MEDIA & ENTERTAINMENT

INDUSTRY REPORT

THE PRESENT & THE FUTURE

SPR & CO.

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Overview

INDUSTRY DYNAMICS

The Media & Entertainment (M&E) industry is in an ever-lasting transformation phase as both the old and the new continue to coexist. Interactivity, digitisation, multiple-platforms, multiple-devices and globalisation of services based landscape has remodelled the media and entertainment vertical over the last decade. The M&E industry consists of multiple segments; Movies/Cinema, Television, Music, Publishing, Radio, Internet, Advertising and Gaming. The industry also depends on multiple external factors/technology developments like wireless, mobile, devices, digitisation, internet access speeds, cloud storage, consumer analytics and social media among others, and has adapted around these developments in every generation. For instance, digitisation of content since the 1990s has changed the creation and delivery of music. Another disruption occurred across the board in the 2000s with the game-changing rise of the internet. Presently, social media has been instrumental in shaping the present media & entertainment industry. The below graph depicts the predicted growth rate of the M&E industry:


As consumer demands and consequent technology innovations are vital for M&E to survive and thrive, it is largely deemed as a creative industry; by this nature, it is extremely dependent on cultures, languages, markets and segments. Further, the industry can be considered as unique owing to psychological, emotional and aspirational appeal to its customers, hence quality and acceptance become very subjective with respect to different demographics. Content creators used to be the determiners of the supply, however, the new era has transformed the market structure such that consumer-driven demand chiefly influences the supply. The increasingly customised demands of consumers, in terms of content and the format in which it is presented, plays a major role in dictating current and future trends in the industry.

M&E In India

Considered to be a sunrise sector, the M&E industry in India is making significant strides in boosting the Indian economy. The increasing availability of fast and cheap internet, rising incomes, and growing purchases of consumer durables have significantly aided the industry in placing India as the leading nation in digital adoption. India has also experienced growing opportunities in the VFX sector as the focus shifted globally to India as a preferred content creator. Backed by rising consumer demand and improving advertising revenue, the Indian M&E industry is on the verge of a strong growth phase, with noticeable increments in GDP in the next two years; the industry is expected to hit an imposing $2.8 billion by 2025. The following graph depicts the growth in subscription and resulting revenue in the past few years:

Revenue in ₹ billions (gross of taxes)
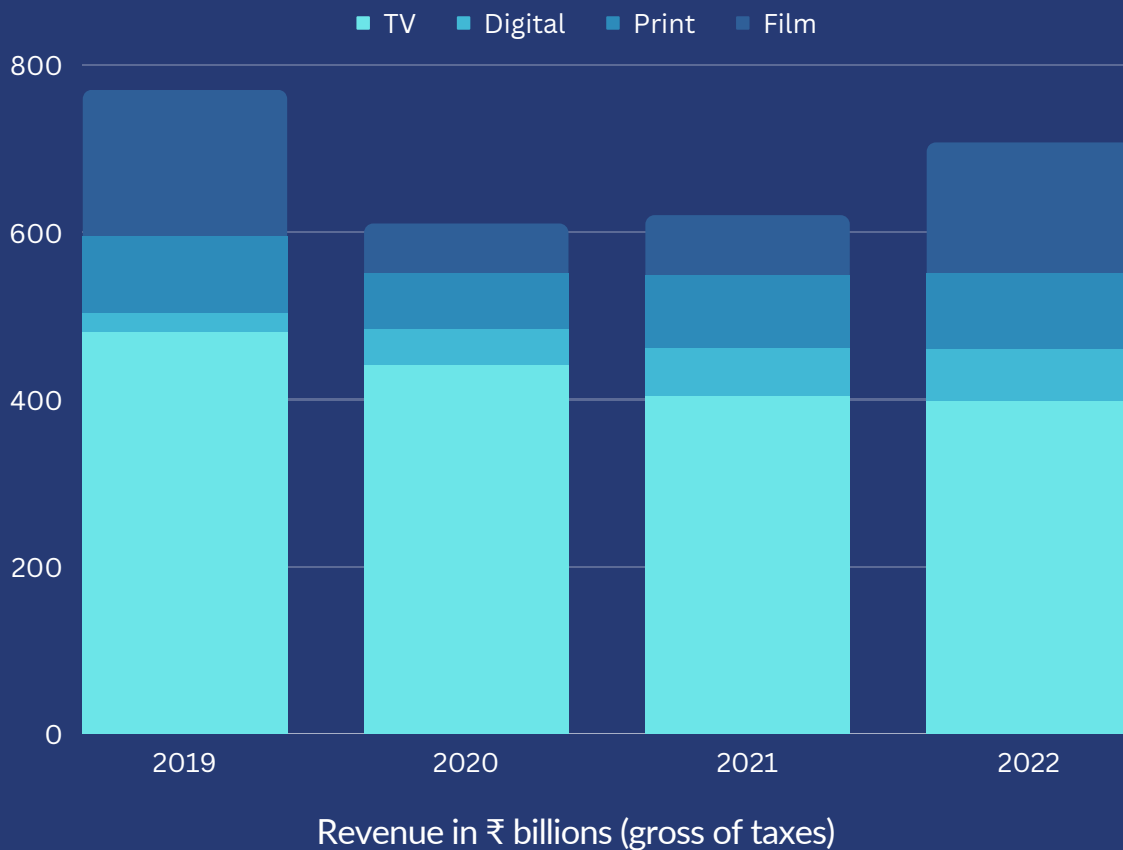
- The Indian media and entertainment industry grew 20% to reach INR 2.1 trillion ($26 billion) in 2022, 10% above pre-pandemic 2019. It is expected to reach $35.4 billion by 2024.

