

Acquia
EXPERIENCE DIGITAL FREEDOM

Media, Entertainment, and Publishing

***MEETING CUSTOMER
EXPECTATIONS IN
UNCERTAIN TIMES***



INTRODUCTION

It's difficult to overstate the impact of the COVID-19 pandemic. While the human toll remains the most crucial focus, it's important to recognize that a new emotional reality has taken hold, plunging everyone — brands, communities, nations — into a new, digital-first reality.

In the pre-pandemic world, Media, Entertainment and Publishing (MEP) companies were already working to take advantage of the opportunities digital transformation presented. But now, screens are the only way most customers can access the information they need and the content they want. Leading in this environment means accelerating efforts to deliver exceptional customer experiences by tapping into resilience, innovation, and ingenuity.

Let's look at some of the concrete impacts the MEP industry is currently experiencing, and may face going forward.



Production Ceases as Demand Increases

Film and television production have ceased, and many major releases have been postponed. Other releases are being moved to streaming platforms, exacerbating existing concerns about the future of theater distribution. The Hollywood Reporter has estimated the outbreak could cause \$5 billion in losses to the global film industry.

As audiences crave both information and distraction, in-home viewing habits are also changing. Consumption of broadcast and cable television is increasing, and the usage of streaming services has surged. According to a survey by Statista, 43 percent of Americans have increased their usage of streaming services, 43 percent are watching more news coverage, and 42 percent are watching more broadcast TV. And, Nielsen predicts that stay-at-home orders across the country could result in a massive 60 percent increase in the total amount of all content consumed in American homes.

That increased consumption isn't limited to the US. In the European Union, as concerns arose about pushing the limits of internet capacity, Google and Netflix were asked to decrease their bit rates. Both

companies complied with the request, with Netflix reducing traffic on European networks by 25% for at least a month. YouTube videos now play in SD by default for EU viewers. (No similar restrictions are currently slated for the US.)

Even the largest MEP entities are impacted. “Ecosystem” companies, such as Disney, that use media to drive revenue to other parts of their business also face problems. While the company is certainly best known for its content production, 34 percent of its revenue comes from now-shuttered theme parks, and another 8 percent from consumer retail products that are difficult to classify as essential.

“Will coronavirus be the final nail in the coffin for the mass cinematic experience? Will Netflix and the other streamers manage total domination over the next few months?”

Director and Producer Kevin Macdonald
Quoted in the UK's Guardian

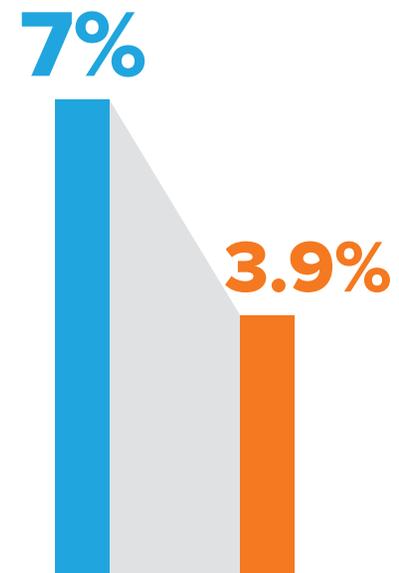
Advertisers Go Silent

The advertising revenue that a large portion of MEP companies rely on is also expected to slump. Consumer packaged goods and manufacturing-related companies may decrease ad spending if they're having inventory issues, not wanting to market products that aren't actually available. The cancellation or postponement of major sporting events (including the summer Olympics) will substantially shrink a major revenue generator for broadcasters.

The eSports community may be capable of filling a small part of the void in the sports broadcast schedule and bringing back bit of that lost revenue. Traditional sports may do the same by turning to virtual simulations. NASCAR has already launched an invitational eSports series, utilizing professional drivers.

Publishers can expect declines in advertising revenue, as well. As Mark Thompson, President and CEO of The New York Times Company recently explained, "...we are seeing a slowdown in international and domestic advertising bookings,

which we associate with uncertainty and anxiety about the virus. We therefore now expect total advertising revenues to decline in the mid-teens in the current quarter, with digital advertising revenues expected to decline 10 percent."



expected 2020 annual advertising growth rate in China

A Glimpse of the Future

China may provide a preview of the ad revenue decline the US may face. According to The Drum, industry sources are predicting annual advertising growth rates in China will fall from 7 percent in 2020 to 3.9 percent. But, despite that expected slowdown, there are still areas of growth. E-commerce advertising is expected to grow by 17.7 percent, and social media spending to increase 22.2 percent.

