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2024 media and
entertainment outlook

User-generated content

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Deloitte’s annual sector and subsector outlooks highlight the leading trends we expect to shape businesses over the next 12 months. These complement our annual TMT Predictions, which dive deeper into specific trends and technologies enabling change, transformation, and disruption.

As user-generated content grows in popularity, streaming services may scramble to compete

Social user-generated video continues to reshape the media landscape

Through social media, user-generated content (UGC) has helped redefine video entertainment, disrupt its creation and distribution, change the focus of advertising, and break open the guarded walls of celebrity. UGC is growing from a primarily mobile experience into an experience that competes for viewing time on connected TVs in the living room.¹ Gen Z and millennials say they are more likely to watch short-form user-generated content on social media than movies or TV shows,² and almost half say they prefer UGC content.³ With UGC leading the way in smartphone content consumption and rapidly gaining traction with users watching on television screens,⁴ Deloitte expects to see streaming services adapt to try and retain market share in the coming year.

UGC creators post millions of hours of content—at low, or no, up-front cost—to the platforms that host them. These platforms operate under different economic constraints in comparison to the high-cost, high-risk model of traditional video entertainment. Development of tentpole IP for streaming services can cost hundreds of millions per season,⁵ and subscriptions to cable and streaming services have struggled to attract and retain customers.⁶ Linear TV ad revenue, while still considerable, is under pressure as advertisers move to social media ad platforms, which have stronger user modeling and targeting.⁷ Top streaming video-on-demand (SVOD) services are spending as much money each year on content as social media platforms earn from advertisers.⁸

Streaming services and studios seem to have realized that SVOD is a more difficult and expensive business than they may have expected. Investors in streaming services are looking for revenue stability and growth as much as subscriber growth, while audiences move on and off subscriptions to optimize their costs and content.⁹

Streaming services are under pressure to improve their ad platform's ability to target specific subscribers, help make their ad platform more transparent and valuable to advertisers, and power sharper content recommendations to subscribers. As SVOD services work to scale their advertising solutions, social UGC platforms have around 20 years of data and algorithmic advancements already behind them¹⁰—and they offer brands access to recognized creators and influencers. Generative AI is likely to further favor social UGC platforms, by strengthening each part of their content-modeling-advertising flywheel to be even more customized and accurate to the interests of consumers.

Streaming services are expected to continue to invest in expensive, differentiated premium content, which attracts subscribers,¹¹ but they may need to supplement it with lower-cost content that could include creator-celebrities or incorporate curated UGC.¹² Streaming services should embrace the new reality that premium “TV-like” entertainment traditionally found on streaming and linear TV is no longer dominant and now exists in competition with less expensive and shorter programming, live and event-based video, well-known creators and influencers, and a seemingly endless stream of user-generated content. Streaming services can be looking for ways to publish, engage, and monetize across these different windows while seeking opportunities to bring more UGC-type experiences and creators onto their own platforms. They should also understand that the emerging media landscape is often built on networks of affinity—creators and fandoms—and less on massive centralized production and distribution businesses.¹³ In the coming 12 months, social UGC platforms are expected to continue to set the tone, while streaming services and studios work—and spend—to try and catch up.

Streaming services lag behind social media for ad dollars

Of the projected \$57 billion to be spent on digital video ads in the United States in 2024, social media ads are anticipated to capture 56% of the market.¹⁴ Social media platforms can enable more personalized and relevant ads, putting their ad tech at an advantage over streaming video services that have only recently launched their own ad-supported offerings.¹⁵ Advertisers can target users more directly and track the products they've looked at as well as related products they might be interested in.¹⁶ They can leverage attributes and specific user details such as time of day and even the temperature outside at their current location.¹⁷ As a Deloitte survey shows, top social media platforms have become crucibles of culture and arbiters of trust: 87% of consumers surveyed view the creators and influencers they follow as trusted sources of information.¹⁸ Well-known UGC creators can offer brands an additional way to reach and engage increasingly ad-savvy audiences.¹⁹

