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
In 2023, NBCU worked with:

120+ Entertainment Industry Advertisers

- TV Networks
- Video & Audio Streaming
- Studios & Film
- Pro Sports & Betting
- Live Events
- Recreation
Contents

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02. Looking Ahead: Key Industry Trends to Watch
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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 2019.

Priority on Organic Buzz & Splashy Marketing

Barbie spent $150M on splashy marketing. 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 month, while Black audiences are 22% more likely to watch new releases in theaters vs. on streaming.

Horror Genre Sees Massive Success

The reception of films like Talk to Me – which grossed $50M against a $4.5M budget – 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 category.

Prices are Rising - and So is Churn
Six major streamers have already raised their prices so far in 2023 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 July.

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 LOB.

Less Entertainment Content, More Sports
In contrast to the predicted $8.5B spent by streamers on sports rights this year, streamers have cancelled 98 shows in 2023 as they cut down on scripted licensing/residuals.

CROSS-CATEGORY HEADWIND

Impact of WGA & SAG-AFTRA Strikes Across Entertainment

WGA
Commenced 5/2/2023

May interrupt full box-office return with smaller slate
Growing prominence of indie titles unaffiliated with major studios

SAG-AFTRA
Commenced 7/14/2023

Delayed production from lack of talent
Delayed releases due to lack of press
Halted award shows create lack of awareness
A reprieve from pricey content spending

Impact on Studios

Impact on Streamers/Networks

May foil streamer profitability goals
Priority on non-scripted (Reality/Sports/News)
Disruptions to ad-revenue given uncertain slate

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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.

Losses have been amplified by the ballooning cost of producing content, rising +89% in the past decade to reach $243B globally in 2023.

Importance of Diverse Audiences and Cast Representation

55% of moviegoers prefer to watch films with diverse casting in the lead roles, and yet only 22 of 10 lead actors in theatrical films are POC.

6 of 10 of 2022’s top films had multicultural audiences drive majority of ticket sales, including Barbie (58%).

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

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.

2023's big hits reveal a refreshing path forward:

Gaming IP:

- 34 Gaming movies to be released through 2024

Concert IP:

- #1 Best 2023 first day ticket seller for Fandango

Toy IP:

- 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!

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

Fans are frustrated with current film options:

- 36% of Marvel fans are feeling burnt out by the number of releases from the studio.

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

Sources: 1. Variety 2. IGN

N B C U N I V E R S A L
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

Sources: 1. Adobe
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 creators.

- Sundar Pichai, CEO of Google

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 licensing.

- Ted Sarandos, Netflix co-CEO

$8.5B

Streamers will spend $8.5B on sports rights in 2023, up 64% from 2022.

+$21%

Share of spend on global sports rights by streaming platforms in 2023, up from 13% in 2022.

$24.2B

How much the leading media companies are expected to spend on sports rights in 2024.

Sources: 1. Observer, 2. The Verge, 3. The Streamable, 4. Broadcast Pro, 5. NYTimes
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 2027²

+81% YoY
FAST content consumption by Hispanic households³

Brands to Watch

2022 Media Mix

Ad Spend

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

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

### Key Entertainment Trends We Expect to Influence Marketing & Media Strategies

<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>New Audiences Demand New Blockbusters</strong></td>
<td>Audiences are no longer willing to settle for an outdated blockbuster formula, and studios are adjusting accordingly.</td>
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<tr>
<td><strong>Evolution of Theatrical IP</strong></td>
<td>After years of franchise fatigue, studios are leveraging new uses of IP to provide audiences with something fresh.</td>
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<tr>
<td><strong>Focus on Streamer LTV</strong></td>
<td>Combatting churn will remain top of mind for streamers who pursue profitability goals.</td>
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<tr>
<td><strong>Continued Consolidation Within Streaming &amp; Sports</strong></td>
<td>Streamers and networks continue reliance on sports licensing/content to drive subscriptions &amp; viewership.</td>
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<tr>
<td><strong>Emerging Sub-Categories &amp; Brands</strong></td>
<td>FAST</td>
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</table>
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.

Sources: iSpot, Salesforce, Mastercard, Census Bureau, Forbes
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.

**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

**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

*Data compares 2H’22-1H’23 vs. 2H’21-1H’22*
Partnering with NBCU

CATEGORIES 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%

- **Performance (Lower Funnel)**
  - Search Engagement +88%
  - Purchase Intent +52%
  - Site Visitation +11%
  - Transactions +37%

- **Ad Recall** +76%

- **Brand Favorability** +33%

Source: NBCU Ad Impact Database 2017-2022, 5 Brand Impact and 9 Attribution NBCU measured Studios campaigns

Custom research, vendors vary. Average of exposed vs. control cells for NBCU. Top 2 box Search Engagement (SER Index): EDO, Volume in five minutes following ads airing on NBCU vs. same brand competitive averages expressed as an index (188).
Campaigns Across More Than One Platform Are More Effective

**NBCU Campaigns: Multi-Platform vs. Single Platform**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Multi-Platform Lift</th>
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</thead>
<tbody>
<tr>
<td>Ad Recall</td>
<td>+25%</td>
</tr>
<tr>
<td>Brand Favorability</td>
<td>+23%</td>
</tr>
<tr>
<td>Brand Consideration</td>
<td>+34%</td>
</tr>
<tr>
<td>Brand Recommendation</td>
<td>+22%</td>
</tr>
</tbody>
</table>

Source: NBCU Ad Impact Database 2017-2022, 489 Brand Impact Studies
Custom research, vendors vary. Average of test cells for 2+ platforms vs. single platform campaigns.
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

**Tap Into Marketing To Ignite Buzz**

**High Impact Blitz For Opening Weekend**
- Engage Multicultural Audiences Across Genres

**Leverage Commercial Innovation Solutions**
- 88% More likely to remember the brand with commercial innovation

**Pause Ads**
- **In-Scene Ads**
- **QR Codes**

**NBCUniversal Open Ticket**

**Fandango 360**
- Data from 46M unique visitors

**NBCUnified adsmart from NBCUniversal**

**SNL50, bravo, CON, PARIS PARIS, B1G, SUNDAY NIGHT FOOTBALL, HALLOWEEN, peacock**
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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