

Media and entertainment post COVID-19: 'the best of times, the worst of times'

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The COVID-19 pandemic is changing the way we consume media and entertainment (M&E). With people confined to their homes, our social lives have moved online and entertainment consumption has risen notably within the at-home segments of television, online gaming and over-the-top (OTT). On the other hand, movie theatres, theme parks, museums, and other external consumption models are suffering, as physical distancing norms and lockdowns are enforced.

The pandemic has triggered layoffs in certain M&E segments such as print and television media^[1] as advertisers scale back spending. As monetisation, particularly ad-spend, comes under pressure, cash management and profit protection with greater technology integration are likely to gain strategic significance for M&E companies.

While the long-term implications are yet to emerge, the following M&E themes will likely come into focus as the post-coronavirus reality becomes clearer:

Behavioural changes and habit formation post COVID-19: Consumer behaviour is rapidly evolving as the world adjusts to a new normal, where social distancing, work from home and virtual meetings are the norm. Demand for at-home digital media is expected to grow significantly, as habit-formation and ease of access emerge as drivers. OTT platforms and digital media have already been attracting new consumers and expanding to new locations and demographics. The virus outbreak will magnify the already apparent shift from laptop/digital devices viewing to large screen TVs—providing a significant fillip to broadband internet/ fiber-to-the-home (FTTH) companies.

Even once the crisis passes, the psychological overhang from the virus might mean it would take some time for consumers to embrace external consumption models again, especially in areas that have been the worst affected by this crisis. Here, the recovery in consumption of outdoor M&E could lag other areas of India that could have been relatively less impacted. This could pave the way for innovation and outreach solutions wherein consumers turn to virtual live events and new delivery models to connect. Technological advancements could play a pivotal role in bringing outdoor entertainment and outreach directly to the consumer in such erstwhile virus hotspots.

The future is digital: In our M&E report last year, we had projected that India would have a billion digital users by 2030^[1]. We now expect this 'digital billion' trajectory to accelerate significantly by virtue of the lockdown with not just the addition of new users but also increasing comfort and confidence of the existing digital citizenry. Online gaming consumption will likely become even more popular with younger populations, while older people will likely favour traditional TV content delivered through a digital ecosystem. The demand for OTT originals, which was identified as a competitive differentiator in our report, should restore and players can be expected to gradually roll out original, targeted content for specific audiences once the lockdowns start to ease. Innovation and the ability to leverage technology to reduce

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lead times will be critical here, as the focus on new content may result in working capital being locked up across the value chain, leading to higher cash flow requirements.

India versus Bharat dichotomy: If India lives in its sprawling urban metropolises, then Bharat resides in its towns, small cities, and villages. While livelihoods across the country have been affected by this pandemic, there is a greater proportion of Bharat that will feel every incremental expenditure over the next few months. Migrant populations and small-and-medium size businesses have been particularly impacted. M&E, historically assumed to be income inelastic, could see reduction in spends and even become aspirational for many. In urban – more affluent – India, while the consumption of outdoor entertainment will likely decline, higher at-home consumption of television, digital and gaming sections could offset this trend.

Challenge of monetisation: While digital media consumption is increasing, monetisation will likely remain a challenge. With the economy already under stress, key ad-spend sectors have seen significant traction. Most media outlets derive a significant percentage of their revenue from advertising, and the current pandemic has brought advertising to a standstill in many sectors including fast-moving consumer goods (FMCG), financial services, automotive, and e-commerce. The recovery of such sectors will play a critical role in helping media outlets leverage the surge in media consumption for monetary gains. Till then, leading advertising spenders will continue to keep a tight lid on expenditures. To attract advertisers, M&E players might need to offer more accuracy in return of investment calculations and greater programmatic advertising options on digital platforms.

Technology leveraged across the supply chain: From content creation through distribution and monetisation, M&E companies can be expected to increase their dependence on technology to create cost efficiencies and revenue enhancement opportunities. For example, the gestation period for content could potentially be lowered with greater technology integration leading to process efficiencies. With greater harnessing of cloud and remote working solutions, companies may look at efficiencies in the way they conduct business, even across revenue generating functions such as sales. Companies could place an increasing amount of reliance on artificial intelligence (AI)/ machine learning (ML) to predict consumer behaviour in these uncertain times and thereby improve loyalty.

Conclusion: KPMG in India's recently published report 'COVID-19: The many shades of a crisis, a media and entertainment perspective' explores how the current situation might lead to a shift in priorities among consumers and M&E players alike. There is likely to be a near term focus on sustenance at current levels by companies. We may see a drastic fall in the capex/investment cycle by companies, which could constrain supply and the growth of the M&E industry in the near term. There could also be a renewed emphasis on flexibility, as companies look to move to a variable cost model and reduce fixed costs. As this crisis has shown, the ability to remain agile during downturns is a valuable asset. The trend of risk aversion therefore will not just be confined to consumers but also organisations as we return to 'normalcy' from our experience of this crisis.

[1] Battered by Covid-19 lockdown, India's formal sector is resorting to massive layoffs and pay cuts, Scroll.in, 19 April 2020

[2] India's digital future: Mass of niches, KPMG in India, August 2019

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