



# KAIHAN'S **MEDIA & ENTERTAINMENT**

## **INSIGHTS AND PERSPECTIVE**

### **CONTEXT**

- In 2020, the entire global theatrical and home/mobile entertainment market totaled \$80.8B, the lowest figure since 2016 and a decline of 18 percent from 2019.
- Global lockdowns accelerated pre-existing digital entertainment trends. In 2020, revenue increased 31 percent to \$61.8B. Digital media accounted for over three-quarters of total theatrical, home/mobile entertainment revenue.
- As of this writing, there are 1.1 billion online video subscribers worldwide. Revenue from online video subscriptions totals \$24.7B ([Source](#)).

## TRENDS .....

### 1. Customization Based on Customer Needs

- Entertainment companies now have a direct relationship with their customers. Delivering a unique, personalized experience is critical. Content owners must collect and analyze data to understand customers' preferences and behaviors, and use this data to inform investments and business offerings. Advertising also benefits from these additional customer insights ([Source](#)).
- As the world recovers from the global pandemic, media and entertainment companies must understand the economic needs of consumers. Customers who lost income during the pandemic were more than twice as likely to cancel a streaming service because of cost, compared with those whose income remained the same ([Source](#)).
- Customers want tailored options for pricing. Broad content libraries and tiered pricing, including free, ad-supported offerings, are essential to retaining existing customers. Many customers are comfortable watching ads to eliminate or reduce subscription costs ([Source](#)).
- Home/mobile entertainment users are shifting to advanced wireless networks. 5G wireless technology is gaining traction with consumers. Home/mobile entertainment companies should consider users' connectivity ([Source](#)).

### 2. Entertainment Powerhouses

- The entertainment providers that survive will be those who invest in delighting the customer with unique experiences and drive consumption around bingeing.
- Entertainment providers struggle to keep up with Netflix and Disney—companies that can

afford to spend billions of dollars on intellectual property.

- Consumers find it increasingly difficult to manage multiple subscriptions, find the content they want, and balance costs with their tolerance for advertising ([Source](#)).
- Original content remains the driving factor behind consumer adoption and cancellation of streaming services. Streaming companies should attract customers with original content and retain them by customizing offers to their likes and dislikes ([Source](#)). Encouraging communities around content is another factor in retention.
- Threats from the outside include social media, video gaming, and music services ([Source](#)).

### 3. Reimagining Entertainment

- Next-generation technologies, such as 5G and IoT, offer opportunities to engage customers in new ways. Media and entertainment executives must realize that distribution is critical to maintaining relationships with customers. Forty-seven percent of executives have invested in such technologies ([Source](#)).
- Media and entertainment companies need to reimagine what shows, movies, games, and concerts will look like in the future. The lines between delivery channels have blurred and will continue to do so ([Source](#)).
- The future offers an entertainment “metaverse” where all entertainment options converge. Virtual reality technology will allow players to enter the digital space by creating 3D physical scans.
- NFTS (non-fungible tokens) used to claim unique digital ownership will be employed to allow users to own a piece of the virtual world

(Source).

- Due to global lockdowns, 2020 brought live entertainment into the home and made it more accessible to larger and more diverse audiences (Source).
- On-screen representation continues to improve, but still has much room to grow. At major and mid-major studios, 91 percent of C-level positions are held by white employees. Black actors reached proportional representation in 2017-2018, but Latinx and Asian Americans remain underrepresented (Source).

#### 4. Continued Rise of Video Gaming, Social Video, and Audio

- Gen Z prefers to play games, stream music, and use social media rather than watch TV or movies. A Deloitte survey found that 87 percent of Gen Z, 83 percent of millennials, and 79 percent of Gen X said they play video games at least weekly (Source).
- TikTok has over 700 million monthly users worldwide (Source). Global lockdowns contributed to doubling TikTok's number of users in the US, which is expected to surpass 50 million in 2021 (Source). Facebook has launched its own social video platform, along with IGTV and Reels on Instagram.
- 5G adoption has contributed to faster video streaming and download speeds.
- There are now 1.5 million active podcasts. By 2023, the number of people who listen at least monthly is expected to grow to 164 million (Source). Spotify has invested in acquiring podcasting capabilities and in the exclusive rights to certain popular podcasts (Source). Advertising will be key to monetizing podcasts and other audio platforms.
- Clubhouse launched as an audio-only social media platform. Less than a year after its launch, the service now has 2 million active users worldwide and is reported to be worth \$1B (Source).

