

NBCUniversal

2023

Entertainment Industry Assessment



Welcome!



Introduction

Explore NBCUniversal's latest perspectives and insights into the Entertainment industry. This report provides an overview of recent marketplace dynamics, our prediction of key future trends impacting the industry, and strategic recommendations for Entertainment brands and marketers as they navigate what's next.

Our Approach

At NBCUniversal, we have a legacy of working with a diverse range of Entertainment partners to build their brands. This report has been created based on NBCU's:

- Ongoing Industry Evaluation
- Conversations with Entertainment Advertisers and Agencies
- Continual Marketplace Analysis
- Examination of Consumer Attitudes towards the Entertainment Industry



NBCUniversal Has a Unique Perspective

In 2023, NBCU worked with:

120+ Entertainment Industry Advertisers



TV Networks



**Video & Audio
Streaming**



**Studios &
Film**



**Pro Sports &
Betting**



**Live
Events**



Recreation

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2023 in Review

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with NBCU

Looking Back

2023 IN REVIEW



Amidst strikes and quite a few box office flops, studios and streamers have struggled to **find their footing** as they fight for viewers' scarce attention



Studios Re-Assess Strategy & Priorities in 2023

Rocky Box Office Return, with Exceptions



While the domestic box office has tallied \$4.46B in sales through June 30, nearly +20% YoY, it still lags pre-pandemic levels from 2019¹

Priority on Organic Buzz & Splashy Marketing



Barbie spent \$150M on splashy marketing². Other films such as *M3GAN* and *Smile* saw huge success via non-traditional marketing tactics to bolster awareness

Mixed Enthusiasm for Returning To Theaters



85% of Boomers said they had not been to a movie theater in the past month³, while Black audiences are 22% more likely to watch new releases in theaters vs. on streaming⁴

Horror Genre Sees Massive Success



The reception of films like *Talk to Me* – which grossed \$50M against a \$4.5M budget⁵ – are emblematic of a Horror revival, a key genre for studios given the low-budget nature of these films

Streamers/TV Networks Re-Assess Strategy & Priorities in 2023

Streaming Continues Its Winning Streak



Linear TV viewing fell below 50% of total share of usage among U.S. viewers this year. Conversely, streaming services reached 39% of total TV usage, a record high for the category¹

Prices are Rising - and So is Churn



Six major streamers have already raised their prices so far in 2023² and Netflix notably cracked down on password sharing. The result is users cutting subscriptions, with churn rising from 4.7% in 2022 to 6% in July⁴

FAST Channels Take Off



There have been 80 new FAST channels featuring branding from TV networks added in the past three years, a CAGR of 66%, as networks seek to capitalize on this lucrative LOB⁷