In contrast, many streaming services have typically used genre and geography to target ads, while efforts to utilize more specific, detailed data profiles have shown problems with accuracy due to flawed or missing data.²⁰ Additionally, fragmented data has made it more difficult for streaming services to show detailed metrics of engagement to advertisers.²¹ These factors can make it difficult for streaming services to demonstrate the impact their ads have on consumers.²² Because streaming services may lack the data to target ads with precision, they often miss the mark: Deloitte's 2024 Digital Media Trends survey found that only a quarter (24%) of respondents think ads on SVOD services are relevant to their interests.²³

In response, streaming services will likely experiment more with methods of data acquisition, user modeling, and data-driven content development.²⁴ They are also likely to experiment with Generative AI to help improve their targeting and personalization—even as social platforms are doing the same but with more mature data solutions.²⁵ Generative AI may also help produce ads that are more engaging and creative, with deeper levels of segmentation and the ability to offer interactive elements.

Streaming services might consider improving their presence on social platforms and bringing popular UGC creators to their platforms. Roughly a third of Gen Z and millennial consumers surveyed say they wish ads on SVOD services featured more social media creators and influencers.²⁶ Streaming services might also consider developing content directly for social platforms to help gain access to a broader audience and potentially share ad revenues.²⁷ This could also lead to multi-screen advertising because as many as 66% of consumers surveyed use more than one screen at a time.²⁸ For example, a streaming service could show an ad for a product or service on its main screen, while a social platform could show a complementary ad or a call to action on a second screen. This could offer the potential to increase the effectiveness of ads based on a cohesive experience for the consumer but may also require greater technical coordination and cooperation between organizations that may see themselves as competitors.²⁹

Creator celebrities form modern media studios

Creators and the success of user-generated content can further illustrate the ways in which media and entertainment are evolving, with more creators occupying the roles of both celebrity and studio. With lower content creation costs and effectively zero distribution costs whether they reach 10 or 10 million viewers, creators and social content are competitive in ways that premium distribution channels like streaming TV are not set up for.³⁰ Do traditional studios compete and differentiate by producing more high-end IP across TV, film, and games? Do they wade into short-form content and social in ways that add value to their IP without diluting it?

By democratizing media production and consumption, social platforms have enabled new kinds of celebrity that can help attract audiences, empower influencers, and unlock the monetization of their own brands. The largest creators on social platforms are celebrities, brand businesses, and independent production studios,³¹ which are becoming as influential as traditional media stars as they expand their reach and revenue beyond a single platform. UGC creators are often more relatable to younger consumers:³² 66% of Gen Z and millennials surveyed tend to follow content creators who share the same values as them.³³

Leading creators are finding more ways to connect with their audiences by expanding into newsletters, websites, podcasts, and other forms of media.³⁴ Some are diversifying their revenue

by creating lines of merchandise or developing apps. This can help them become more independent and have more bargaining power with media services, whether social or streaming. Increasingly, they are drawing attention and deals from major media players.³⁵ Cast members on reality television shows, for instance, now frequently go on to become social media creators with wide audiences.³⁶ SVOD providers have been licensing UGC content³⁷ and are spending more to lure top creators onto their own services.³⁸ One well-known content creator accepted a streaming deal in January 2024, and also launched other lines of business.³⁹

The year ahead could see more such experiments as streaming platforms may look to popular creators to capture the attention of their fan bases.⁴⁰ Creator content will continue to compete with streaming services and studios for attention time and ad revenues, and streaming services are likely to compete more for creator talent. However, this also highlights a potential new media landscape reality: For more leading creators, the premium distribution of TV and SVOD may not be as valuable to them.⁴¹ With different cost structures, does social UGC need TV and film, or gaming? These can be very expensive to produce so the IP may need to make revenue through additional channels and experiences. Comparatively, social UGC is less expensive to create and may not need to seek ways to cover its production and distribution costs.

