



# Battling for the best content

The rapid proliferation of video distribution platforms, all aiming to achieve relevance with audiences and a corresponding uplift in engagement metrics, subscription fees, advertising revenue – or a combination – has created an intense competitive landscape for developing and acquiring the best content.

“Traditional” players are battling against a broad and expanding range of newer entrants, many with direct-to-consumer strategies, including virtual-MVPDs, digital video channels and networks, social networks, e-commerce leaders and mobile-centric networks. In addition to offering a variety of pricing options, innovative user-interfaces and other features, virtually every player in the market is making a push to differentiate based on an offering of unique and frequently exclusive programming.

The upshot is an explosion of new content offerings for consumers and a corresponding increase in spending on content production and acquisition. As this content arms race accelerates, many industry participants are reevaluating investment, monetization and audience priorities, as well as bigger strategic questions.

## The content squeeze

Budgets for high-end, original, premium programming and event-driven (sports, tentpole live programs) content are rising sharply. While it's too early to arrive at a definitive outlook on the the future of the industry, the threat to the longstanding television ecosystem is growing. What is clear today, however, is that anything less than great content (as measured by viewership and engagement) has few takers, both in traditional and digital realms. This dynamic heightens the pressure on content producers to create hits, and drives programmers to produce multiple, often high-stakes bets ... and sometimes losing out.

Smaller networks and channels are most affected by deepening financial commitments for shows and ever-growing audience expectations for high production values. As choices for consumers expand, increasing audience fragmentation across platforms and driving down average viewership at the program level, lower-rated networks will see some shakeout – re-brandings, partnerships with larger companies or even a shrinking of the universe to the most popular, durable networks.

Competition is impacting the entire content value chain as writers, producers, editors and other off-screen talent become scarce and expensive resources. The digital leaders, fueled by data-driven insights, deep wallets and a public investor base that appears focused on growth over profits, are aggressively hiring studio leadership, marquee creative talent and acquiring high-potential programming.

## Sports – the last bastion?

For decades, TV networks invested big sums on sports rights to drive ad revenue, affiliate fees and viewership, using promotional in-game airtime to showcase upcoming programs. While the model remains intact – networks continue to bid record amounts for sports rights as they come up for auction around the world – risks are rising. Long-dated, high fixed cost licensing agreements can lead to margin pressures for networks if structural headwinds (subscriber losses, ad revenue softness) blow harder.

At the same time, digital leaders are entering the sports arena around, launching bold bids for rights to air games on streaming platforms. The net effect is continuing price escalation for sports and increasing competition for traditional networks.

## Content discovery and context – the table stakes in the future

With so much content available today across many distribution alternatives, enabling consumer discovery is more vital than ever for the owners of the content. Innovative strategies are required to allow consumers to find compelling programs to watch.

The importance of network collaboration with distribution “frenemies” will increase, curating content relevant to specific platforms. Also leveraging technologies such as AI and machine learning to dissect viewing patterns from multiple perspectives to build personalized recommendations into consumers’ digital interaction.



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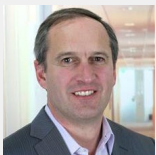
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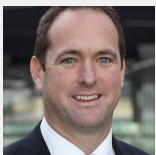
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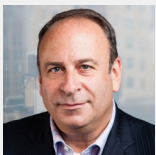
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