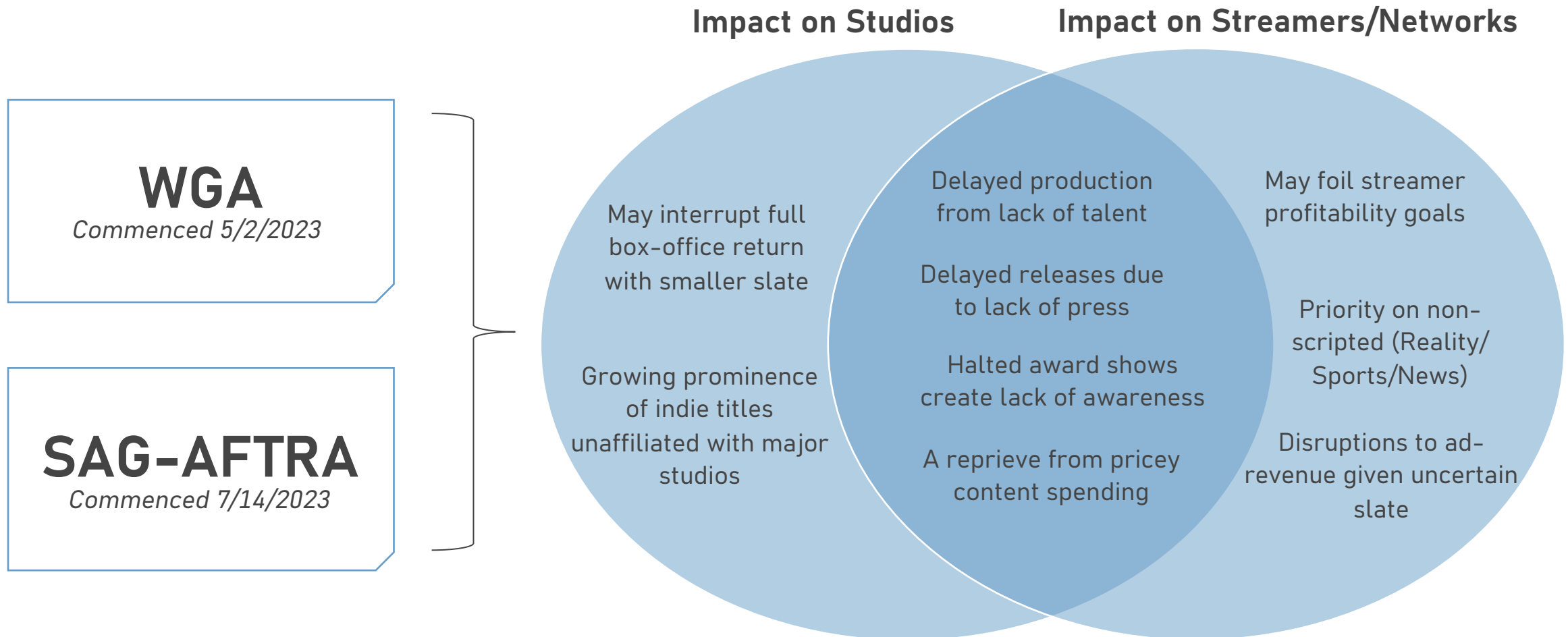
Less Entertainment Content, More Sports



In contrast to the predicted \$8.5B spent by streamers on sports rights this year⁵, streamers have cancelled 98 shows in 2023⁶ as they cut down on scripted licensing/residuals

CROSS-CATEGORY HEADWIND

Impact of WGA & SAG-AFTRA Strikes Across Entertainment



MARKETPLACE PARTNERSHIP EXAMPLES

How Our Partners Are Evolving Their Media Strategy & Storytelling



Brand Collaborations

Barbie teamed up with luggage brand Béis to create a collection of the glittery pink variety, selling out the limited- edition collection in just 23 minutes



Celebrity/Influencer Marketing

Apple TV+ snagged fan favorite Timothée Chalamet for its "Call Me" brand campaign, using the actor to create a sense of FOMO around Apple TV+'s content



Experiential Activations

Prime Video celebrated the release of the fifth season of *The Marvelous Mrs. Maisel* with a series of pop-up activations spanning Fifth Avenue



Commercial Innovation

Disney partnered with Snapchat to transport its Disney100 campaign into the metaverse, bringing to life its classic characters and tales through AR technology

Looking Ahead

KEY INDUSTRY TRENDS TO WATCH



LOOKING AHEAD

Key Entertainment Trends & Emerging Sub-Categories We Expect to Influence Marketing & Media Strategies



New Audiences Demand
New Blockbusters



Evolution
Of Theatrical IP



Focus on
Streamer LTV



Continued Consolidation
Within Streaming & Sports



Emerging Sub-Categories & Brands
FAST

New Audiences Demand New Blockbusters

Studios adjust to new demand from an evolving theater-going population

Appetite for the classic “blockbuster” has clearly evolved as huge budget films have generated disappointing box office results.