- **Television** remained the single largest component in 2022, with a valuation of $8.6 billion. However, it shrank 1.5% from 2021 levels, despite growth in advertising revenues.

- **Digital media** is the second-largest segment within the Indian industry, witnessing a 30% growth and reaching $6.9 billion in 2022.

- **Online gaming** grew 34% to reach $1.6 billion and is predicted to attain $2.8 billion in 2025.

- The **film entertainment** sector grew a whopping 85% in 2022, with the reopening of movie theatres. Over 1600 films were released in the year, bringing theatrical revenues up to $1.2 billion.

- The **animation and VFX** sector together grew 29% to reach $1.3 billion, and is predicted to attain $2.3 billion by 2023.

58%
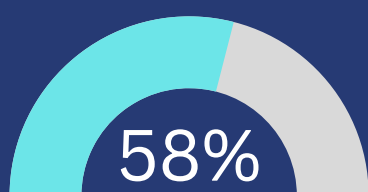
Traditional Media's contribution to total M&E revenue

27%
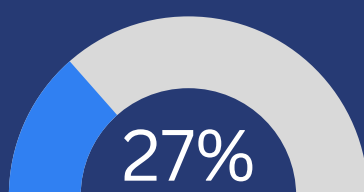
Digital Media's contribution to total M&E revenue

14%
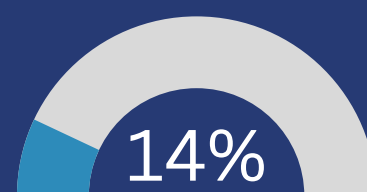
E-commerce advertising crossed USD $855 billion

Streaming Sites Up Their Game

Video streaming platforms have become a supergiant in the M&E industry, particularly in the last decade. For instance, in the last five years, online searches for Amazon Prime Video increased by 231%. Video streaming (SVOD) revenue is expected to rise by over $139 billion by 2027, hence, it makes sense that new streaming sites are entering the market. Paid OTT platforms such as Netflix, Amazon Prime Video and Hulu are emerging with incumbents as well. Two successful strategies are identifiable in the reconstruction and revamp of streaming sites:

- **Defining a particular niche** is an approach that has gained some traction. For example, a service dedicated to anime has over 4 million paying subscribers and has been experiencing strong search growth. Such niche sites witness both substantial user growth and revenue growth.

- **Re-employing back catalogue works** to attract new viewers/subscribers can also be rewarding. For example, Disney came up with Disney+ as an OTT platform in 2019, and launched its flagship show in the same year. The platform managed to surpass 50 million subscribers in just five months, and the number has been rising ever since.

Long-term success in streaming necessitates the concrete establishment of a durable relationship with subscribers. Hence, most media companies that are active in the direct-to-consumer (DTC) arena today are now aiming to offer consumers a bundled offering of streaming content and other services, building on the successful model of the cable TV. Termed as "**bundling**", this strategy has several benefits: along with expanding sign-ups, bundles allow media companies to improve their efficiency in marketing spend and technology investment. They boast benefits for consumers as well, in terms of a lower all-in price compared to buying individual sites, while also availing access to a much broader array of content in a single offering. Reducing the aggregate number of subscriptions that consumers need to manage is another bonus.

