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Optimize content ROI

Pathways to sustainable profitability

Introduction

The world of film and television doesn't look like it used to. While the industry's ability to create long-lasting memories and spark the imagination of audiences around the world remains powerful, much has changed. The industry is reckoning with a shift from a supply-driven model—where media and entertainment (M&E) companies push content to the consumer through different staged viewing "windows"—toward a demand-driven model—where consumer behaviors and preferences dictate media and entertainment ecosystem activity.

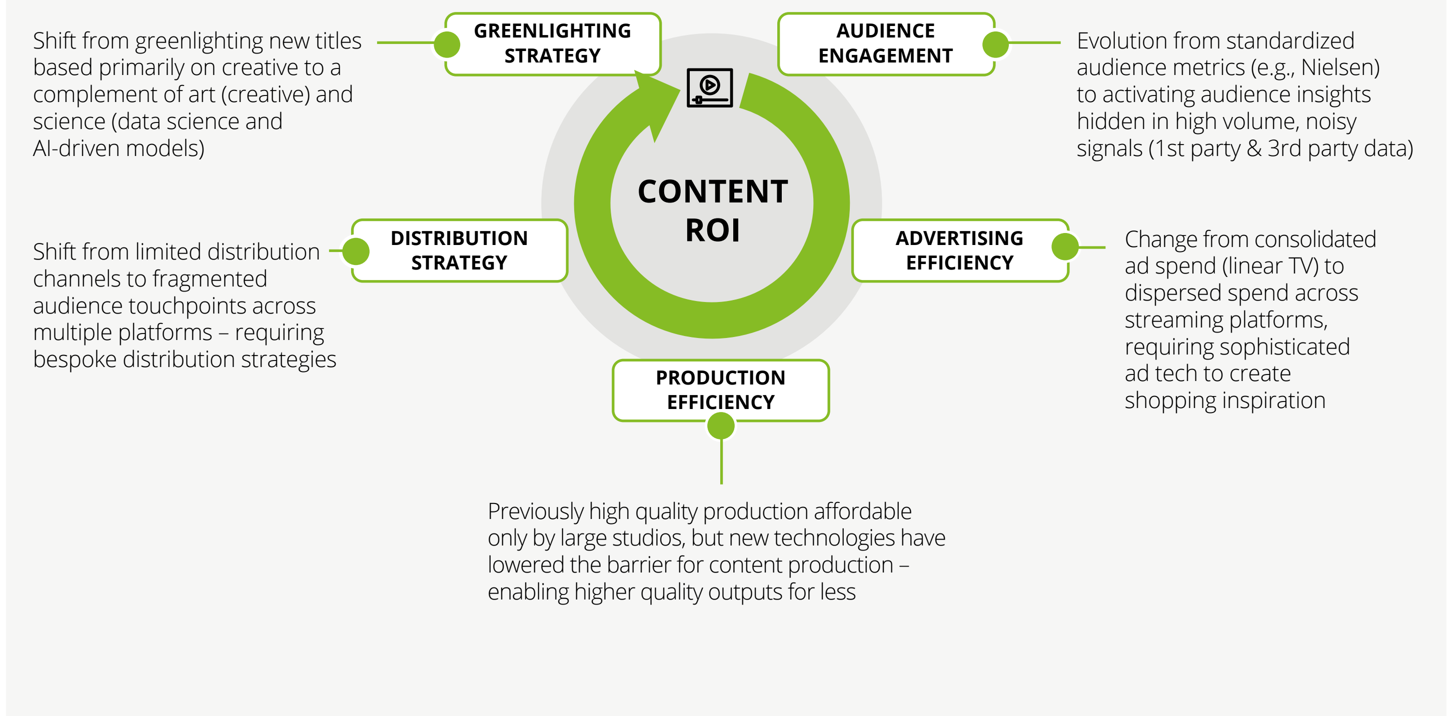
In this demand-driven landscape, audiences are offered more viewing options than ever before. Across streaming and TV services, there are now more than 800,000[1] titles available in the United States alone—establishing that content is king. This push for larger catalogs of content has driven streaming wars and fueled a titles arms race,[2] further running up production costs. It has also temporarily broken the traditional staged windows of distribution, with the race for new subscribers pushing more content directly to streaming platforms.