UGC content could be reshaped by Generative AI

In the year ahead, social media platforms and creators may be further advantaged by Generative AI (GenAI).⁴² They will likely be at the forefront of innovations in content creation and targeting, performance analytics, ad and brand matching, dubbing and translation, and consumer sentiment for generative content.⁴³ While traditional studios may grapple with the risk and liability of GenAI, creators are incentivized by social platforms to experiment and move quickly to gain more views. Leading social platforms now have nearly two decades of data and expertise they can use to help train and scale Generative AI capabilities, guide innovations, and explore new lines of revenue. They can help apply AI across their business, not just to advertising and content recommendations. Although many creators using Generative AI do so through third-party applications, social media platforms are increasingly enabling these capabilities within their own tools.⁴⁴ This could help lower the barriers to entry, which could enable broad experimentation by creators and platforms.

Already, around three in five creators report using Generative AI in some capacity, primarily for content ideas, managing workflows, and writing captions.⁴⁵ New content studios are emerging that focus on using frontier technologies to produce UGC videos for social platforms.⁴⁶ Such tools, including GenAI, can make it easier to experiment with content ideas, while also helping to enable them to scale quickly and broadly in response to content popularity.

Creators are now experimenting with fully virtual and conversational versions of themselves.⁴⁷ Social media platforms are enabling these capabilities as well⁴⁸ and have introduced their own virtual influencers including some based on real celebrities.⁴⁹ These celebrity avatars have not performed well in one of the largest experiments,⁵⁰ but more content creators will likely introduce synthetic personalities into social media, further blurring the lines of “reality.”⁵¹ Some thinkers have noted the ability of conversational models to establish a degree of intimacy with people who could become more prone to their influence.⁵²



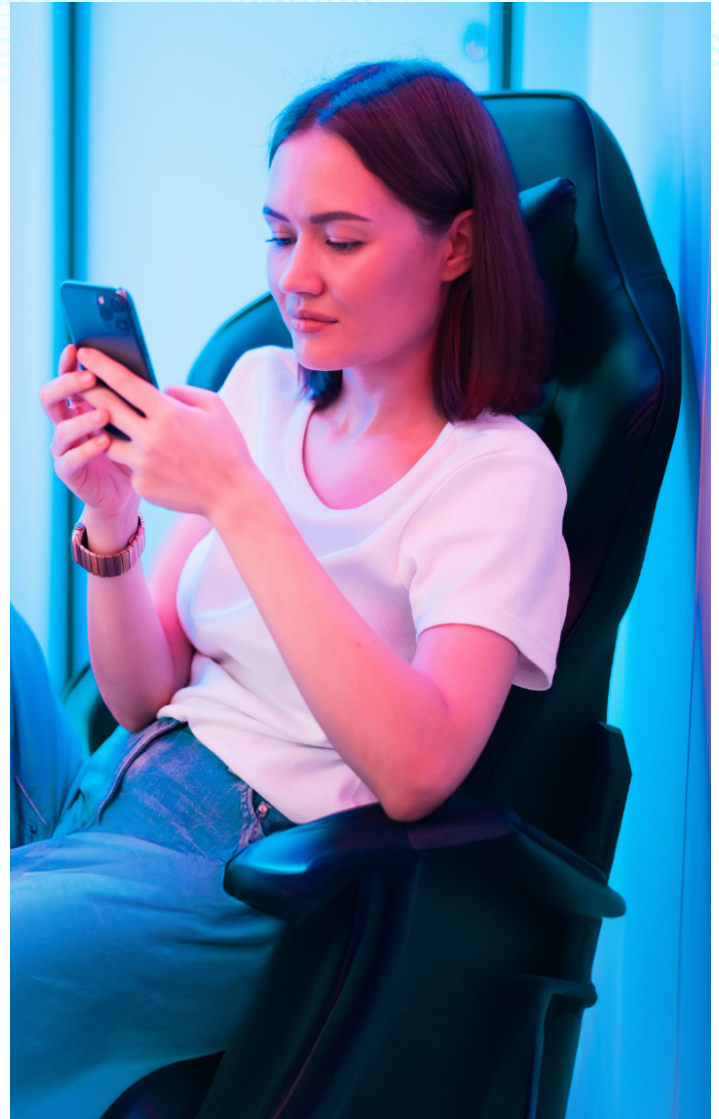
Social platforms may bear more of the risk