As the US population becomes more diverse and Gen Z establishes its purchasing power, big blockbusters will have to cater to younger, multicultural consumers to find success



Lost ~\$200M



Lost ~\$100M



Lost ~\$125M



Lost ~\$100M

Losses have been amplified by the ballooning cost of producing content, rising +89% in the past decade to reach **\$243B** globally in 2023¹

Importance of Diverse Audiences and Cast Representation

55% of moviegoers prefer to watch films with diverse casting in the lead roles², and yet only **2.2 of 10** lead actors in theatrical films are POC³

6 of 10 of 2022's top films had multicultural audiences drive majority of ticket sales³, including *Barbie* (58%)

Films with **31-40%** minority casts had the highest median global box office, vs. films with <11% minority casts yielding the lowest³

Evolution of Theatrical IP

Studios are finally feeling the effects of franchise fatigue and are taking steps to provide viewers with much needed original content

We've all heard the familiar reprise: "Why aren't there any original ideas for new movies? What's with all the remakes, sequels, and prequels?"

2023 laid bare the importance of originality in film and is ushering in a new wave of films touting inventive uses of IP

Fans are frustrated with current film options:



2023's Box Office Makes It Clear That Audiences Want More Than Just Sequels And Reboots 

36% of Marvel fans are feeling **burnt out** by the number of releases from the studio¹

2023's big hits reveal a refreshing path forward:

Gaming IP:



34 Gaming movies to be released through 2024²

Concert IP:



#1 Best 2023 first day ticket seller for Fandango

Toy IP:



#1 Highest grossing film of all time for Warner Bro's (Go Barbie!)

Mattel's Slate:

American Girl Doll
Barney
Christmas Balloon
Hot Wheels
Magic 8 Ball
Major Matt Mason
Masters of the Universe
Matchbox
Polly Pocket
Rock 'Em Sock 'Em Robots
Uno
View Master
Wishbone
And More!

Focus on Streamer LTV

With profitability down and churn up, streamers are intent on promoting loyalty

Streamers have been rolling out initiatives to drive revenue for their platforms, whether that be cracking down on password sharing or raising subscription prices.

But in order to keep subscribers tethered to their platforms, they are also expanding offerings and creating new LOBs that address consumer demand

Media executives go all-in on LTV:

86%

of media marketing execs expect economic conditions to significantly impact their revenue growth¹

83%

of media marketing execs plan on launching new products or services to reduce churn¹

55%

of media marketing execs say innovation will be key to driving value and driving subscriber loyalty¹

Innovation aimed at retention:

Apple's Vision Pro headset to launch with Disney+ streaming service

Max to add 24/7 livestreaming news with 'CNN Max' in the US

Apple TV+ Is Looking Into Streaming More Live Sports

Peacock Rolls Out Live Interactive Companion "Watch With" Feature

Roku and Shopify Partnership Brings Easy Checkout to Streaming TV

Netflix's Next Act Is Investing in Video Games

Convergence of Streaming & Sports

A record number of sports deals keeps streaming growth alive

Streaming has threatened traditional linear since its inception, but linear's most existential threat may revolve around sports, and the growing share of sports rights owned by streamers

After a year of huge sum licensing deals, the fusion of sports and streaming will only accelerate in 2024 as streamers look to drive subscribers

The biggest changes to the streaming landscape have revolved around sports licensing or content, as streamers see a major financial opportunity

Sports Licensing



[Sports programming] will help to drive subscriptions, bring new viewers to YouTube's paid and ad-supported experiences and create new opportunities for creators¹

- Sundar Pichai, CEO of Google



\$8.5B

Streamers will spend \$8.5B on sports rights in 2023, up 64% from 2022³

+21%

Share of spend on global sports rights by streaming platforms in 2023, up from 13% in 2022⁴

Sports Content



We think that we can have a really strong offering for sports fans on Netflix without having to be part of the difficulty of the economic model of live sports licensing²

- Ted Sarandos, Netflix co-CEO

NETFLIX



\$24.2B

How much the leading media companies are expected to spend on sports rights in 2024⁵

EMERGING SUBCATEGORY

FAST Channels

Free ad-supported streaming platforms have taken off – and continue to evolve to meet viewers' demands for content