### 8PS

Leverage Point	"8Ps" of Strategy	Opportunity for Disruption	Recommended Leverage Points
<u>Position</u>	The core customer you serve, what need you meet with what brand attributes	7	<ul style="list-style-type: none"><li>• How are you using data to get to know your customers' likes and dislikes in content and delivery?</li><li>• What is your approach for testing new customer behaviors and segments?</li><li>• How can you balance the value you provide with the data you collect?</li></ul>

Leverage Point	“8Ps” of Strategy	Opportunity for Disruption	Recommended Leverage Points
<u>Product</u>	The offerings and packages you deliver, where you outperform and where you underperform	8	<ul style="list-style-type: none"> <li>How have you invested in original content?</li> <li>What opportunities do you have to partner with or develop ecosystems with other entertainment companies?</li> </ul>
<u>Promotion</u>	How you communicate with customers (including your marketing, sales, and PR)	7	<ul style="list-style-type: none"> <li>What is your audience’s tolerance for advertising?</li> <li>What media (digital or traditional) platforms are they using?</li> </ul>
<u>Price</u>	How much you charge for services, how you monetize	10	<ul style="list-style-type: none"> <li>Is there an opportunity to promote lower-cost, self-service online sales and service channels to customers?</li> <li>What different pricing options do you offer your customers?</li> </ul>
<u>Placement</u>	How you deliver on your value proposition, through what channels	9	<ul style="list-style-type: none"> <li>How can you use multichannel, social, and other platforms to create unique live experiences?</li> <li>Which forms of connectivity are customers using? What are their network constraints?</li> <li>Does your strategy address the impacts of gaming, music streaming, and social media?</li> </ul>
<u>Physical Experience</u>	The customer experience, what they see, smell, feel, taste, or hear	8	<ul style="list-style-type: none"> <li>What opportunities do you have to offer experiences that unite physical and virtual?</li> <li>How can you create seamless experiences as customers move between video, gaming, podcasts, music, and social?</li> </ul>
<u>Processes</u>	Your operations and processes	6	<ul style="list-style-type: none"> <li>How have you simplified business operations?</li> <li>To what extent have you automated repeatable, low-value processes?</li> </ul>

Leverage Point	“8Ps” of Strategy	Opportunity for Disruption	Recommended Leverage Points
People	The choices you make regarding hiring, organizing, and incentivizing your people. Your values.	6	<ul style="list-style-type: none"> <li>How have you redesigned your workplace model to cater to flexible working practices, balancing on-site and remote work?</li> </ul>

## OUTTHINKERS

# NBCUniversal



- Transitioned in 2020 to release its movies on a streaming distribution platform. Universal movies will be released 17 days after they appear in theatres.
- During the COVID-19 pandemic, NBCUniversal quickly pivoted to move major releases onto premium video-on-demand platforms and developed new ways to compensate actors.
- The company also launched Peacock, an ad-supported streaming service that had 26 million sign-ups just five months after its launch ([Fast Company](#)).
- In 2021, NBCUniversal’s project Innovation is expected to award nearly \$3.5M to non-profit organizations that are tackling everyday problems through innovative solutions ([Source](#)).
- This new marketing and entertainment company, launched by basketball star, LeBron James, and businessman, Maverick Carter, aims to link entertainment to social justice through Hollywood content.
- The content gives a voice to a diverse audience of creators and consumers that have been underserved by traditional entertainment options.
- The company raised \$100M in 2020 and has deals to develop and distribute content with Amazon, Disney, Universal, CNN, Sirius, and others. SpringHill has also advised incumbent entertainment companies on how to address diversity and inclusion ([Source](#)).

# substack

- Substack is a newsletter and podcasting platform that applies the strategic concept Coordinate the Uncoordinated to allow journalists to develop their own business and empowers them to maintain creative control.
- Writers and creatives build their own audiences, and readers pay directly to receive content ([Source](#)).
- Substack has 250,000 paid subscribers and its top 10 publishers collectively bring in \$7M in annual revenue ([Source](#)).
- The company also offers grants to help writers build their audience, and mentorship programs between writers and subscribers.