At the same time, publishers now have an opportunity to create specific pandemic-related content and, in some cases, drop paywalls to provide greater access. This can lead to a boost in pageviews, which may support advertising revenue levels. And, those accessing free content during the crisis could choose to become paying subscribers in the future.

For now, MEP companies have a responsibility to help slow the spread of the virus by keeping people informed about what they need to do to stay safe and healthy. They're also serving the public by providing the invaluable entertainment, distraction and relief people crave while locked down at home.

In the longer term, the pandemic may serve as an inflection point that highlights existing issues MEP businesses face, and pushes them to solve challenges that existed before the virus arrived, and will still persist once it's been conquered.



22.2%

expected social
media spend
increase

EXISTING DISRUPTION, ACCELERATED

Even before the global pandemic arrived, the ground was shifting rapidly under the feet of MEP industry. It's not an exaggeration to say technological evolution and innovation has fundamentally altered pretty much everything about how everyone consumes and interacts with all kinds of content and information. The ongoing impacts of the virus are certain to continue that dynamic of change.

Quality content and immersive experiences remain the core offerings of the MEP industry. But loyal and deep engagement seems almost impossible, with today's wide range of outlets, channels, and devices. That engagement now depends not just on what you have to offer, but also on how you deliver those offerings.

Gone are the days of “appointment television,” awaiting the evening paper, or eagerly lining up to purchase a newly released album. Now more than ever, consumers expect the information and entertainment they want, whenever they want it, on the platforms of their choosing. It's a huge demand. And the ability to provide the content and experiences customers want will be key to remaining viable. Access to information may have never been more vital to the public.

CURRENT MEDIA, ENTERTAINMENT AND PUBLISHING TRENDS

It's hard to think of industries that have been as hard hit by the deluge of advances in technology and changes in consumer behavior as media, entertainment, and publishing. The onset of the pandemic has put that technology front and center, and consumer behavior has changed even more rapidly. While these shifts will certainly have upsides for both consumers and MEP companies going forward, they pose plenty of hefty, specific challenges in the short term.

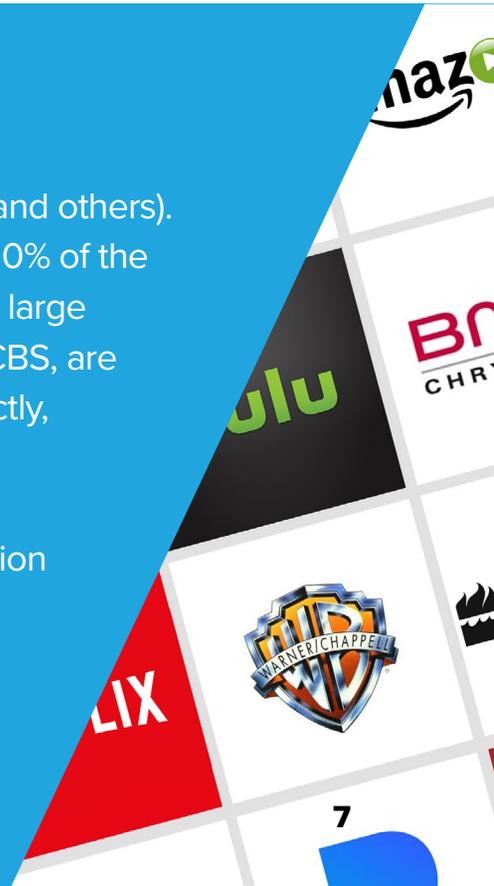
TREND 1

Business Models are Shifting

As more consumers choose to prize content quality and experience over ownership, MEP companies are giving their offers, pricing, and overall business models big makeovers, in hopes of syncing up with the new world of opportunities.

Additionally, a wide range of new types of media companies are emerging—seemingly on a daily basis. These include virtual multichannel video programming distributors, which offer pared-down, cheaper subscriptions to select channels or groups

of channels. (Sling TV, YouTube TV, and others). These marketplace newbies claim 20% of the U.S. subscriber market. In response, large media companies, like Disney and CBS, are knocking on consumers' doors directly, offering their own digital streaming services. It's expected these new entries will see large initial subscription numbers. But, as paychecks shrink and financial assistance lags, some of those surges may be short-lived.



TREND 2

Technology is Evolving

As any MEP business knows, blink twice and you might completely miss the next technological advancement. On-demand, cloud-based services, big data algorithms and analytic techniques, and much more all play their roles in the ever-shifting landscape. It's easier than ever to be left behind, especially with technologies that were developed based on yesterday's needs, clumsily integrated into existing platforms, and likely obsolete almost as soon as they're launched.