The shift from a traditional linear TV model has been spurred by a combination of new connectivity and mobile device technologies, as well as increasingly sophisticated consumer preferences. However, this disruptive streaming business model is less profitable than the cable model it is usurping. Without linear schedules, there's no clear ceiling on programming needs, and there's currently minimal revenue coming from an immature advertising video on demand (AVOD) model.[3]

While technology has reduced barriers to content distribution, production expenses continue to rise, challenging profitability amid flattening revenue growth and high subscriber turnover.[4] The move to digital production technologies[5] offers the possibility of substantial production efficiencies and the ability to produce a greater stream of valuable derivative content.

Competition for viewer attention also continues to fragment across multiple platforms—from streaming giants like Netflix to traditional players like Disney and social media platforms such as TikTok. The rise of low-cost, user-generated content (UGC) has significantly influenced content consumption habits, with Gen Z viewers dedicating about 30% of their viewing time to UGC.[6] This shift has redirected advertising revenues from traditional TV to platforms like YouTube, whose ad earnings are now comparable to Netflix's total revenues. Facing both industry disruptions and competition from adjacent entertainment, media companies are increasingly focusing on strategic content investments to optimize returns—while striking a balance between content quality, cost, and volume.

These market shifts have compelled some M&E companies to reevaluate their business models, capabilities, and ecosystem partnerships across the full content life cycle, taking a targeted approach across **content greenlighting, production efficiency, distribution strategy, advertising effectiveness, and audience engagement.** In this paper, we'll explore challenges and implications across the content life cycle to help media and entertainment organizations navigate today's evolving demand-driven landscape—and create sustained advantage.


The demand-driven content ROI flywheel
GREENLIGHTING STRATEGY
Shift from greenlighting new titles based primarily on creative to a complement of art (creative) and science (data science and AI-driven models)
AUDIENCE ENGAGEMENT
Evolution from standardized audience metrics (e.g., Nielsen) to activating audience insights hidden in high volume, noisy signals (1st party & 3rd party data)
CONTENT ROI
DISTRIBUTION STRATEGY
Shift from limited distribution channels to fragmented audience touchpoints across multiple platforms – requiring bespoke distribution strategies
ADVERTISING EFFICIENCY
Change from consolidated ad spend (linear TV) to dispersed spend across streaming platforms, requiring sophisticated ad tech to create shopping inspiration
PRODUCTION EFFICIENCY
Previously high quality production affordable only by large studios, but new technologies have lowered the barrier for content production – enabling higher quality outputs for less

Greenlighting strategy

Traditionally, film and television studios' content was greenlit based on profitability for the title across different windows of distribution—theaters, televisions, and home entertainment—using a simple model based on ultimate revenues (forecasts for the first seven to 10 years of theatrical release) and expenses for that title. For new native streamers, content was primarily commissioned within an overall programming budget with the primary objective of driving new subscribers. In the future, with studios and streamers looking to inject profitability into the long-form entertainment ecosystem, how should they think about greenlighting content?

Greenlighting new content that resonates with audiences is crucial to meeting demand trends and overall monetization, as content investments can support better customer lifetime value and mitigate churn. Thirty-six percent of consumers across generations surveyed say that the content available on streaming video services isn't worth the price, leading them to leave the platform.[7] Studios looking to maximize monetization are increasingly looking to combine creative instinct with the science of estimating content value. Forecasting a title's value early in development requires considering estimated direct and indirect revenues from various sources. These include box office sales, streaming subscriptions, merchandise, and related assets such as video games and theme park tickets.

