

Future of Streaming: In conversation with James Duvall and Chris Evans

by Olivia Lowden

Entertainment moves at a lightning pace. Consumer habits are constantly shifting as new and immediate platforms disrupt the landscape. Technologies are advancing rapidly, and the possibilities they offer are generating excitement across the industry. With plenty more solutions primed for launch, it can be hard to pin down what's next for the future of streaming.



As streaming platforms continue to fight over consumers' attention, Chris Evans, who heads Futuresource Consulting's Professional Video and Broadcasting sector, poses the big questions to James Duvall, Head of Entertainment. Together, Evans and Duvall provide a glass-to-glass perspective, taking you both behind the scenes and in front of the screen. Flying through a kaleidoscope of topics ranging from the proliferation of cloud technologies to the convergence of user-generated content, the conversation offers a full picture of where streaming is heading amidst the buzz of the wider entertainment landscape.

Chris: The proliferation of ad-tiers across traditional Subscription Video on Demand (SVoD) services is creating a more flexible and consumer-oriented approach to streaming. Will emerging business models continue to shape the video landscape?

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James: Ad-tiers are offering consumers a choice at a time of widespread financial difficulties. In that way, it's providing a more consumer-oriented approach, but there's also the competitive angle amongst services. Lower price tiers cast the net to a broader reach of consumers. This not only increases revenue through a subscription perspective, but also enables brands to buy advertising space on your service. In the world of SVoD, ad-tiers are still relatively new and it's certainly not a bulletproof model. Services are still testing and trialling different approaches to ad-tiers, including the ideal number and length of ads shown. While these details are ironed out, brands want to be confident that there's an audience behind the screen.



JAMES DUVALL
PRINCIPAL
ANALYST

We may see some more evolution in the ad-tiers format as the traditional SVoD players establish what works. The main goal for services is to provide both a premium experience and target the masses. It's likely that their approach will vary across regions and countries, creating lots of room for nuance across markets.



CHRIS EVANS
SENIOR MARKET
ANALYST

Chris: I've been engaged with a lot of research calls spanning the full video supply chain. It's given me a close view of virtual production, production infrastructure, new ways of creating content, as well as cloud technologies. A common emerging theme has been a strong emphasis on optimisation. This trend is particularly true on the B2B side. There's this widespread, insatiable need for content, but budgets aren't rising in line with that. Organisations are feeling the demand to create more, and are looking for strategies to make this work. How can studios continue to ensure production efficiency?



James: There's been so much legislation in the last few years which is creating a big push to grow local content. In Europe, for example, the revision of the Audiovisual Media Services Directive means that services are now required to hit quotas for local content. Netflix is quite heavily promoting that it's meeting the majority of local regulations whereas Disney and HBO may fall behind that. That's without considering cost factors and shareholder power. For example, Warner Bros Discovery need to save billions of dollars, which has driven them to cut a lot of local and international production and scrap films they've already finished producing. While offering fresh content to viewers is essential, saving costs is currently high on every media company's priority list. Providers are trying to prove to their shareholders they're saving the bottom line. In positive news, Warner Bros Discovery now expects their streaming business to be back in profit this year.

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As part of this, efficiencies and workflow management are now the priority. Covid accelerated a lot of changes that were already in the pipeline; people were hugely concerned about the security of cloud technologies, but Covid bypassed these concerns due to urgent need. Now we're out the other side, is security up to scratch? AI will also undoubtedly play a role in driving efficiency, but with the technology yet to reach its full potential, the details here are hazy.

Chris: That's been mirrored in much of what we've been hearing. We've heard that the margin that can be achieved from AVoD and FAST channels can be very attractive for content owners to run a DTC offering as an OTT service. Ultimately, these are digital-first broadcasting services, as opposed to those that adapted to the digital world. Many of these new services are purpose-built for the cloud, with these efficiencies translating directly to the consumer. There's a lot of positivity in enabling this for studios, though it may take a while to come through. Sports teams and leagues, for example, can get their footage out through FAST services. In many ways, FAST is proving not to be a fad, but can be complimentary to other existing channels and services.

James: It's worth mentioning that definitions of AVoD and FAST are quite blurred. If the consumer has access for free, whatever the platform, the content still isn't the end goal for the companies.

