trends and patterns in payments, applying proper accounting treatment and correcting issues over time with MVPDs. The required expertise and depth of specialized knowledge broadcaster personnel need to perform these functions every month is significant. Typically, mid- and lower-level accounting personnel are assigned by broadcast companies to execute the tasks that require industry knowledge, relationships, multi-period follow-up and persistence. Each broadcaster must invent such processes and protocols independently, without the benefit of shared knowledge and experience or proper database tools.

SymphonyAI Media's service offers broadcasters the benefits of a dedicated and specialized team, within a fully scaled service using best practices derived from years of experience performing retransmission management for hundreds of broadcast stations every month. Clients benefit from best-in-class practices and protocols, evolved software, industry expertise and relationships, and account management teams dedicated to the management of billions of dollars in monthly remittances.

Reporting

Given the volume and import of retransmission fees, proper intelligence and reporting have also become critical for forecasting and financial planning, and to prepare for MVPD renewal negotiations. A dependable, consistent and detailed set of performance metrics, reports and trend analyses down to the DMA, station, MVPD and network level derived from broadcast-customized software solutions is another benefit of outsourcing, and mimics the practices of the large, experienced cable networks.

Summary

The proper management of retransmission fees is a task few companies are equipped to do to meet the expectations and needs of top management. The complexity, dynamic nature and materiality of these fees may require very high investment, including increased headcount and develop or acquire/maintain complex software solutions. What was planned as proper revenue management by responsible teams can easily morph into a dangerous distraction from a broadcasters' core business. SymphonyAI Media provides a service to manage the process for these companies.

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