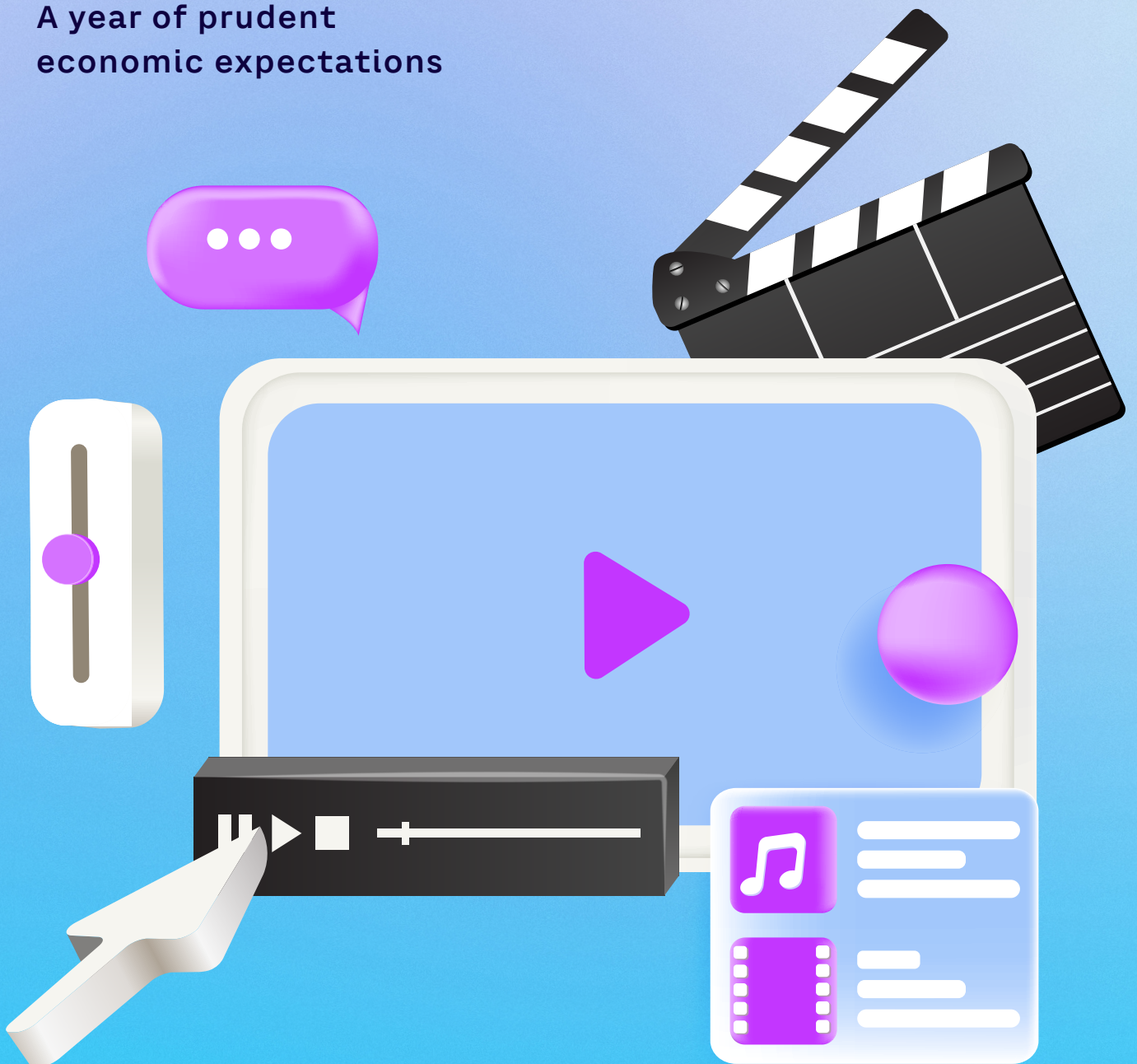


STATE OF THE MEDIA MARKET, 2024

Back to balance:
A year of prudent
economic expectations



EXECUTIVE SUMMARY

The focus of last year's "[State of the Media Market, 2023](#)" was on the media sector's adaptation to a new normal amid the economic and geopolitical challenges brought about by the COVID-19 pandemic. The 2023 Report emphasized the importance of embracing new technologies, strategic acquisitions, data privacy and security, learning from major players, and redesigning content strategies to stay competitive. Key developments included the resurgence of live events, the use of gaming technology in film, privacy regulations, and the rise of generative artificial intelligence (GenAI).

With this 2024 edition, subtitled "Back to Balance: A Year of Prudent Economic Expectations," our focus shifts to the media sector's recovery and stabilization following a challenging economic year in 2023. While both this year's and last year's editions emphasize the importance of embracing digital transformation and staying agile in the face of emerging trends and technologies, this 2024 Report places a greater emphasis on the role of AI, the rise of immersive and interactive content, and the increasing focus on personalization and user experience. This year's Report also highlights the significance of strategic partnerships and collaborations in driving innovation and staying competitive in the ever-changing media industry.

BACK TO BALANCE

In 2023, macroeconomic challenges such as inflation, high interest rates, and recessionary pressures affected consumer spending and advertising budgets. Geopolitical instability and new technologies presented both challenges and opportunities for media companies. The streaming sector experienced intense competition and consolidation, while direct-to-consumer (DTC) models and short-form video platforms gained popularity. Content creation democratized, targeting niche and diverse audiences.

Economic uncertainty impacted advertising spending growth relative to prior years, creating challenges for media companies. AI revolutionized decision-making and drove M&A opportunities, with AI talent becoming a scarce and valuable resource.

THE NEW NORMAL

As the media sector transitions into a phase of normalization after a challenging economic year, labor strikes, and profit demands, it adapts to a new normal that presents innovative ways to engage audiences and generate revenue from content. Arthur D. Little (ADL) notes the emergence of four primary trends:

