Global Media Business & Technology Trends

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About IABM Insight & Analysis
IABM Insight & Analysis

Regular reports now include:

- Supply Trends
- Buying Trends
- Technology Trends and Tracking
- Regional Market Analysis
- Business Intelligence Digest
- Audio Business
- Strategic Industry Analysis
- Global Market Valuation and Strategy Report (through IABM DC)

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Contents

Drivers of Change

Buying Trends & Immersive Formats Outlook

Sources: IABM, Variety, Seeking Alpha
Drivers of Change
3 Drivers of Change – The 3 Faces of Digital

#1 Digital Warfare:
Traditional and new media companies continue to launch streaming offerings to attract digital eyeballs. Welcome to the new media battlefield.

#2 Digital Inflation:
As the number of digital outlets increases and investment in content skyrockets, only a few will keep up with the giants while others rise to appeal to niche audiences.

#3 Digital Speed:
Everything is quicker in the brave new digital world as consumers’ expectations reach new levels. Media companies are responding to this shift by streamlining their operations.
More Media Companies Go Direct!

- Disney launched ESPN+ in 2018 and set to launch Disney+ this year
- Apple to launch streaming service this year after 1$bn investment in 2018
- WarnerMedia to launch a streaming service this year
- BBC and ITV to launch joint UK streaming service this year
- BBC and Discovery to launch joint streaming service focused on wildlife programming
- TF1, Télévisions and M6 removing content from Netflix and Amazon after 2018 streaming launch

Sources: IABM, Digital TV Research
Digital Warfare
Worldwide Battle

More Media Companies Go Global!

- **Disney** launched ESPN+ in 2018 and set to launch Disney+ this year. Planning to expand Hulu and Disney+ internationally
- **Apple** to launch a global SVOD service
- **WarnerMedia** to launch a global streaming service this year
- **Comcast** plotting a global streaming service after Sky’s acquisition
- **BBC and Discovery** to launch joint global streaming service focused on wildlife programming
- **Discovery** to launch global streaming service focused on golf

**Implications**

**TV Exports Rise**
Data from the UK, France and even emerging content markets like Turkey points to double digit growth

**Scale & Complexity**
Scale needed for global services. Added complexity in making it work, from content localization to rights management

Sources: IABM
Digital Warfare

Alliances

Alliances Focus on Revenue-Generating Activities

OTT
Many joint DTC initiatives in Europe – France (Salto), UK (Britbox), Spain (LOVEStv), Germany (Joyn). Broadcasters also vouching to collaborate on streaming tech

Advertising
Rise in number of collaborative initiatives to increase audience size and improve addressability (European Broadcast Exchange, Blockchain Insight Platform, Sky/Virgin partnership, Project OAR, RTL/Prosieben partnership)

Investment in Tech Suppliers Following Similar Pattern
Digital Warfare

Alliances

Is More Consolidation Coming to Europe?

• **Canal+** bought Pay-TV operator **M7** for $1.1bn at the end of May 2019

• **Mediaset** bought 9.6% in **ProSiebenSat.1** for $380m at the end of May 2019

• Market is very fragmented, more could happen as European broadcasters search for scale

• Consolidation and collaboration aim to address cost of competing with FAANGs on ad revenues, streaming and content

> European media companies like us need to join forces if we are to continue to compete, or even just resist, in terms of our European cultural identity, eventual attacks by the global giants

Pier Silvio Berlusconi,
Mediaset Deputy Chairman & CEO
May 2019
Digital Warfare
Data Snippets

Sales & Profits – Broadcast vs. FAANGs

- Sales Change
- Profit Change

Current Market Capitalization

Sources: IABM
“Given the success of Hulu so far in terms of subscriber growth and the relative brand strength and other things too like demographics, we think there’s an opportunity to increase investment in Hulu notably on the programming side.”

Bob Iger, Disney CEO
Nov. 2018

Digital Inflation
Content Bonanza

The FAANGs Double Down on Media

Investment up by over 40%
Content is Crucial

• New media companies spending an estimated $30bn on content in 2019
• This less than what broadcast is spending, but is growing much more quickly
• Netflix has opened a plethora of production hubs between 2018 and 2019
• Industry shifting but demand for high-quality content rising

Sources: IABM
Digital Inflation
M&A and Content Landscape in the US & Beyond

Sources: IABM
**Digital Inflation**

**Demand for Content & Tech Spurs Consolidation**

**“**

Our strategic **purchase of BAMTech allowed us to enter this arena quickly and effectively**, as evidenced by our successful launch of ESPN+ six months ago. More than 1 million users have already subscribed. And we continue to see impressive growth.