By integrating first-party data (such as viewing history and transactional data) with third-party data (such as competitor benchmarking and behavioral data), entertainment companies can deepen their understanding of an audience's willingness to engage and pay for content. The outcomes of content value predictive modeling and scenario analysis can better evaluate content ideas, business cases, financial forecasts, and downstream spend decisions at the business-unit level. Some companies are already adopting these predictive analytics. For example, Warner Bros. collaborated with artificial intelligence (AI) firm Cinelytic to use predictive analytics in estimating potential revenue impacts and aiding in packaging, marketing, and distribution decisions.[8]

However, data that underpins assessing creative ideas and financial return is often fragmented or siloed across internal business units and external sources. To address this, technology-forward M&E organizations are creating unified, centralized data functions that allow for the federation and dissemination of cross-business unit data. This unification of consumer data can crystalize consumer insights and drive decision-making that's aligned with a platform's core value proposition. For example, platforms might develop strategies for broad-appeal content to drive subscriptions, like Hulu's *Only Murders in the Building*, or target niche audiences with specific interests, such as anime fans with Studio Ghibli movies.

Consumer data can also reveal insights related to underrepresented audiences, who often churn from platforms lacking content that reflects their identities.[9] For instance, according to Deloitte's *Media Reimagined* report, Black, Latinx, and LGBTQIA+ consumers frequently leave platforms that don't offer representative or inclusive content, putting approximately $93.1 billion in revenue at risk across these groups.[10] Addressing these gaps by greenlighting diverse content can significantly boost engagement and revenue.

Greenlighting is expected to increasingly require a robust demand-based content planning approach and new measures of content return on investment that reflect the ever-evolving media landscape—including the ability to attribute value to titles of indirect revenue streams, such as streaming subscriptions.

Production efficiency

As the entertainment industry faces rising costs, a collection of new underlying technologies—such as AI, edge computing, and cloud—and new platforms, like virtual production, are enabling the supply side of the media ecosystem to meet creative ambitions more efficiently. These technologies can minimize up to 60% of production costs through automation and workflow simplification across development, pre-production, production, and post-production.[11]

Artificial intelligence is still evolving as a capability, but it promises to automate development, pre-production, and production workflows, streamlining time-intensive scheduling and budgeting tasks and accelerating tedious work.[12] For example, scheduling based on location, cast availability, weather, and shooting time of day is currently a complicated endeavor. But machine learning (ML) can scan a script, which AI can then break down by scenes and shots, matching them to locations or an actor's availability. Similarly, ML and Generative AI (GenAI) can create the foundation of a budget or storyboards, taking in sketches and speech inputs from writers.

Emerging virtual production technology can also help maximize efficiencies during the production phase. Reshoots, often necessitated by unpredictable factors like weather, can inflate film budgets by up to 20%.[13] Virtual production can leverage 360-degree LED setups to swiftly change backdrops, weather, and lighting conditions around actors, integrating virtual effects in real time during shooting rather than in post-production.[14] Coupled with GenAI capabilities, virtual asset libraries can be quickly developed and reused in future productions—often allowing a better return for the initial development.

GenAI is revolutionizing post-production tasks[15] as well. For instance, it can be used to automate archival content-tagging for quicker footage retrieval. Content localization is also enabled by GenAI, which can create subtitles in other languages, sync video and audio, translate speech, and update lip movements to match a foreign language. These advancements are enabled by cloud and infrastructure modernization, which enhances AI performance and supports remote post-production collaboration, reducing reliance on physical facilities.

These digital production technologies can also be leveraged to simplify the creation of a variety of derivative content, from "behind the scenes" looks to original short-form content for social media. As media and entertainment organizations continue to explore these technologies, we expect they'll play a key role in reducing cost pressures and allowing better ROI for content in the future.

Distribution strategy

Before the rise of streaming platforms, video content distribution was preordained: TV shows followed a set broadcast schedule; movies premiered in theaters, followed by DVD and potential Pay TV releases after 90 days.[16] Today, the landscape is more complex and dynamic. Technological advances have lowered barriers to entry, diminishing distribution as a competitive edge. This shift has prompted traditional producers like Warner Bros. Discovery (WBD) to not only launch their own platforms, such as Max, but also license content to others, like Netflix. The proliferation of streamers has fragmented consumer touchpoints, pushing studios to more carefully consider their content portfolio and release strategy.