As a vanguard of adoption and innovation, social platforms and creators are already confronting some of the challenges that can come with Generative AI content and business models. With a boom in content innovation enabled by Generative AI, defining and defending intellectual property is becoming more important and difficult.⁵³

Content ownership and rights could further blur for creators when their content includes generative results based on vast and opaque training sets. Can they establish ownership over such content? Do their works infringe on the prior art of others that may have been used in training sets? Creators are also growing more concerned that their own work has been used to train leading models⁵⁴—and so are larger and more traditional media rights holders.⁵⁵

In the year ahead, regulators will likely be expected to take a stronger approach to Generative AI, both to better address IP protections and to confront and contain the impacts of synthetic media on the broader public. Legislators and regulators are demanding more labeling of generative content and establishing punitive measures.⁵⁶ In July 2024, the US Senate passed the Kids Online Safety Act, showing the government's willingness to take on some of the fundamental mechanisms of engagement deployed by social platforms.⁵⁷ As platforms and creators look into Generative AI, they may soon find more limits being placed on its use and development.

With ballooning costs to develop GenAI training models and to power the inference behind every prompt received from users, platforms could face economic limits. According to some estimates, leading Generative AI models cost billions a year to develop and operate,⁵⁸ and the broader tech sector could spend a trillion dollars in the coming years to support Generative AI.⁵⁹ Such extraordinary capital intensity may eventually demand considerable economic value; which is to say, if there aren't advances in capabilities, utility, and cost reduction, the growing Generative AI boom could soon face a winter of discontent from creators and streaming services alike.



What's next for the future of content, creators, and streaming services?

Nevertheless, the year ahead could see social media emerge as a test for using Generative AI to help enhance content production, sharpen user modeling and matching, and reveal consumer sentiment toward next-gen content and experiences. It's likely that such experimentation could further underwrite the shift from traditional media to user-generated content and social media platforms. How is this likely to play out in the coming year?

Social media platforms and SVOD services will likely compete for top “creator” talent. The rise of social UGC could draw more talent away from streaming services and studios while encouraging traditional media to entice creators to their own services. This could help underwrite the growing value of top social UGC creators and influencers and reinforce their strength in the media ecosystem. Platforms and streaming services may need to offer greater incentives and support to creators and their audiences, and potentially sign long-term contracts.⁶⁰ Will UGC video work on premium distribution channels, and will younger audiences follow their favorite creators beyond social media? These are just some of the questions that arise.

Streaming services may heat up the competition for ad dollars. In the competition for ad dollars, many streaming services are already at a deficit, with less consumer data available to them than social platforms and less mature algorithms. As more streaming services enter the ad market, ad inventories are growing, driving down CPMs.⁶¹ SVOD services will likely spend more on data and ad tech while experimenting with new kinds of advertising content and experiences, such as more integrated shoppable media.⁶²

Streaming platforms may also need to show more value to advertisers by strengthening their ad personalization and attribution models.⁶³ For major streaming services, a deeper question may be about how much of their business focuses on the ad model and to what end.

Social UGC can lead the way in experimentation with Generative AI content and capabilities. This could reinforce their existing advantages in content and advertising, but could also expose them to greater costs, risk, and regulation. Services and creators may need to navigate new capabilities, new content types, new audience sentiment, and new legal compliance. Streaming services will likely take it more slowly to avoid copyright challenges and diluted IP. This could allow streaming services to dodge some of the early pitfalls but could further yield to the rise of social UGC. Social media platforms may need to think further about how they plan to use Generative AI, where they place guardrails on content, and how they adapt to the unfolding regulatory landscape.

Contacts

Jana Arbanas

Vice Chair
US Telecom, Media & Entertainment
Sector Leader
Deloitte LLP
+1 415 987 0436
jarbanas@deloitte.com

Dennis Ortiz

Principal
Deloitte Consulting LLP
+1 212 313 2955
deortiz@deloitte.com

Jeff Loucks

Executive Director
TMT Center
Deloitte Services LP
+1 614 477 0407
jloucks@deloitte.com

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