Originally, streamers offered "soft" bundles, with separate DTC services packaged together for a monthly rate; however, going forward, media companies will fully integrate distinct streaming services into one application, creating a "hard" bundle of content. By offering a greater selection of content on a single, common platform, and at an attractive relative price, DTC providers will have fertile ground to keep consumers engaged and subscribed to them. Pairing streaming services to other commodity services such as the internet, and allowing ad-supported subscription models and sponsorship opportunities, can also serve to boost the appeal of SVOD providers.

Social Media Stays On Top

Streaming video may have disrupted an entire industry, but social media has disrupted the whole world. By amplifying our ability for communication, social media has enabled us to forge global relationships and collaborate beyond our geographies. The most interesting facet of social media is its ability to adapt to the ever-transforming terrain of media and entertainment in conjunction with consumer interests.

MORE OR LESS SOCIAL? – THE ALGORITHM SERVES YOU

A recent development in social media services (Instagram, Twitter and Youtube, for instance), is the transition from social graphs to individual interests. In other words, rather than offer organised content based on our "followed" and "following", social media feeds are becoming more algorithmic by presenting highly personalised content, ads and recommendations based on our interactions and interests. Although content is still influenced by users, social media thus allows users to interact more with the app itself and less with other users, by ensuring that they can sit back and have customised content delivered to them. Such a change may even put social media in competition with streaming video sites.

User-generated content (UGC) offers endless entertainment to users by allowing them to interact with the content, share their own and reshare others', and even shop directly in the highly clickable interfaces. Reaching beyond Gen Z, other generations are witnessing UGC become as popular as TV and movies. However, in prioritising the interest feed, services risk alienating their own influencers and the creator economy that provides most of the content.

Ranking Factors Of Instagram's Algorithm

PRIMARY

- Creator-viewer relationship
- User's interest
- Relevance

SECONDARY

- Frequency of using the platform
- Number of users followed
- Session time

MARKETING MOVES AHEAD

Social media platforms are critical channels for digital marketers, and they grow more important by the day, as the number of users worldwide is expected to rise dramatically in the next 5 years. Such an expansion in the consumer-base grants social media serious staying power as a medium of digital marketing efforts. As social media itself is evolving, brands must adapt and keep up with the evolving landscape to stay relatable and maintain audience engagement. This entails more **effective social listening** to both users and competitors; brands will find it advantageous to leverage social listening tools that help streamline the process and yield deeper insights. With regard to influencers, the preference for micro-influencers is bound to continue, as identifying and focusing on a specific niche tends to gain more exposure.

over 4.6 billion → from 2023 to 2027 → over 6 billion

Social media users worldwide   Social media users worldwide

"GO LIVE" – CULMINATING DIGITALISED COMMUNITIES

Digitalised communities are a fairly new mode of forming a collective based on some common interest or aspiration. Social media live events are the key to the creation of new communities. For instance, consumers can join global communities that align with their personal views on sustainability and responsibility. Brands that understand and integrate this motivation to form online communities will find it easier to engage with their consumers for future campaigns and connect with their chosen audience. Currently, brands are integrating the 'go live' feature into their marketing strategy to build a strong online community and create interest through live events, which brings consumers together and encourages active engagement.

The Rise of AI

Artificial intelligence has pervaded nearly all aspects of digital life and has found several uses across the spectrum. The ability of AI to drastically reduce human effort by emulating the same with greater efficiency and marginal to no errors. As such, the use of AI is bound to become increasingly prevalent in M&E. AI can assist with the advancement of the industry by being employed in gaming, fake story detection, plagiarism detection, personalisation, production planning and management, sales and marketing, talent identification, and other fields. Moreover, as businesses are being pushed to become more customer-centric as a result of digital transformation, consumer AI in e-commerce, retail, mobile, social, and other sectors is now mainly focused on improving the customer experience. The following are some diverse uses of AI in the M&E sector:

- From music apps to OTT platforms, **content can be customised** in a numerous ways based on the user's preferences and previous experiences. Advanced machine learning techniques and deep learning networks are used by AI to provide users with tailored content. Offering customers more tailored experiences helps M&E firms grow their user base and provide better service than their competitors. A similar form of AI takes the form of social media algorithms.

- AI can aid regulatory authorities in **monitoring the distribution of online content** through the detection and filtering of problematic content. Before showing such content, AI can detect the user's age and gender, or employ an automated content moderation service to regulate undesirable content before broadcasting, utilising audience category ratings such as suitable for children or only for adults.

- AI-based technologies such as natural language processing using machine learning and deep learning can be used to **transcribe movies, music videos, and TV episodes into many languages**. The voice of actors can be translated into several languages with subtitles and audio annotations to make it more accessible to a wider audience and increase user interaction.