Content producers weigh options between theatrical releases and direct-to-streaming, considering which will best reach their target audience and support downstream IP monetization opportunities. The COVID-19 pandemic further complicated release considerations, shortening the traditional theatrical window to about 17 days—affecting box office and subsequent release revenues.[17] It also drove the growth of premium video on demand (PVOD), which reduced marketing expenses through streamlined campaigns.[18] Additionally, distribution is often governed by macro and financial pressures facing studios—sometimes driving content licensing to the highest bidder, even if the content producer has their own streaming platform.

When considering distribution channels, media organizations can differ in their approach. Digitally native streamers have typically built up their library by licensing or commissioning content from other producers, then branching out into producing their own original content. On the other hand, traditional media organizations can vary. Some are part of a wholesale ecosystem, largely generating and licensing content. While others produce content but deliberate on whether to distribute internally across different owned channels or externally on other platforms.

While licensing content can increase audience reach and lengthen content shelf life, it can also potentially dilute a producer's brand identity if the content is not aligned with the platform's brand or audience. For example, Netflix licensed *Suits*, understanding that it has an audience with a median age of 35 to 44.[19] Disney, on the other hand, distributes adult demographic content on Hulu, enabling Disney to separate kids and family content via Disney+. Meeting audiences where they are is a distinct theme in distribution strategy. Nontraditional partnerships are emerging to enable access to new customer segments while sharing the costs—for example, the Disney+, Hulu, and Max bundles, combining forces of Disney and WBD.

Ultimately, media organizations should consider audience fit, windowing strategy, downstream monetization opportunities, and platforms available to inform release strategy and distribution via licensing, owned streaming platform, or a multi-distribution partnership.

Advertising and ad sales efficiency

As the industry experiences unprecedented customer churn rates, now peaking at 44%[20] in the United States, major streaming services are responding by introducing more affordable ad-supported options, such as AVOD tiers and free ad-supported television (FAST). The expansion of ad tiers to traditionally subscription video on demand (SVOD)-only platforms has presented some advertising technology challenges. For example, streaming content doesn't always have the typical ad markers that linear counterparts use for placing ads within content. To solve for this, platforms are incorporating ad break technology that can be used to determine the optimal timing for ads to seamlessly integrate with the mood and context of the video content.[21] In addition to the timing of ads, the type of ad can also be dynamically determined by algorithms based on the type of content shown (e.g., children-friendly products are advertised during kids' shows).[22]

The expansion of ads also requires consideration of viewers' ad tolerance (i.e., how much "ad load" consumers will accept without exiting content). Solving this requires a more personalized and relevant ad experience, which is intuitive but difficult: More than 50% of consumers in a recent Deloitte survey found that personalization tends to feel off-target and does not meet their needs.[23] Consumer expectations for ad personalization, shaped by social media, challenge streaming platforms that lack comparable data insights. Social platforms benefit from extensive, detailed user data and diverse content use cases, enabling highly tailored ads and creator endorsements. In contrast, streaming services with less granular data could improve ad relevance by directly soliciting viewer feedback or allowing users to select ad categories, similar to social media practices.

To enhance ad effectiveness and viewer engagement, companies are beginning to explore future-leaning technologies. For example, streaming platforms are experimenting with clickable and shoppable media via remotes or QR codes to enable direct purchasing of certain products when a show is paused.[24] Other ad innovations include leveraging GenAI to dynamically insert products into videos, avoiding costly reshoots. These innovations, along with contextual advertising, can improve the ad experience.

Finally, ad campaign effectiveness seems to be improving thanks to advancements in AdTech, particularly in over-the-top (OTT) platforms. Traditional TV ad attribution, which has been challenging to measure, is being transformed by features like clickable links.[25] Multi-touch attribution models further clarify advertising ROI, offering transparent value to advertisers in a competitive market. These efforts are supported by data-sharing initiatives such as data clean rooms, ensuring secure, privacy-compliant access to consumer data for precise queries.[26]

Reimagining the ad experience will rely on customer insights, contextual awareness, and sentiment analyses that create personalization and relevance to the user.[27] By improving the overall ad experience, platforms would likely be able to better attract and retain customers, increase value to advertisers, and ultimately sustain a higher ROI.

