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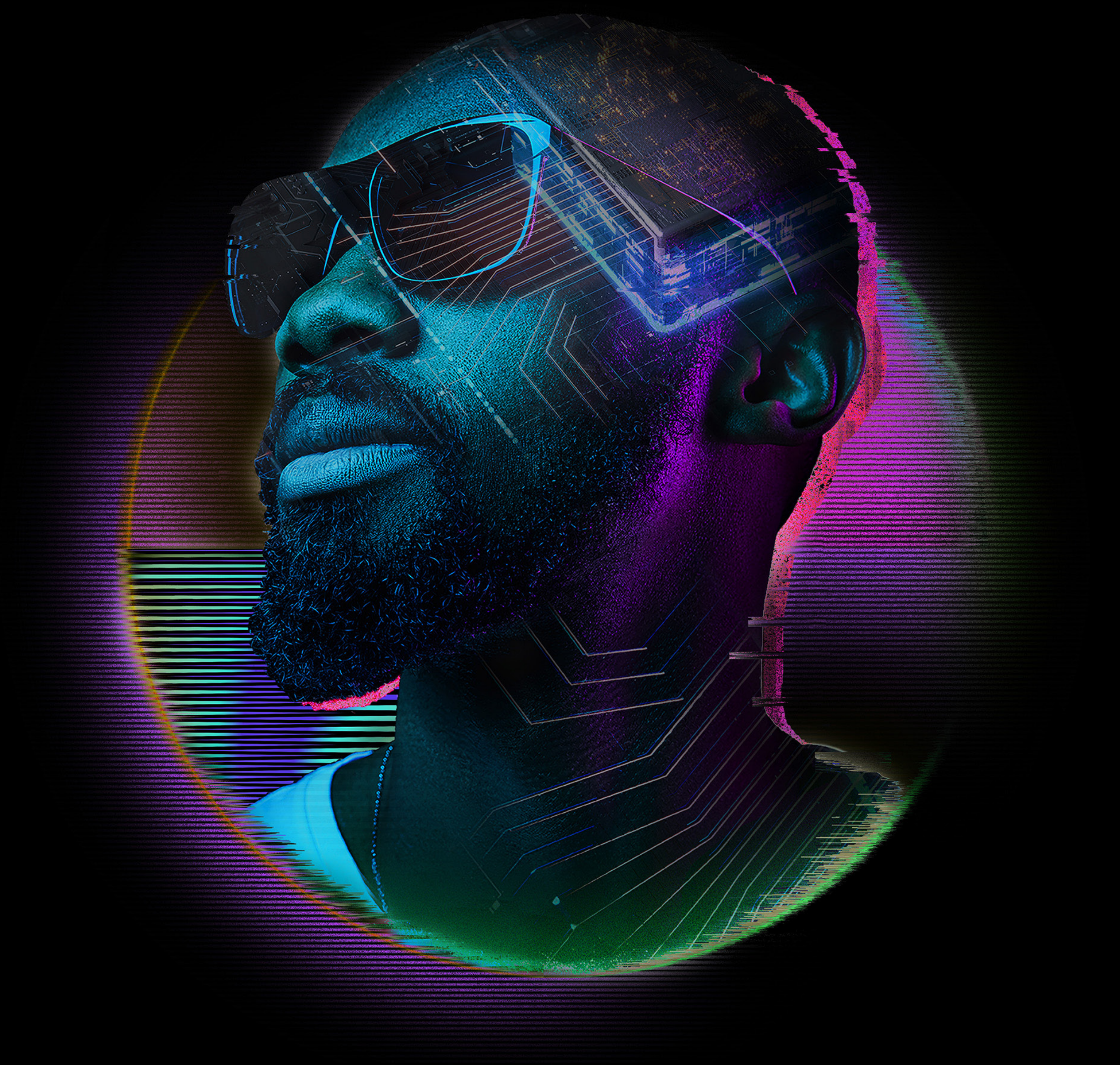


The future of entertainment

Trends and implications of a quickly evolving entertainment landscape

Setting the stage

In the rapidly evolving world of entertainment, industry disruptions have mirrored the twists of an action movie—leaving consumers and media organizations wondering how the next act of the digital age will play out. Over the last 20 years, the three key subsectors of entertainment—video, gaming, and music—have been completely changed by industry dynamics, underlying technologies, and consumer behaviors.