The volcanic eruption in the number of delivery choices makes keeping up even trickier. Providers need to meet consumers on the device they choose, and there are plenty of them: smartphones, tablets, e-readers, electronic assistants, and set-top delivery services. And don't forget about what's just over the horizon—more powerful voice-assisted devices, virtual reality, artificial intelligence, and plenty of things we probably couldn't even imagine today.

2005 - 2010



TREND 3

Changing Consumption Patterns are Redefining the Industry

As the transformation of the entire ecosystem gathers speed, the media, entertainment and publishing industry is racing toward an inflection point. Consumers are moving online in droves, and spending much more time there, all but bailing out completely on traditional consumption habits. According to Google, 90 percent of all media interactions are now screen-based.

Of course, the pandemic has only accelerated the dynamic. Approximately 95% of Americans are under orders to stay at home, and more than 25 million are newly unemployed. Elsewhere, the International Labour Organization foresees the loss of 12 million full-time jobs in 2020 in Europe alone. More people everywhere are spending more time at home than ever before. And the

craving for information and diversion is making screens one of the most important tools in the house.

Traditional books are taking a back seat to audio and eBooks. Print newspapers and magazines are surrendering to online subscriptions. Netflix, Hulu, and others are advancing on network television. Cord-cutting households are menacing cable TV. Cloud gaming services are competing with mainstream streaming video services and putting pressure on OTT pricing. On top of the need to address an ever-expanding range of channels, those quickly changing patterns make it harder to truly understand—and keep up with—what customers really want from these experiences.



TREND 4

Security Concerns are Growing

Brand safety is becoming an increasingly important issue for aware and concerned advertisers. They're demanding stricter control over who they share space with online. Quality control needs to increase, and brands will expect to be compensated for safety fumbles that could damage their reputations—or worse.

Additional problems include content piracy and illegal file sharing, both of which continue to plague the industry.

Creators have gone to the extreme of writing multiple endings to popular series in order to maintain the element of surprise (“Game of Thrones,” anyone?!). To top it all off, the appeal of the reach and scale offered by Facebook and Google has been sullied by mistakes and good old-fashioned scandal, potentially offering other publishers an opportunity to benefit.

OTT video is estimated to reach \$30.6B in 2022 —nearly 3x the size of traditional TV and home video.

PWC

CHALLENGES FACING MEDIA, ENTERTAINMENT AND PUBLISHING

While advances in technology and changes in consumer behavior undoubtedly present significant opportunities to MEP companies, those opportunities aren't without their unique challenges.

New Content May Become Scarce

With television and film production shut down around the world, the flood of new entertainment options consumers crave (and are accustomed to) may slow to a trickle, and perhaps dry up completely. The disappearance of live sports has left gaping holes in broadcasters' schedules, and it remains to be seen how well old baseball games and golf reruns will fill the void.

Data Management is Difficult

Digging up accurate, actionable audience behavior insights in a timely manner is an increasingly intricate job. To make the most of what's available, MEP businesses need to manage their data throughout the entire value chain, and optimize data analytics. Effective data gathering now also means taking a deep dive into set-top box systems, smart TVs, and lots of other emerging data sources.

Disconnected Platforms are Increasing Complexity

Out-of-date technology, often rapidly implemented without thought to future integration, leads to disrupted customer experiences, production delays, and plenty of challenges to security and scalability. Larger organizations can quickly lose ground to newer, more agile startups that are free from musty legacy technology.

Revenue Streams are Under More Pressure

Obviously, more options for platforms and subscription services mean more choices for consumers. And that's leaving providers to fight to the finish for a share of every subscription dollar. To grab that subscription revenue, providers must make their content more attractive.

At the same time, a shift toward original programming and exclusive content has left consumers feeling the pressure to subscribe to service after service to get to the content they want. And, they're less than enthusiastic about paying multiple monthly subscription fees. That dynamic may lead to pressure to reduce pricing, and could lead to bundling services at a reduced rate. According to Salesforce, 39 percent of all media consumers are willing to pay more for ad-free content, leaving a gaping hole where reliable old revenue streams used to lie.

Simultaneously, soaring unemployment numbers and a looming recession – possibly even a depression – will have many consumers reconsidering exactly how many subscription services they really need.