Audience engagement

The audience has always been the focus of media and entertainment organizations. However, the architecture of the M&E landscape has firmly skewed to recognize the increased power of audiences who have more choice than ever before. Audiences are increasingly diversifying their digital consumption across gaming and user-generated content while seeking meaningful community experiences. To stay profitable, media and entertainment organizations should engage users on their preferred mediums, including social media, to enhance audience retention and maximize customer lifetime value. This is key for tapping into fandoms that show heightened and sustained engagement.

This also requires an expanded fan-based view from creating individual pieces of entertainment content to the considerations of managing an ongoing franchise. This includes the continuity of characters, settings, and stories that drive fan devotion and engagement across multiple platforms and content formats. Underpinning this change in content philosophy is a more structured framework of franchise management and associated capabilities.

A first step on a platform is content discovery, which remains critical to engage audiences. Our research has found that nearly 50% of consumers surveyed would spend more time on streaming services if it was easier to find content.[28] Gen Z and millennials often find better recommendations on social media, which suggests that platforms should leverage short-form content and trailers to improve discovery and gather valuable first-party data on user preferences.[29] Moreover, integrating social media insights can tailor recommendations that resonate with current cultural and political trends.

A seamless interface with GenAI-powered natural language and voice-activated search capabilities can further streamline content discovery, making it easier for users to find and engage with content that suits their mood (e.g., “please recommend something uplifting”). This not only saves time but also enhances user satisfaction and retention.

These viewer-based technologies will also need to support more refined content attribution models that can enable streamers to understand which content is really driving new subscribers and which keeps people on the platform in the long term. These insights are expected to enable reduced programming loads and have the potential to create more granular subscription models based on targeted content by subscriber cohort.

Expanding content into adjacent areas like gaming can also boost engagement. Gaming, for example, offers additional revenue streams and, with decreasing production costs, can become a viable option for content expansion. Collaborations with gaming studios can lead to a synergistic relationship, attracting both gamers and viewers, thereby fostering a dedicated fan base that enhances content loyalty. These areas of content expansion, together with the production of more derivative content and third-party licensing, requires a 360-degree measurement of audience engagement across multiple owned and third-party entertainment platforms.

Media platforms can adapt to the evolving preferences of today’s younger consumers by enhancing content discovery with advanced technologies and expanding into complementary markets. This strategy can not only attract but also retain a dedicated audience, maximizing customer lifetime value through immersive, community-driven experiences.

Paths to profitability

In today's demand-driven media and entertainment ecosystem, companies should consider audiences and fandoms, rearchitecting their content library and capabilities to deliver compelling content to the right audiences, on the right platform, at the right price. The industry is expected to continue to face challenges from macroeconomic headwinds and increasing competition, but opportunities for differentiation and profitable growth still exist.

These opportunities vary by parts of the content delivery value chain, as mentioned in previous sections of this paper. But, at a macro level, media and entertainment companies should look to unlock technological benefits, leverage strong alliances and ecosystem partnerships, and invest in franchise capabilities in order to build new audiences and make existing ones more sticky. To lay a strong foundation and position themselves for the future, companies can focus on:

Data infrastructure modernization: Centralizing audience and financial data across business units—supplemented with third-party sources—can enable a rich data ocean that can unlock new audience insights, reveal content gaps, and create assets that can be monetized directly or indirectly.

Next-gen analytics and modeling: Developing robust analytics models that incorporate traditional content financial data, broader market signals, and similar title attributes can enable modeling success scenarios and inform marketing, production, and distribution spend decisions.

Content supply chain innovation: Adopting emerging technologies such as GenAI, edge computing, advanced cloud infrastructures, and virtual production tools can accelerate creative and production processes.

New media and entertainment coalitions: Exploring nontraditional partnerships can strengthen capabilities and create new bundles of content to meet consumer demand, while joint ventures can help companies capitalize on diverse monetization opportunities.

The accepted truths of linear television were upended by streaming, so modern-day media and entertainment organizations should continue to adapt and invest in the creation, distribution, and display of content to remain relevant. The pathway to sustainable profitability will not be easy. And technological investments and partnerships may mean sacrificing short-term losses for longer-term ROI. But with the infrastructure and capabilities required to understand what the consumer wants today, and beyond, media and entertainment companies can take the lead—and emerge victorious.

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