Historically, each entertainment sector had discrete "centers of value." A studio would produce and license content to a distributor who owned the customer touchpoint. The introduction of high-speed internet, over-the-top streaming apps, and the proliferation of mobile and connected devices resulted in new consumption and distribution models. Seeing the opportunity to "own" the customer relationship, many traditional content producers became distributors. In some entertainment spaces such as video content, the explosion of options for end consumers resulted in a race for high-quality content, creating a world where consumers are overwhelmed by choice and the cost of content has ballooned, but not always with sufficient revenue to sustain profits.

The newest twist is the explosive growth of Generative AI technologies as the industry sees a proliferation of use cases, although not all being welcomed with open arms. Entertainment is, at its heart, a combination of art and commerce, and the art was always a distinctly human endeavor. While still the case, Generative AI is quickly augmenting creative processes. The role and rules of the road for Generative AI in entertainment are yet to be determined, but one thing is certain: The impact will be significant and could offer an immense opportunity to create differentiation and drive industry advantage.

We now stand at the precipice of exponential entertainment industry disruption, observing a few macro themes

Emergence of connected and conscientious consumers: Consumers are increasingly diverse, with a growing number of interests and identities. They also have a heightened interest in authenticity and positively impacting society and the environment through their choices. Collectively, this is changing their connection to and the value they seek from content, creators, and each other.

Democratization of content development and evolution of content formats: The emergence of social media and content generation tools have enabled anyone to become a content creator, with user-generated content (UGC) commanding increasing "attention share" and competing with more traditional forms of media (e.g., produced video and games). It has also created new content formats (e.g., short-form video) and shifted consumer preferences and expectations.

Transformation of entertainment industry business models: This shift in content formats and categories is blurring boundaries across the value chain and shifting the relationship between content, platform, and consumer. This is resulting in increasingly diverse monetization models, new partnerships and alliances, shifting power dynamics, and new ways to extract value.

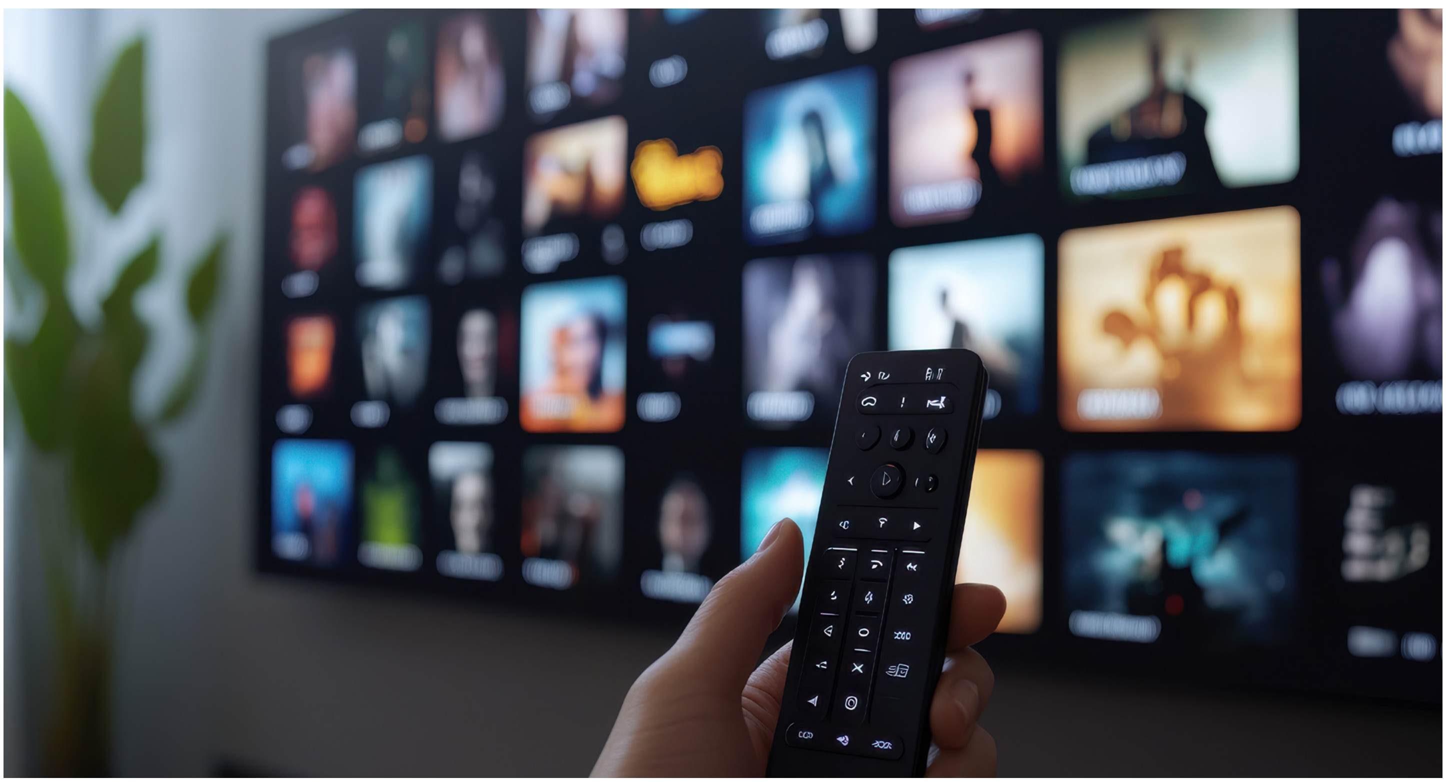
Continued acceleration of exponential technology: Led by Generative AI, innovations in technology applications across the creative processes, content creation, data, applications, devices, hardware, and infrastructure continue to push the art of the possible.