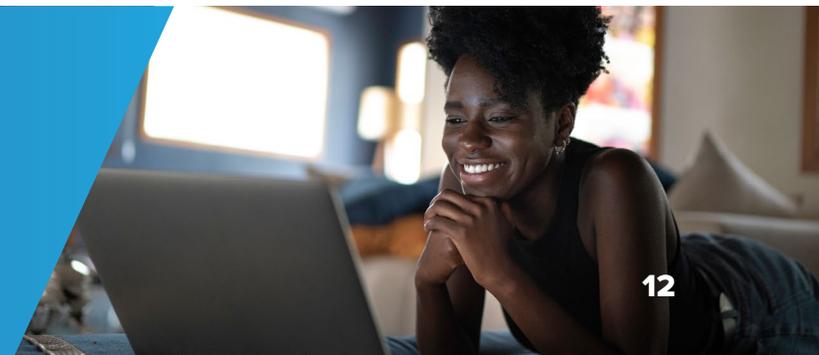
Content Discovery is Key

The array of highly fractured media-distribution channels has made it increasingly difficult for MEP companies to promote specific content to the consumers most likely to be interested in that content.

Additionally, consumers are exasperated by the need to remember which content goes with which provider, what they've already watched, and what to watch, see, or read next in the sea of choices available to them. Innovative approaches to showcasing preferred content, and delivering that right content to the right person will be critical to gaining a competitive advantage.

Digital will make up more than half of the US entertainment media industry revenue by 2022.

PWC



5 PRIORITIES THAT CAN HELP MEP THRIVE NOW, AND POST-PANDEMIC:

1

Delivering the right content through the right channel at the right time

Giving viewers, users, listeners, and readers the experiences they want and expect starts with building a digital marketing foundation that's powerful, unified, and flexible. Centralizing and automating content and delivery across devices will shrink costs and boost speed, while delivering that consistent experience users crave.

2

Creating a Personalized Customer Experience

The expansive array of channels and content makes discovery a huge challenge, and only adds to the need - and demand - for a super-customized delivery experience. Providers must find new ways to bundle content at a personalized level, not by mass-segment groupings.

3

Acquiring and Retaining New Customers

Building a platform that lets content thrive will give acquisition teams more power to attract new audiences, while deepening those valuable existing relationships.

4

Increasing Speed, Scale, and Stability

By stabilizing uneven demand and performance through a secure foundation, providers can ensure they're offering the consistent experience consumers really want. Full-time support availability, open standards, open API support, flexible workflows, and the ability to publish content to multiple platforms without IT assistance can all serve as a foundation for that experience.

5

Curating Consumer Insight

Consumer behavior that changes almost daily and increasing demands for engagement make it tough to extract accurate, timely behavior insights. Integrating online and offline data sources in a unified language can drive cross-company KPIs. Data tracking must be instituted across the entire customer journey, not just on a singular interaction with one device. Capturing mobile, social, support, and marketing interactions can help to paint the entire picture.



FINDING THE WAY: HOW ACQUIA CAN HELP, RIGHT NOW

Delivering the experiences this extraordinary moment demands, and using those experiences to build a bridge to the future, calls for tools that are open, intelligent, flexible, scalable and secure. Data-driven MEP customer experience leaders understand that, if they wait for the pandemic to pass and the “new normal” to arrive before taking action, they’ll be left behind.

Now is the time to take steps to transform the customer experience, and invest in tools that offer adaptive intelligence while enabling

experimentation, exploration and innovation. Customers want an increasingly intuitive, fully personalized digital experience — right now.

For MEP companies, the goal is better control of the brand’s digital assets and the effective use of analytics and insight to drive the most efficient journey of prospective and converted customers. Data and insights to understand the true effectiveness of each effort is key. Knowing what’s working, what’s not, and where the gaps lie are all vitally important.



While the focus today is on providing contextual experiences across multiple devices, 61 percent of companies lack the resources to support these experiences.

Forrester

Acquia is the trusted expert for Open Digital Experience Platforms and the pioneering partner that can help companies rise to the occasion, and meet the unprecedented challenges the pandemic presents — starting today.

Acquia powers websites, applications and online experiences for 4,000 organizations, including some of the largest brands worldwide. You can build, design and run personalized digital experiences for today's media and entertainment consumers quickly and easily — all built on open-source pioneer Drupal with the required security.

Gain control of your digital assets, deliver the right content at the right time, and tap into the data and insights you need to understand what works, what doesn't, and why. Meet your prospective and converted customers with what they need at every step of the journey.

CONTACT ACQUIA

To learn about how Acquia can help you deliver a consumer-first experience, please contact us at sales@acquia.com.

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