Bob Iger, Disney CEO  
Nov. 2018

**“**

[The new offering will be funded through] **incremental efficiencies within the WarnerMedia operations, consolidating resources from sub-scale D2C [direct-to-consumer] efforts, library content, and technology reuse**

AT&T’s SEC Filing  
Oct. 2018

Sources: IABM, Multichannel News
Digital Inflation

Content Fragmentation

Content Supermarkets
Netflix, Amazon, DAZN and now Disney offering a varied slate of content

Niche Providers
Rise of niche OTT offerings by emerging players and existing broadcasters

Sources: IABM
"[The iPlayer] is the way people will consume the BBC in the future. We need more content there and for longer. This is no longer a catch-up service...it’s a destination"

Tony Hall, Director General, BBC Dec. 2018
Digital Speed

Digital Speed Driving BIY and Partnerships with Tech Suppliers

BIY
Through acquisitions and internal SW development

Partnerships
Through increased collaboration with suppliers

“We are not looking for products anymore, we are looking for partnerships where product development is driven by our requirements.”

European broadcaster responding to our Buying Trends Survey

Sources: IABM, IABM
Digital Speed
BIY Update

SW Development Investment

- It will increase significantly (by > 10%)
- It will increase (by 0-10%)
- It will stay the same
- It will decrease (by 0-10%)
- It will decrease significantly (by > 10%)

Top Areas for BIY

- Produce: 50%
- Create: 40%
- Manage: 30%
- Connect: 20%
- Publish: 15%
- Support: 10%
- Consume: 5%
- Monetize: 0%
- Store: 0%

Sources: IABM
Buying Trends
Buying Trends
Media Factory

Top Factors Influencing Technology Purchase

- Makes us more efficient: 60%
- Total cost of ownership: 40%
- Makes us more agile: 40%
- Cutting-edge technology: 20%
- ROI: 20%
- Installation support: 20%
- Interoperable with other products: 20%
- After sales services & support: 20%
- Reputation of vendor: 20%
- Vendor roadmap: 20%
- Understanding of our specific needs: 20%
- Personal relationship with vendor: 20%
- Availability of training: 20%

Top 3 Priorities in Content Chain Management

- Optimize
  Resource utilization and avoid effort duplication

- Predict
  Unknown variables and events

- Gather
  Data on content, rights, operations, audiences
Buying Trends

Cloud

Cloud – Adoption Tracker

39% - UP from 37%

- Not at all likely
- Unlikely
- Somewhat likely
- Very likely
- We are already doing it today

Cloud – Top Application Areas

- Manage
- Produce
- Create
- Publish
- Connect
- Store
- Support
- Consume
- Monetize

Sources: IABM
Buying Trends

Cloud

Cloud – Top Challenges

- Security and privacy concerns
- Rising content storage costs
- Conservative procurement approach
- Lack of long-term vision and context
- Transformation framework incomplete and continuously changing
- Lack of industry specific knowledge within implementation teams
- Lack of resources
- Digital consumer acquisition costs
- Poor global capabilities of cloud vendors

Cloud – Preferred Deployment Model

- Hybrid cloud
- Private cloud (off-premise)
- Public cloud
- Private cloud (on-premise)
- Other

Sources: IABM
Buying Trends

AI

AI – Adoption Tracker

UP from 13%

AI – Top Application Areas

Sources: IABM
## Buying Trends

### AI

#### AI – Top Challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of deployment</td>
<td>60%</td>
</tr>
<tr>
<td>Lack of strategy on AI</td>
<td>40%</td>
</tr>
<tr>
<td>Lack of talent/skills</td>
<td>30%</td>
</tr>
<tr>
<td>ROI uncertainty</td>
<td>20%</td>
</tr>
<tr>
<td>Cost of data training</td>
<td>10%</td>
</tr>
<tr>
<td>Data management and integration</td>
<td>5%</td>
</tr>
<tr>
<td>Data infrastructure bottlenecks</td>
<td>5%</td>
</tr>
<tr>
<td>Lack of data availability</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
</tbody>
</table>

Sources: IABM

“

It is not about the algorithms, that part is surprisingly easy. Getting the data right was the most difficult task for us when adopting AI

European broadcaster responding to our Buying Trends Survey
Buying Trends
AI driving Cloud Adoption

NASCAR moves 500,000 hours of content archive (18-petabyte) in the cloud

“We started to digitize six or seven years ago. We are jumping into machine learning to automate processes and add metadata

Steve Stum, NASCAR VP Operations and Tech Production
June 2019
Buying Trends

IP

**IP – Adoption Tracker**

- **Efficiency Driver**
  - Efficiency-boosting activities like remote production continue to drive IP deployments

- **Quality Driver**
  - 69% of respondents want to go UHD with IP or hybrid SDI-IP

- **New Facilities**
  - Major upgrades driven by new facilities so far – otherwise, a gradual transition

Sources: IABM

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**We are already doing it today**