These macro themes affect video, gaming, and music differently. In addition, each sector is prone to disruption of a different nature and at different velocities. In this paper, we explore how these macro themes impact each of these three subsectors and the considerations companies should make when adapting strategies in response to an increasingly shifting ecosystem.

A deep dive into video

The emergence of streaming has been one of the largest disruptions to produced video content in recent years. The focus has quickly shifted from adoption to oversaturation, with more than 2,000[1] video streaming services and more than 2 million[2] titles in major global markets. As consumers grapple with too many choices and seek simplicity, revenue growth has slowed to single digits while industry margins are declining at double-digit rates.[3] The system is now being forced to simplify as media providers increasingly consolidate and bundle offerings, migrating toward something resembling a digital version of the old linear TV model. Simultaneously, user-generated content is drawing significant attention share, and social platforms have taken a key role in providing alternative "lean back" entertainment. These platforms promise unending streams of bite-size novelty and are powered by robust recommendation engines for a highly customized experience, effectively monetized through tailored advertising and e-commerce experiences.

With so many video consumption options for consumers and fierce competition among media organizations, video content producers and distributors are relentlessly focusing on sustainable growth that can drive advantage. To better understand and reach consumers, they are turning to cost reduction, data-enhanced content strategies, and partnerships/bundles to maximize the return on high-value content intellectual property (IP).



Trend 1: Tapping into evolving fandoms can increase monetization opportunities

As audiences and fans have become increasingly diverse in their content preferences, content producers have sought to keep up—filling up content libraries with more and more diverse content. But the costs of maintaining a broad content library when coupled with other operational costs results in a cost profile few organizations have been able to sustain. Further, more content across multiple platforms has resulted in too many options and consumer subscriptions. With too many subscriptions and more loyalty to IP, characters, and franchises than to the platform itself, consumers are "burning, churning, and returning" (churn rates have grown 3x since 2019[4]), shifting to ad-based models or redirecting their spend elsewhere entirely. Tapping into the emotional connection fans have to IP can increase fandom for greater potential consumer lifetime value (CLTV)—otherwise described as greater aggregate engagement and spend over the life of the consumer relationship.

Ultimately, a diverse and IP-loyal fanbase presents both a significant challenge and opportunity to content producers and distributors. Leveraging a fandom in the correct manner can translate to more IP engagement, opportunities to monetize across adjacent content (e.g., games and parks), and magnifying the association between the platform and the IP, which in turn will support audience retention on the platform and help media and entertainment companies differentiate in a highly competitive market.

Trend 2: Convergence across the entertainment ecosystem is creating new opportunities for audience engagement

To capitalize on consumer attention, maximize potential return on high-value IP, and elevate fan experiences, companies are innovating new ways to "mash up" entertainment. Examples of convergence are plentiful. The pandemic accelerated convergence by creating "digital twins" of activities that were traditionally only accessible in real life (IRL). Digital domains like video and gaming started to come together (e.g., the explosion of live game streaming through channels such as Twitch). Social platforms began including shopping within lean-back content (e.g., TikTok shopping). User-generated content and produced content "converged" on connected TVs, coexisting together as one big media library. Live sports are emerging across traditionally TV-and-movie focused streamers. Next-generation event spaces (e.g., the Sphere immersive event space) are creating multisensory experiences by fusing video and music. Audio streaming services are incorporating video-based podcasts and short music videos to accompany songs. And the mashups will continue, creating expanded, multisensory offerings and consolidating what consumers seek under "one umbrella." While these innovations are plentiful, it's early to predict which will take hold and scale for broader, sustainable success versus which are novel experiments. There are also open questions around which platforms and hardware will be the foundation of integrated offerings, and it remains to be seen what that means for content development and distribution. Today, hardware and environment plays a pivotal role in determining where and how fans interact with content. Will gaming consoles, connected TVs, or something else become an all-encompassing in-home entertainment hub? How does that shift consumer preferences and spend and affect power across the value chain? Continued experimentation will evolve what multisensory offerings will look like, and evolution of audio and video devices will support new "converged" experiences. Media organizations that exhibit agility and innovation will likely be able to leverage convergence to reinforce audience engagement.