Why To Watch**\$7.75B**Projected 2024 US Market Size | +26% vs. 2022¹**21%**User penetration in 2023, expected to reach 23.2% by 2027¹**+81% YoY**FAST content consumption by Hispanic households²**Brands to Watch**

freevee

plex

pluto tv

Roku

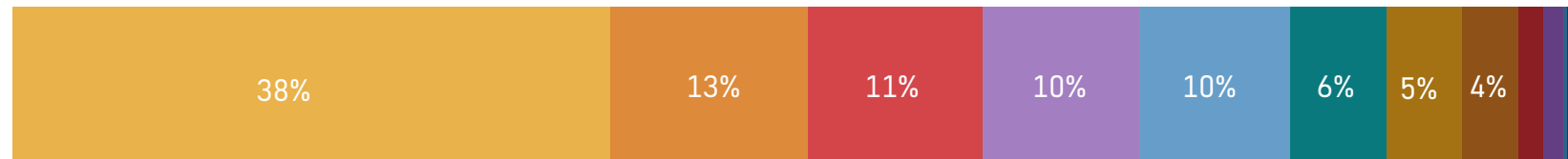
sling

tubi

xumo

Ad Spend**\$122M**FAST 2022 Ad Spend
+7% vs. 2021

*Top 7 FAST advertisers (listed in Brands to Watch)

2022 Media Mix

■ Cable ■ Broadcast ■ Video ■ Instagram ■ Facebook ■ Display ■ OTT ■ Twitter ■ Podcast ■ Snapchat ■ Native ■ Mobile

Source: 1. [Statista](#), 2. [Media Daily News](#).

SUMMARY

Key Entertainment Trends We Expect to Influence Marketing & Media Strategies

**New Audiences Demand New Blockbusters**

Audiences are no longer willing to settle for an outdated blockbuster formula, and studios are adjusting accordingly

**Evolution of Theatrical IP**

After years of franchise fatigue, studios are leveraging new uses of IP to provide audiences with something fresh

**Focus on Streamer LTV**

Combatting churn will remain top of mind for streamers who pursue profitability goals

**Continued Consolidation Within Streaming & Sports**

Streamers and networks continue reliance on sports licensing/content to drive subscriptions & viewership

