



Understanding the sector impact of COVID-19

Media & Entertainment

COVID-19 is having a marked impact on media supply, consumption, and advertising around the world. Demand for content—streamed, live and multi-played—is skyrocketing. New content creation, from live sports to sitcoms to movies, has been largely turned off. Some companies, however, such as professional sports and eSports leagues, are finding ways to engage differently with consumers. Advertising spend has come under significant pressure, with some sectors largely ceasing advertising and some campaigns now deemed inappropriate at a time of social distancing.

Potential impacts on Media & Entertainment

Increasing demand for content, but challenges in production and advertising revenue

- Demand for all forms of media—TV programs (broadcast and on-demand), short-form video, music streaming and online gaming, particularly in geographies currently under stay-home instructions, has surged. In some instances, video-on-demand (VOD) content has been offered for free or at a discount.
- The supply of new content may be limited to a few weeks for some formats (e.g., daytime dramas). New TV series currently being launched were completed prior to production sets shutting down. By September, there may be limited new content to launch.
- Network resiliency and capacity continues to be a focus, as the demand for content surges. In the European Union, streaming platforms are reducing video quality to ensure networks are not overwhelmed and that customers can still view content.
- Advertising revenues are down, with many online platforms projecting declines.
- Advertisers are starting to develop content that speaks to the current situation. The messaging will be increasingly important, as consumers are wary of advertising that comes across as tone deaf in this environment.

Disruptions to and adaptations for in-person events and entertainment

- Theme parks, concert venues, movie theaters, and museums are all closed, and live sporting events are cancelled, leading to loss of revenue across the board.
- While sports companies come to terms with a wave of cancellations, many are seeking new ways to reach their customers digitally. Many are looking to eSports or online simulated events to provide content to fans, with even professional athletes engaging in eSports competitions.
- Many eSports leagues have moved to online-only events after the cancellation or suspension of in-person events. Viewership has surged as consumers look for new and engaging content.
- Major movie releases are being delayed, although some streaming platforms have launched new releases early.
- Musicians are going online and relying on streaming platforms as live shows are cancelled.



Increased potential for M&A

- A renewed focus on technology-led M&A to secure differentiating assets is likely. Companies with access to capital are likely to make opportunistic plays to acquire innovative start-ups.
- Start-ups may face challenges with liquidity, potential dips in valuations, and decreased access to funds (both VC and public), and may turn to hiring freezes and layoffs to maintain cash flow.

Key questions executives and boards should be asking

- How do we maintain a positive customer experience despite a surge in online demand?
- How do we create new and engaging content with production shut down? What technologies are available to create the experience of everyone being in the same studio?
- How can we leverage digital channels differently to build engagement?
- How do we adjust our content and advertising to resonate in these changing times? How can we help advertisers who are vital to the funding of content?
- How do we collaborate with our ecosystem of alliances and partnerships to differentiate?
- How do we reassess our cost structure to offset any mid-term revenue decline?
- How can we leverage automation across every facet of our business (e.g., customer, employee)?
- How are regulations and data privacy frameworks changing? How does that affect our company's policies?

Practical next steps

Media & Entertainment leaders will be defined by what they do along the three dimensions to managing a crisis: respond, recover, and thrive. Some key next steps include:

- Assess the impacts on your employees, and your broader network of contractors and external stakeholders. Consult with them for suggestions on how to create content in constrained times.
- Identify approaches that could enable content creation to resume, keeping in mind the wide variation of local and national regulations.
- Consider the availability of government stimulus incentives targeted at media and entertainment companies.

For additional steps that organizations should consider taking, visit www.deloitte.com/covid19-resilient-leadership

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