Trend 3: Producers and distributors are increasingly partnering to enhance the value proposition of their offerings and simplify consumer choice

As content studios introduced their own direct-to-consumer offerings and tech giants such as Amazon and Apple incorporated video as a new category in their portfolio of offerings, the competition for high-quality content, high-value IP, audience time, and share of wallet has never been fiercer. The cost of high-value IP, combined with that of operating a direct-to-consumer platform, has put downward pressure on the system. Combine that with proliferation of choices for customers, and things were ripe for industry reshuffling. Media providers are increasingly teaming up to enhance their value proposition for customers and reduce the cost of business.

As a result, "co-opetition" efforts and "bundles" are increasingly prevalent and point toward a simplification of the ecosystem for produced video offerings. Future coopetition models could include legacy content producers teaming up with UGC distribution channels with large consumer bases (e.g., YouTube). As the desire for simplicity increases and the lines between entertainment content categories blur (see trend 4 below), there is an increased opportunity for producers and distributors to combine their libraries and innovate together to create unique offerings and a simpler ecosystem. Media organizations that identify synergistic content opportunities and have interoperability capabilities can realize benefits from these ecosystems.

Trend 4: Generative AI is unlocking new possibilities in video content production and distribution

The fixed costs associated with content production and distribution used to be a key barrier to entry to the produced video ecosystem. Generative AI has emerged as an enabler to lessen this barrier. By accelerating visual effects, shortening production cycles, and enabling fast adaptation of visuals and audio to local geographies, among many other potential applications, Generative AI can unlock efficiencies while supporting creative ambitions. Not limited to produced content, Generative AI (GenAI) is likely to transform UGC as well—enabling content creators to ideate and publish content faster (with a text or voice prompt). While GenAI's full potential is difficult to grasp, it is apparent that consumers prefer content ideated by humans. Case in point, 70% of American survey respondents would rather watch a TV show or movie written by a human.[5] The technology also raises questions of IP and copyright given the models are trained on source content from various producers, making it increasingly difficult to determine who really owns the content. Despite the hesitation, Generative AI usage is occurring in an accelerated manner, often under strict guidelines to use the technology safely and legally rather than stopping Generative AI in its tracks.[6] As further regulations evolve and the rules of use are better defined, media organizations can accelerate Generative AI applications across their media supply chain and realize greater benefits.