Access to the consumer and gaining an understanding of who that consumer is and how to maximise engagement is the main goal for brands. That's where personalisation is increasingly entering the picture.



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LG and Samsung have been key drivers of this. They've shown it's not just about selling hardware, but more so determining how to maximise engagement through personalised advertising and software. There's been a lot of conversations around NAB on how technology needs to improve to ensure brands know who the consumer is. Only with this information can personalisation work.



Pro-cinema companies like Paramount and Sony Pictures pulled back and rescheduled their releases to give titles more breathing room. Other studios moved films to a subscription service and kept their schedule clear. But coming into the summer, an incredibly strong line-up of blockbuster releases is on the agenda. Big names like Apple and Amazon are rumoured to be investing, which doesn't indicate trouble in the market. Audiences will undoubtedly flock to the films that appeal – the question is how to engage them with small and medium-budget releases.

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Chris: Engagement with the cinema has been a big concern for the industry. Over the past year audience numbers have been climbing, with a few films even exceeding pre-pandemic box office numbers. If we circle back to content, some argue that the content gap is limiting audience numbers. This could have a knock-on impact on streaming, as recent cinematic releases are often a key draw for subscribers. As the industry continues to evolve, in your opinion, how interconnected is the future of feature films, cinema distribution, and the future of streaming?

James: Coming out of covid, there was a lot of talk about a glut of films, which drove studios to reassess and subsequently stagger content.

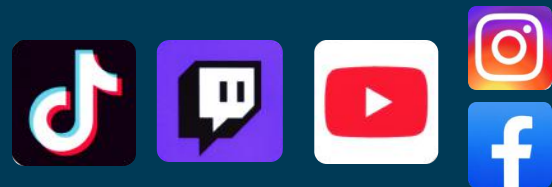
Chris: Over in production on the B2B side, we're seeing a huge emphasis on creating content that has "cinematic" qualities – across multiple formats. From the choice of camera and lens to the ambition of the script and scope of the storytelling, the primary aim appears to be creating immersive, engaging, high-quality content, with virtual production increasingly bringing this to life. From a consumer perspective, what are the technologies that are enabling this immersion to translate inside the home?

James: Until a particularly revolutionary technology is created, there won't be any dramatic shifts in the way consumers engage. Some technophiles invest heavily in plasma televisions and sound systems, but 8K TV, for example, still has a relatively low adoption rate. For the most part, 4K is good enough, and the jump to 8K just isn't a worthwhile investment for most consumers. 8K will play a role in sports and TV, but until things become affordable and proven, people will stick with their current setups.

Chris: HDR is of course part and parcel of the talk about new delivery formats. Are there any advancements there?

James: From a consumer perspective, there isn't much difference between HDR, UHD, Blu-ray, and 4K. The resounding sense is: "Just show me content in the best way I can see it". HDR and screen maker mode are largely semantics that are important to studios but not to consumers. If it can be demonstrated to boost the consumer's experience and is easy to implement, then consumers will adopt it. Otherwise, they're not overly interested.

Chris: User-generated content is destabilising the entire entertainment ecosystem. TikTok has been a hugely disruptive force, looking to displace YouTube as the de facto video platform for creators to grow and monetise their audience. The social media video landscape has become fragmented and players are attempting to reassert themselves. We've been seeing traditional studios attempt to meet the rise of user-generated content by bringing creators from this world into their own content or focusing heavily on the creation of short form video content. But platforms like TikTok are going in the other direction by introducing longer-form content to increase audience watch time and retention. Do you see user-generated content having a role in the future of streaming?



James: Every company needs to understand the latest trends – this isn't unique to entertainment. Plus, UGC is a huge market, so we'll undoubtedly see some crossover. Whether that's creators entering the mainstream space or vice versa – studios will be vying for that younger audience engagement. It then becomes a question of how platforms will manage access to the content.

For example, TikTok was recently fined for not checking the age of their users.

Oversights like these could impact the success of these platforms and have a knock-on effect on studios further down the line.



Chris: Do you see AI playing a role in ensuring the stability of services? HBO Max recently undertook six-months of preparation to ensure the House of the Dragon launch ran smoothly. Service outages aren't uncommon, and AI could become a key tool in helping services prepare. What do you see in store here?