**Emerging Sub-Categories & Brands
FAST**

The Power of Advertising

& MEDIA TRENDS TO WATCH

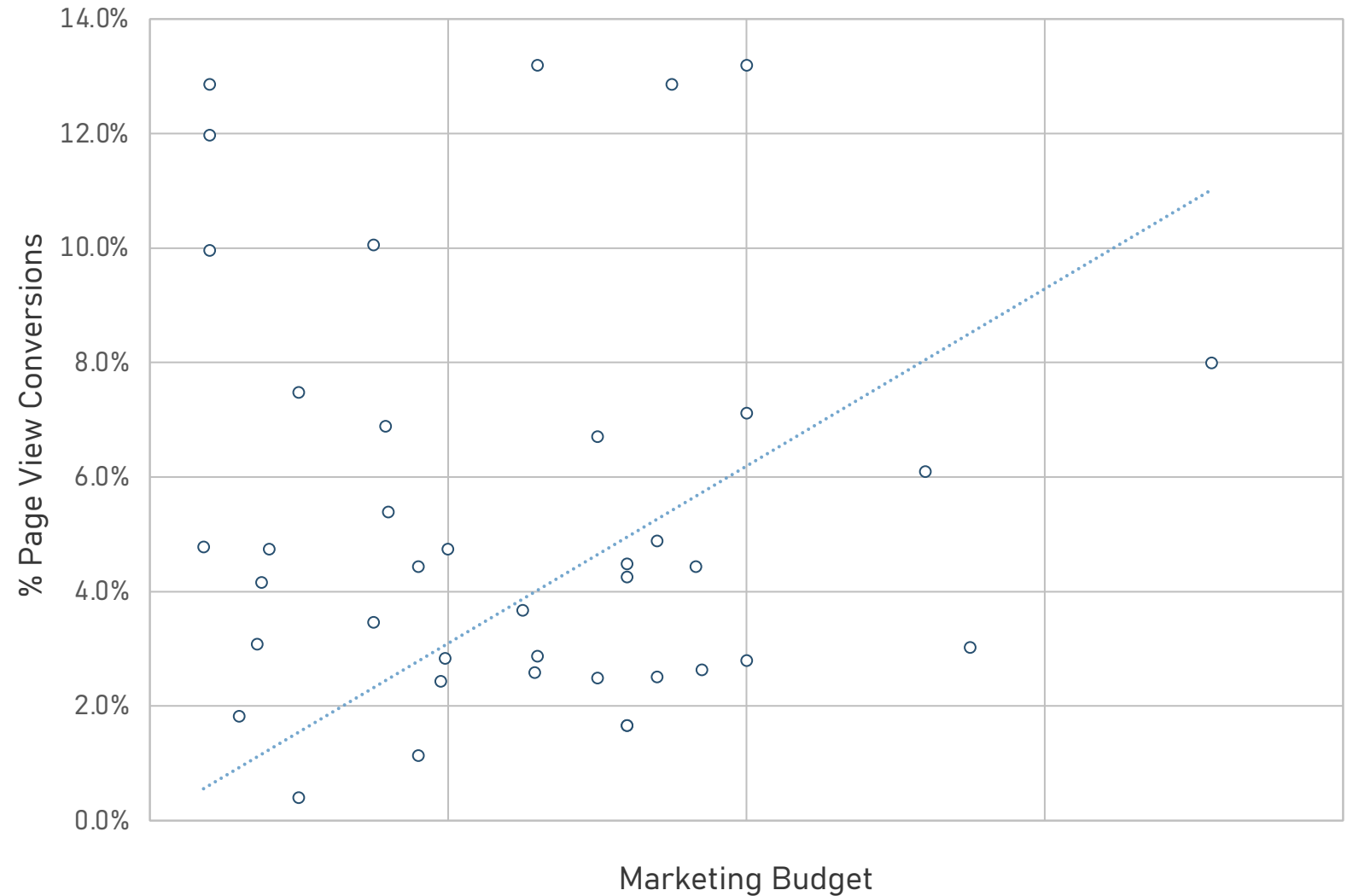


Studios: Marketing helps drive down-funnel conversions and profitability

In an analysis of nearly 50 wide releases, the size of marketing budgets was tied to both conversion *and* profitability

Most Successful Movies

By Marketing Budget & Conversions



Media Trends to Watch

Studios and streamers are working with smaller budgets and are seeking out efficient media solutions that entice viewers and convey the strength of their offerings

STUDIOS

THE RISE OF Premium Streaming

Studios are looking to align with high quality streaming content to promote new releases

Premium streaming investment +43% YTD

Skippable Driving Investment

Advertisers are pairing huge investment in YouTube with the skippable ad feature

90% of 2022 Google Ad Spend included **Skippable** within media plans

STREAMERS

Declines ACROSS THE MARKETPLACE

Streamers had less cash on hand in 2023 to heavily invest in marketing

-9% decline in total spend, but **linear share** (33%) grew 2pp vs. **digital share** (52%) which declined 4pp YTD

SPORTS Has its Time to Shine

Streamers leaned on sports programming for broad reach

NBA +12%, MLB +54%, NFL +18%, NHL +23% YTD

Partnering with NBCU

CATEGORY PERFORMANCE, STRATEGIC CONSIDERATIONS
& PARTNERSHIP EXAMPLES



Studios Proven Impact: Across Brand KPIs



BUSINESS OUTCOME

NBCU STUDIOS CAMPAIGNS – Test vs. Control

Brand
(Upper Funnel)

Brand
Familiarity
+33%

Ad
Recall
+76%

Brand
Favorability
+33%

Performance
(Lower Funnel)

