



Savvis Helps Music Giant Universal Music Group Reinvent Itself in the Digital Age

Overview

The world's leading music company, Universal Music Group (UMG), is in the process of transforming itself from a business centered on a physical product to one that can operate profitably in the digital world. With the help of Savvis, UMG today has a reliable infrastructure with enhanced security features for hosting its massive Huge Asset Library (HAL) system. By having this foundation in place to safely and cost-effectively store, organize, shape, and distribute its content assets to a rapidly growing number of disparate digital music markets, UMG today is thriving in a highly competitive and fast-evolving industry.

Background

Universal Music Group (UMG) is one of the world's leading music company. A global organization with a presence in 77 countries, UMG discovers, develops, markets, and distributes recorded music through a network of subsidiaries, joint ventures, and licensees. With North American headquarters in Santa Monica, California, the firm earned more than \$5 billion in revenues in 2007 through distributing music, video, and ringtones — both in digital form as well as on physical CDs and DVDs. UMG and its affiliates encompass 98 percent of the worldwide music market, and artists signed to or represented by UMG include some of the biggest names in the music world. A pioneer in the digital music space, UMG currently earns 20 percent of its revenues through digital distribution of its content — a number that is growing rapidly from year to year.

Challenge

Back in 2003, the market for digital music was taking off. That was the year that Apple introduced its iTunes store. Six months later, the immensely popular file-sharing service Napster — which had previously been shut down due to copyright violations — opened its doors again, this time for commercial business. Other digital distribution services quickly followed. Grasping immediately that this was the future of the entertainment business, UMG became one of the first labels to sell digital versions of its music and video content. But as the digital distribution outlets multiplied, so did the complexities of getting products to market. Each music service has its own unique format; each format needs to be delivered via multiple bit rates.

Company:

Universal Music Group (UMG)

Industry:

Entertainment

Savvis Solutions:

WAM!NET, Managed Hosting, Managed Security, Managed Network, Professional Services

Line of Business:

Discovering, recording, and distributing music

Target Market:

Global music market

Location:

Santa Monica, California



Moreover, as consumers today expect music to be delivered on their cell phones and other mobile devices, UMG has to accommodate those formats as well. "Back then, we had a manual process for doing all this that was very labor-intensive and too expensive to sustain in a business where margins were shrinking," said Mark Yzurdiaga, a director at UMG. "We couldn't cost-effectively keep up with the growth."

Keeping its digital assets safe from being illegally copied and disseminated over the Internet was a priority. "We're all about security," said Vincent Freda, executive vice president of digital logistics and business services for UMG. "These are our crown jewels, and we can't afford to take any chances with them."

Solution

UMG decided to build a content management system that would both hold its assets and automate the process of "shaping" and distributing them. Called HAL (for Huge Asset Library), the system represented true innovation for the music industry. "We were definitely ahead of the competition, and gained a distinct edge by being able to swiftly and securely deliver content," said Yzurdiaga. But UMG decided that it didn't want to create and manage the massive infrastructure necessary to operate HAL. "This is not something we would be able to do in our own data center," said Yzurdiaga.

A long-time Savvis customer, UMG had been using Savvis' WAM!NET content distribution service for many years to securely transfer digital graphic, audio, and video files around the world. UMG put out a request for proposal (RFP) to three managed service providers to host HAL. Savvis won hands down for the flexibility, scalability, and overall value of its services. Today, UMG leverages a broad range of Savvis' managed service offerings, from managed hosting, to managed security and network, to continuing use of WAM!NET to maintain its day-to-day business operations.

Benefits

Currently Savvis supports UMG's ability to rapidly retrieve and send hundreds of thousands of files daily to commercial third parties like iTunes, Napster, Verizon, and T-Mobile, and "is the cornerstone of our ability to compete in the digital world," said Freda. Widely recognized as one of the most efficient digital delivery systems in the music business HAL — supported by the Savvis infrastructure — currently contains more than 40 terabytes of content, and routinely delivers 600,000 digital products a day.

"We knew from our WAM!NET experience that Savvis would offer us superior protection, and that has proven to be the case," said Freda. "We don't just have primary backup, but secondary and tertiary backup, so if a server goes down we won't miss a beat." UMG has also been impressed with Savvis' commitment to reliability, availability, and customer service. "They understand that this is really a mission-critical system. If HAL goes offline, our entire digital business goes down," Freda said. Savvis' deep industry expertise has been another major plus. "Savvis really understands the music industry," said Freda. "They go beyond merely selling technology to understanding our business challenges and providing a technical strategy to meet those challenges."

Finally, Savvis' ability to scale and its pay-as-you-grow model has helped UMG through a volatile and uncertain time. "Our needs have been unpredictable, but Savvis is willing to work with us," said Freda. "We started small, but they've helped us keep up with what has been truly exponential growth in digital music."

The Future

UMG's biggest business challenge today is how best to complete the transformation from a company with a business model centered on a physical product to one that can operate profitably in the digital world. "Savvis is one of our key providers in helping us bridge the gap between the physical and digital music worlds," said Freda. "Our success will be due to providers like them."

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**- Vincent Freda
Executive VP of digital logistics
and business services
UMG**

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