- Very likely
- Likely
- Unlikely
- Very unlikely

**2018 NAB**

- 45%
- 40%
- 35%
- 30%
- 25%
- 20%
- 15%
- 10%
- 5%
- 0%

**2018 IBC**

**2019 NAB**
Buying Trends

UHD

The HDR Factor
HDR the preferred enhancement, most companies still want to marry HD with enhancements

Production: Infinite Content
High priority for production and post companies for future-proofing content and sell to Amazon/Netflix ($20bn)

Distribution: Limited Content
Limited content distribution aside from Pay-TV and OTT operators. Major events as driver of spending

Sources: IABM
Immersive Formats
Immersive Formats

VR Focus

Consumer Adoption
Consumer adoption and experience have represented major obstacles

Monetization
Most initiatives have not been monetized. Lack of clarity around business models is major hurdle

Complexity
Production complexities, including storytelling, coupled with costs of processing/storage other constraints

Sources: IABM

VR – Adoption Tracker

2017 NAB  2017 IBC  2018 NAB  2018 IBC  2019 NAB
## Immersive Formats
### VR Challenges

### Selected Deployments

<table>
<thead>
<tr>
<th>End-User</th>
<th>Country</th>
<th>Year</th>
<th>Deployment</th>
<th>Genre</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fox</td>
<td>US</td>
<td>2016</td>
<td>VR broadcast of various sporting events</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>NBC</td>
<td>US</td>
<td>2016</td>
<td>VR broadcast of 85 hours of Rio Summer Games</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>BT</td>
<td>UK</td>
<td>2017</td>
<td>VR broadcast of UEFA Champions League Final</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>NBA Digital</td>
<td>US</td>
<td>2017</td>
<td>VR broadcast of one game a week</td>
<td>Sports</td>
<td>Subscription</td>
</tr>
<tr>
<td>Fox</td>
<td>US</td>
<td>2017</td>
<td>Social VR broadcast of CONCACAF</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>ESPN</td>
<td>US</td>
<td>2017</td>
<td>VR broadcast of X Games</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>MLB</td>
<td>US</td>
<td>2017</td>
<td>VR broadcast of one game a week</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>PGA Tour</td>
<td>US</td>
<td>2017</td>
<td>VR broadcast of The Players 2017</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>WWE</td>
<td>US</td>
<td>2018</td>
<td>VR broadcast of WWE highlights</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>NBC</td>
<td>US</td>
<td>2018</td>
<td>VR broadcast of 50 hours of PyeongChang Winter Games</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
<tr>
<td>BBC</td>
<td>UK</td>
<td>2018</td>
<td>VR broadcast of 2018 FIFA World Cup</td>
<td>Sports</td>
<td>Free Trial</td>
</tr>
</tbody>
</table>

### Preferred Business Models

Don't know how/are not planning to monetize VR

- Subs
- Ads
- PPV

Sources: IABM
**Immersive Formats**

**VR Timeline**

- **2014**
  - **The Landmark Acquisition**
    - Facebook acquires Oculus VR for US$2bn and launches Oculus Rift headset (US$799)

- **2015**
  - **Investment Continues**
    - Disney leads US$65mn fundraising round for Jaunt. NextVR raising similar level of investment

- **2016**
  - **Investment Peaks**
    - Broadcasters like Sky and NBC prop up investment in VR. NextVR funding surpasses 100$m

- **2017**
  - **Adoption Worries**
    - Facebook cuts the price of the Oculus Rift twice and launches Oculus Go to incentivize adoption

- **2018**
  - **Reality Check**
    - NextVR undergoes 40% workforce reduction. VC investment plummets to 80% of 2016 level

- **2019**
  - **Investment Slumps**
    - Jaunt lays off a significant number of employees and refocuses on AR. NextVR fails to raise funding

Sources: IABM
Immersive Formats
VR/AR Reality Check – In Numbers

VR/AR Technology - Global Investment Directions by Vertical

Sources: Statista
Immersive Formats

AR Focus

Production Graphics
Significant investment in AR production graphics to augment broadcasts

Engagement
Some broadcasters experimenting with AR-powered apps for increased consumer engagement

Model
AR advertising models are emerging. Less worries around consumer adoption and experiences

"Today, 40% of Snapchatters play with AR experiences daily for an average of three minutes, making AR one of the best ways to get in front of your customers."

Snapchat blog post
June 2018

Sources: IABM, Snapchat
Immersive Formats
Immersive Production

Strategic Media Technology Priorities
Immersive Formats
Immersive Production

 getContent investment is rising significantly

Immersive is a priority for the production/post industries

Need to get business models right (focus on consumer/monetization)

Need to get storytelling right

Deployment costs still a challenge

[Bandersnatch] is a huge hit around the world, and we realized, wow, interactive storytelling is something we want to bet more on. We’re doubling down on that. So expect over the next year or two to see more interactive storytelling

Todd Yellin, Netflix Product VP
March 2019
Thank You!

Lorenzo Zanni, Head of Insight & Analysis, IABM