Search
Engagement
+88%

Purchase Intent
+52%

Site Visitation
+11%

Transactions
+37%

Campaigns Across More Than One Platform Are More Effective

NBCU Campaigns: Multi-Platform vs. Single Platform

% LIFT



+25%

Ad
Recall



+23%

Brand
Favorability



+34%

Brand Consideration



+22%

Brand
Recommendation

Strategic considerations for

Driving Growth for Entertainment Brands

Tap Into Marketing To Ignite Buzz



Why

Leverage live premiere moments with built-in mass appeal to reach new audiences, generate incremental interest, and increase IP relevance

How

Build excitement around key moments before release (teaser & trailer) through sponsorships, mass reach content, talent, & cultural moments

High Impact Blitz For Opening Weekend



Why

Engage audiences when it matters most – opening weekend – to inspire a sense of FOMO around new releases and drive ticket sales

How

Adopt a full funnel approach including high profile takeovers across digital to ensure visibility amongst target audiences

Engage Multicultural Audiences Across Genres



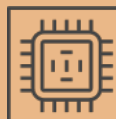
Why

Multicultural audiences have driven the box office return and AVOD growth, and are primed to support releases across theaters & streaming

How

Leverage audience data & targeting using Fandango and AdSmart to reach these engaged audiences

Leverage Commercial Innovation Solutions



Why

Increase conversion & consumer action with innovative ad solutions designed for engagement & ticket purchase

How

Provide engaging opportunities to navigate to Fandango/ticketing and convert, e.g., pause ads, QR codes and more

NBCU solutions
for delivering

Brand & Business Impact for Entertainment Brands

SCALE

Tap Into Marketing To Ignite Buzz



SNL50



bravo CON



PARIS PARIS
2024



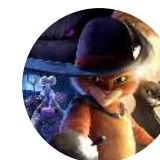
BIG



SUNDAY NIGHT
FOOTBALL



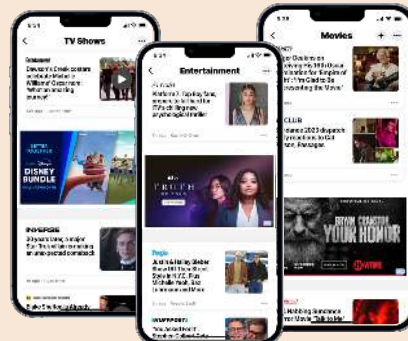
HALLOWEEN
FANDEMONIUM



peacock

NBCUNIVERSAL

High Impact Blitz For Opening Weekend



Rotten
Tomatoes



NBCUniversal
Open Ticket

Engage Multicultural Audiences Across Genres



Fandango 360

Data from 46M unique visitors

PRECISION

Leverage Commercial Innovation Solutions

88%

More likely to remember
the brand with commercial
innovation



- ✓ Pause Ads
- ✓ In-Scene Ads
- ✓ QR Codes

NBCUNIVERSAL PARTNERSHIP EXAMPLES

How Our Partners Are Evolving Their Media Strategy & Storytelling



Tapping into IP & Talent

Winter House's Craig Conover and Paige DeSorbo sat down to discuss their favorite moments from Universal Pictures' *Ticket to Paradise*, posting the clip to Instagram to tap into the couple's fan base



Leveraging In-Show Integrations

To generate buzz around *Teenage Mutant Ninja Turtles: Mutant Mayhem*, Paramount partnered with American Ninja Warrior to create branded obstacles, a custom package that highlighted a Ninja super fan, and audience members in Ninja Turtle masks



Pursuing Cross-Portfolio Partnerships

For *Elemental* and *Indiana Jones and the Dial of Destiny*, Disney teamed up with NBCU to integrate shoutouts and sneak peaks into *The Voice* and *Top Chef*, with social extensions to seamlessly build excitement for the titles



Leaning into Custom Content

To drive awareness with target audiences, Sony partnered with NBCU to create custom content for *Whitney Houston: I Wanna Dance with Somebody* using stars from Bravo's *The Real Housewives of Potomac*

2023 Entertainment Industry Assessment

NBCUniversal

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