- Online advertisements play an important role in business development and branding. AI can be utilised to **make online advertising more exact and effective** through predictive analytics for a targeted audience, in order to increase conversion rates.

- In computer/video games, AI is frequently employed **to control non-player characters** (NPCs). NPCs respond in standard ways to a player's activities and movement, as AI can predict a player's next move by analysing their previous actions. Even changes in a gamer's behaviour in various settings can also be detected using AI models, which enhances the overall gaming experience.

- Chatbots and more sophisticated conversational AI continue to make their way into the market and will become more and more accessible for small businesses. These AI tools can **answer customers' questions at all hours** of the day or night, helping the business better respond to them.

- Generative AI can play a significant role in **content creation** for a variety of purposes, and will prove useful to sellers and business owners in marketing their product.

"I think one of the things that is going to determine the future of entertainment is AI in a big way. A technology that can be used to determine what to make."

- Kevin Mayer, former chairman of direct-to-consumer and international at Disney and the current chairman of DAZN group

"There's so much content and so many apps, AI and machine learning can be used to make life so much easier for viewers and app users. From a corporation perspective barrier of entry and capacity for revenue growth completely changes. You can make more accurate decisions and more accurate investments. For us, it's great, we can develop apps that constantly evolve with consumer experience. Something we've become very accustomed to seeing."

- Malik Kurdi, founder of Exemplary Marketing

Immersive Experiences In Demand

Consumers have grown more comfortable with digital experiences and expect more high-quality and on-demand content than ever. Hence, to remain competitive, M&E companies must rethink the ways in which they engage with consumers. In recent years, the industry has begun leveraging innovative technologies to produce various types of immersive content and experiences to enhance user experience and monetise their content. The pandemic has further accelerated the adoption of these technologies in the sector. For instance, cutting-edge special effects developed for movies, streaming media, virtual reality gaming, and new delivery channels for news, music and advertising have all become prevalent.

VIRTUAL REALITY

The industry trend of focusing on virtual reality by offering an immersive experience to buyers is initiating a more substantial demand for VR content by viewers. The customers' demands for immersive experiences in movies, events, and sports are expected to greatly propel the growth of the VR market. Many 3D movies, animated movies, documentaries, and other entertainment content are already integrated with VR/AR technology to offer viewers a higher level of immersive involvement.

The increase of VR in media is dependent on the development of both VR-related hardware and software. However, companies are more intent on heavy investments towards the research and development of hardware in order to design state-of-the-art gadgets with sensors allowing VR simulation. While these innovations are expected to drive substantial growth of the VR market over the next decade, health-related concerns such as hygiene, motion sickness, and comfort may serve as impeding factors to the same. The below chart depicts the component distribution in the VR market:

Software

Hardware
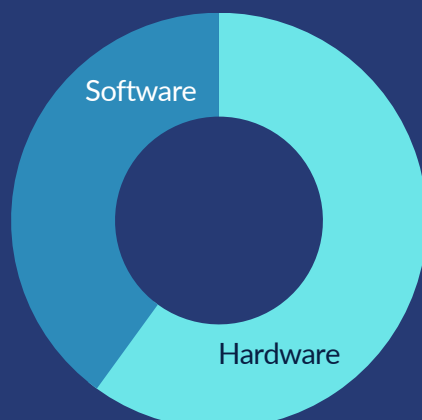
AUGMENTED REALITY

Augmented reality provides interactive experiences through various sensory modalities, such as somatosensory, visual, auditory, haptic, and others. This technology has numerous applications in education, training, and entertainment. It is also used in other industries including logistics, healthcare, and manufacturing for monitoring, assistance, maintenance, and training. The increasing popularity of smartphones and app integration is anticipated to fuel the growth of the AR market. The market participants' growing collaboration with 5G providers to lessen latency is also expected to accelerate growth prospects. The global market was valued at USD 25.33 billion in 2021 and is predicted to grow at a compound annual growth rate of 40.9% from 2022 to 2030. Technology used for AR applications is constantly evolving, in sync with the expanding adoption of technology in consumer applications; hence, its demand is consistently on the rise.

As virtual reality becomes pervasive and the metaverse comes into view, M&E firms must come up with fresh ways to engage with consumers and meet their expectations:

Content providers may consider constructing omnichannel experiences so that their users may access desired content from various sources in a single platform. This may entail utilising non-traditional platforms like AR, VR and gaming.

In-person M&E companies may consider focusing on crafting "blend spaces" that combine physical and digital experiences, making use of IoT and AR.

Audience interaction can be improved by promoting omnichannel marketing 'Web3' brand-focused communities and NFT offerings, which opens up bilateral communication between brands and consumers.