- 1. A moderation and slowdown of streaming investments by traditional media companies, emphasizing profitability and a shift back to core, profitable business operations.** Overcoming challenging macroeconomic conditions in 2023, dealing with actor-strike impacts, and addressing shareholder activism will be the key themes for 2024.
- 2. The rise of GenAI.** The rapid development and adoption of GenAI technologies and image creators are transforming content video and music creation and expanding use cases across broadcast, marketing, music, and publishing. Embracing these disruptive technologies will help companies optimize costs and workflows.
- 3. Game engines are the new sound stages in film.** The film industry is embracing gaming technology to revolutionize virtual production and content creation, improving visual storytelling. This approach saves time and resources. ADL expects to see further collaboration between adjacent technologies to unlock the next stage of growth.

- 4. Privacy and regulation impact the media, retail, and advertising industries.** As they adapt to initiatives that increase scrutiny on very large online platforms (VLOPs) for content moderation, we explore how players are responding to this increased privacy regulation. Companies must remain aware of regulatory evolutions and embrace adaptation.

CHANGING MEDIA LANDSCAPE

To remain competitive, media players have been forced to adapt their strategies and operations. ADL recognizes five major themes that underpinned the changing media landscape in 2023:

- 1. Dual Hollywood strikes weighed heavily on the media, film, and TV industries, urging them to seek lower-cost alternatives for content.** Streaming platforms are concentrating on cost management and strategic content acquisitions, allocating more of their budget to scripted content. As budgets tighten, platforms are focusing on entertainment and reality genres for lower-cost engagement. Optimizing content strategies will be key in the fiscally challenging environment.
- 2. Bundling is expected to grow as DTC entertainment businesses compete and adopt bundling strategies to reduce churn.** The success of partnerships in the industry depends on creating lifestyle bundles that make products indispensable. Embracing bundling will help reduce churn and extend the lifetime value of the customer. As ad-free viewing becomes more expensive, TV streaming services promote ad-supported plans, while social media platforms explore ad-free subscription models, reflecting the changing landscape of digital content consumption and monetization strategies.