James: That's a very hot topic at the minute. All the big media players will be looking at how to embrace AI as a tool to enhance efficiencies. There will be some big gains, but alongside this, there are a few important considerations.

As I mentioned earlier, precautions around security need to be prioritised, but the industry also needs to manage the knock-on effect on people's jobs. This is a big factor in the current writers' strike in Hollywood, and it's likely the same concerns will arise on the operational side. There's a balance to be struck between using AI to increase efficiencies and get content over the line, while still retaining the human element.

Chris: Within operations and infrastructure, there's a lot of talk about moving to the cloud, which will facilitate the accelerated use of AI. Firstly because it's far easier to deploy AI in the cloud, but also because businesses will be able to leverage the advances made by Google, Intel, and other large tech providers. These companies are working across numerous verticals beyond broadcast media and entertainment. As broadcast looks to use more AI, it can benefit from other industries' gains. For example, changing the approach to repair and maintenance to become more pre-emptive. Diagnostics and system control tools can alert studios and production companies when equipment is due to fail ahead of time. This will be a pivotal in helping avoid dropouts during critical moments on-set or during a live broadcast.

In terms of further developments, a lot of our thoughts were confirmed at NAB. As you've mentioned, there's an industry-wide shift in mindset happening. On the B2B side, businesses are looking at the technologies to identify the best methods to deliver long-term ROI, rather than the usual tried and tested solutions. At NAB, there was an atmosphere of change with plenty of new players entering the mix. With some streaming markets reaching saturation, what's the key to success? As the saying goes, content is king... but is that still the case?



James: Whether you're transactional, streaming, or AVoD and FAST, content is still the key reason consumers are attracted to a service. While content remains king, there are changes underway. Historically, content has been driven by the English language. Now, localisation has increased significantly, and we have a new generation of consumers that are much more comfortable with subtitles and dubbing. There's a huge opportunity for non-English language content to resonate in some of the biggest markets in the world.

Providers will need to broaden their horizons about which content is king.

Chris: It's good to hear that point validated. For content creators, it's a powerful incentive to push for the technologies needed to achieve those end results. That's ultimately what people want to hear, both professionals and audiences – that content is still king.

"WHILE CONTENT REMAINS KING, THERE ARE CHANGES UNDERWAY"

James: Absolutely. Circling back to my comment earlier about the importance of the bottom line – there's still huge investment, especially in production sites. For example, the construction of new sites that can cater to new methods, bringing new workers into the sector, investing in new skills – all of which are hugely positive. Some markets might be hitting saturation, but there's still a lot of growth. Now, it's largely about how services are using their content to attract users. If you're outside the top few services, you're fighting for customer churn. Providers are looking at different ways of launching content – whether that's releasing it all in one go or staggering it – to continue to appeal to consumers.

There are a lot of nuances between end users and across regions, and many services will need to take different approaches.

Chris: Within the short to medium term forecast period, is there anything key that our readers should think about in the world of streaming?

James: Going forwards, continued flexibility in offerings should be key. If you look at pre-pandemic, services took a very straight forward, static approach. It's much more fluid now, with more thought toward the end user in each country. In terms of growth, more changes behind the scenes around AI will optimise processes across the board, be it workflows, production or streaming. AI will help brands achieve the bottom line, so utilising it is vital.



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Olivia Lowden is responsible for the long-form content, press, and partnerships at Futuresource. Prior to her career at Futuresource, she completed an MA in Creative Writing at the University of East Anglia, demonstrative of her lifelong love of words.

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PRINCIPAL ANALYST

James Duvall joined Futuresource as the Principle Analyst for Entertainment in November 2022. He is responsible for the delivery of all consumer research and projects across Home Entertainment. Before Futuresource, James spent six years leading the insight and research programme at the British Association of Screen Entertainment and the Digital Entertainment Group International (DEGI), building upon his wealth of experience within insight teams for US Studios.

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SENIOR MARKET ANALYST

Chris specialises in providing market insight and analysis across the professional video technology industry and video content supply chain. Chris joined Futuresource in 2017 as a member of the broadcast equipment team. As video technologies have proliferated into an everyday tool for a diversity of professional applications, Chris has taken leadership of Futuresource's Professional Video services.