Challenges & Solutions

While the media and entertainment industry is reputed for its creative merit and dynamic capacity for transformation and adaptation in accordance with the changing digital world, it faces several challenges across its various segments. The following are some challenges faced by M&E firms and solutions to the same:

CHALLENGE: The most imposing obstacle faced by some segments of the M&E industry is the need to remain relevant among the audience. Previously, media bodies were more confident in how people consumed their information, which made marketing, outreach, and planning more predictable. However, with the advent of the 'mobile revolution,' consumer fragmentation poses a grave problem. For instance, people no longer turn to the same broadcast channels that they used to rely on; they prefer reading the news on their phones and listening to podcasts about world affairs. Thus, collating viewership and demographic spread becomes increasingly difficult.

SOLUTION: In this situation, a smarter and more efficient data management system is key. Companies which fail to analyse which partners court which viewers and readers are at risk of losing competitive power and falling behind.

CHALLENGE: A related issue faced by entertainment companies is the prevalence of digital-driven consumer preferences. Digital services and DTC platforms like Netflix, Amazon Prime, and Disney+ are now the top choice of the connected consumer, in place of television. Similarly, virtual reality has taken over multiple domains of entertainment such as movie theatres, sporting events and concerts. Further, audiences now expect hyper-personalised media experiences, which can only be achieved with a 360-degree-view and data collection with respect to the customer.

SOLUTION: To tackle these changes, firms and their advertisers need to comprehend exactly how target audiences approach their purchase path, what channels influence them the most, and what kind of advertising best suits their needs. Keeping pace with modern changes requires the implementation of modern techniques such as the use of AI to gather accurate data about audiences' behaviours and preferences.

CHALLENGE: Data privacy in social media is a massive cause for concern in the modern age. Following data privacy scandals such as Facebook's controversies, people are more wary than ever about what happens to their information. When coupled with a lack of clarity about how data is collected, worry and fear about safety can run rampant among users. Although Big Data laws expect firms to be explicit about their data policies, providing data security to consumers remains challenging to some firms.

SOLUTION: Data cleansing and explicit collation can aid even the biggest of bodies to keep information safe and secure. By using a dedicated platform, firms will be able to safeguard individual privacies and prove complete compliance in the event of an audit. Additionally, offering transparency to consumers about how data is maintained and protected can help abate people's concerns and provide reassurance.

CHALLENGE: Copyright protection has always been a major concern in the M&E industry, for content creators, publishers, and users alike. With the rise of digital technologies, it is much easier to reproduce and distribute copyrighted materials; digital copies of books, music, and movies can be quickly and easily replicated, and distributed around the world. Once a digital copy is released online, it can be downloaded and shared countless times, which makes the tracking of copyrighted material very difficult. Further, it also becomes difficult to attribute ownership and distribution rights to particular persons, given the ease of reproduction of works. The enforcement of copyright laws can also be challenging, owing to the abundance of content available online, which does not allow for easy identification of copyright infringement.

SOLUTION: Several legal measures and means are available to protect one's original work, and if employed efficiently, these can help prevent theft and distribution. These methods include DRM technology, watermarking, block chain technology, Creative Commons Licensing, and more.

Apart from the above-mentioned challenges, there are multiple general concerns that firms in the M&E industry must seek to resolve. These include compliance with all pertinent rules and regulations, sound management of taxes, threats to the workers of the industry and so on. Overcoming these challenges will enable firms to stay competitive and thrive in the industry.

Strategic Questions

STREAMING SERVICES

- What is the best path for a streaming video company to grow its portfolios, within the video market but also with gaming and UGC?

- Within the broader landscape of media and entertainment, what is the distinct value of streaming video? How can firms reinforce this value, especially to younger generations, who tend to be more inclined towards UGC and gaming?

SOCIAL MEDIA

- How does the future of social media companies look if they become less focused on "social" and more on entertainment through algorithmic content provision? What does it mean for TV, movies, and streaming video?

- What are the ways in which brands and creators can leverage the evolution of social media services to their advantage?

ARTIFICIAL INTELLIGENCE

- How can AI impact the production, research and development, delivery, and ongoing support of the products and services offered by an M&E firm?

- How will the increased use of AI impact job generation within the industry?

VIRTUAL & AUGMENTED REALITY

- What can firms do to abate consumers' concerns about health hazards stemming from VR/AR technology and gadgets? How will this affect the trajectory of the use of such technology within the industry?

- What does the future of VR/AR look like, in terms of demand from consumers?

Talk To Us

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If you would like to discuss this report, contact us:

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