3. The public's desire for shared experiences and unique connections leads to a resurgence in live events.

Ticket sales have reached record-breaking levels. As the entertainment industry evolves, live events will continue to be a vital component in satisfying consumers' craving for unforgettable experiences.

4. Changing models in the music industry focus on artists. Artist-first agreements and new royalty payment structures are emerging through platform partnerships. Such strategies focus on combating artificial streaming, improving small payment distribution, and regulating noise streams, with measures expected to contribute significantly to artist revenue.

5. Media and tech companies explore new initiatives in sports. Media and tech companies are investing in gaming with varying success. Sports content can be used effectively as a differentiation and churn-reduction strategy (similar to shifts made by streaming giants).

EMERGING TECHNOLOGY

Media, entertainment, and sports companies are leveraging emerging technologies to enhance their operations, attract new audiences, and boost revenue. In this Report, we explore the critical question: **How can global media, sports, and entertainment players navigate macroeconomic and inflation-induced challenges, seize opportunities, and effectively utilize new technologies to transform their businesses and appeal to consumers?** ADL's research reveals several potential strategies.

Overall, technology is revolutionizing the way media, entertainment, and sports organizations function, connect with audiences, and generate income. ADL recognizes that by adopting these technologies, companies can more effectively engage with their audiences, deliver unique and immersive experiences, and maintain a competitive edge in a rapidly changing market.

In particular, this Report highlights the promising future of GenAI in media and creative industries, with key developments in video generation, 3D generation, large-scale multimodal models, and open source mixture-of-expert models. GenAI simplifies complex processes, empowering creatives to produce more high-quality work. However, AI tools are not yet suitable for replacing human-made content entirely. Industries will need to adapt and embrace these technologies while considering regulatory challenges and ethical implications to drive innovation, enhance user experience, and create a more immersive world.

CHANGING INVESTMENT LANDSCAPE

Following a slowdown in M&A activity due to macroeconomic headwinds, media M&A activity is expected to increase in the coming year due to such factors as streaming losses, interest rate reductions, stronger stock values, and the end of the Writers Guild of America (WGA) and Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) strikes.

Regulatory scrutiny is anticipated in 2024, with the US Department of Justice (DOJ) and Federal Trade Commission (FTC) focusing on workers' interests in merger evaluations. Activism is growing in the media sector as well, with companies facing pressure from activist shareholders. ADL offers media players advice in five key areas to remain competitive in this changing landscape:

1. Adopt **innovative technologies**, such as AI and machine learning (ML) to enhance business workflows, improve efficiency, and create meaningful experiences for consumers. Explore new ways of working and leveraging digital/physical intellectual property (IP) assets, novel customer relationship models, and more.

2. The media market is primed for **strategic acquisitions and partnerships** in areas that complement existing positions and provide a competitive advantage, primarily in technical technology and data-driven sectors. Strengthen market positions through global consolidation (e.g., advertising technology) and regional partnerships (e.g., content and distribution).
3. In a highly regulated environment with an increased focus on customer data protection, **prioritize data privacy and security** by implementing necessary technical safeguards to protect sensitive information.
4. Learn from major media players that excel at **retaining and deepening customer loyalty** through flywheel and 360-degree exploitation strategies. Develop the ability to diversify revenues beyond core offerings and tap into unexplored markets geographically and demographically.
5. Revamp content strategies to **engage audiences and stay competitive** in a rapidly changing market. Understand your audience and embrace new formats, including podcasts, audio, influencer and social media, short form, and originals.

The “State of the Media Market, 2024” Report examines current global media trends and their impact on the major subsegments of the media, sports, and entertainment sectors and offers ADL’s advice for unlocking success.



Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. ADL is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

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