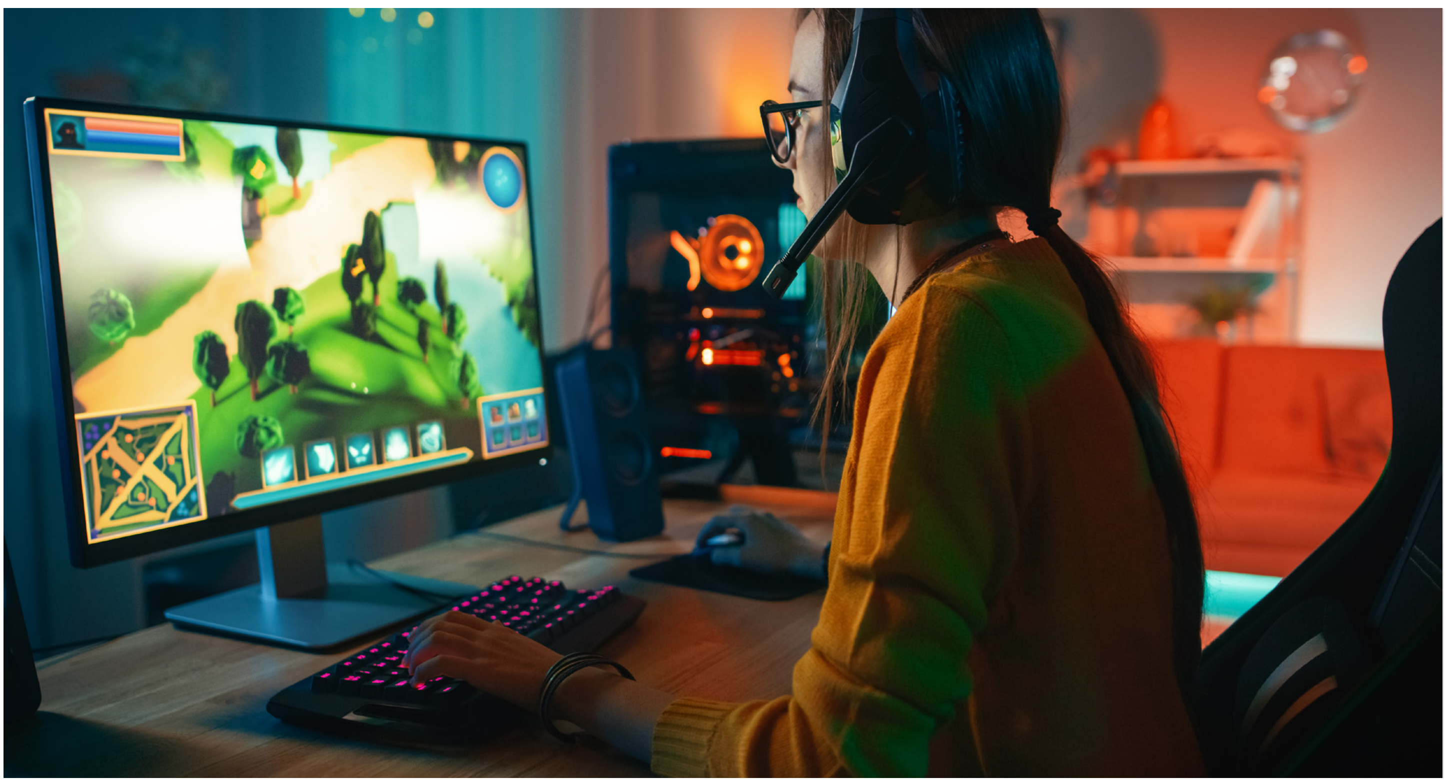
The takeaway

With more choice than ever before, consumers are increasingly looking for a cost-effective, streamlined video experience. They want a simpler menu of affordable choices that personalize their experience to their interests and needs. At the same time, expectations of quality content are sky-high. Profitability is a key challenge but not unachievable. The path to profitability will likely be found in data and analytics-powered fandom insights, content that drives fandom growth, innovative formats and experiences that drive further monetization, taking advantage of Generative AI capabilities across the video supply chain for both efficiencies and innovation, and partnerships that continue to simplify choice and reduce complexity. By targeting the right insights, experience, and tools, media and entertainment companies can gain a better understanding of their customers, drive loyalty, and help gain a competitive advantage.

A deep dive into gaming

The mainstream success and popularity of video games has created a dominating vertical in the entertainment ecosystem, with more than 3.4 billion global gamers contributing to a more than $240 billion gaming market (a market expected to generate more than $583 billion by 2030).[7] As this market continues to grow, the industry is uncovering new and expanded revenue streams through the integration of gaming IP into new mediums. Gaming experiences are becoming increasingly diversified as technology matures to offer new and immersive experiences like virtual reality games and cloud gaming.

Additionally, business models are shifting as mergers and acquisitions activity reshapes the landscape and the spiraling costs of game development force publishers and studios to reconsider how and where to invest for long-term stability. To adapt to these changes, companies in the gaming space should understand these driving trends and better adapt to opportunities to diversify revenue sources and determine ways to drive more efficiency and place strategic bets.



Trend 1: As evolving technology improves accessibility, gaming will consume more entertainment time (and spend) than ever before

While older generations have traditionally shown a strong preference for conventional media, the landscape is significantly evolving in today's post-COVID digital era.[8] The vast majority of consumers (80% of the global online population between 10 and 65 years old) are now engaged in gaming.[9] And in younger generations, nearly 40% of Generation Z and millennials surveyed in the United States report spending more time socializing in video games than in the physical world.[10] This indicates a significant shift in social interaction trends, with gaming playing a central role. This propensity for gaming is expected to continue growing as technology makes it easier than ever for gamers to spend time immersed across a variety of devices—from traditional consoles and computers to smart TVs, mobile phones, and even car displays in autonomous vehicles.

To capitalize on these shifting consumption trends, gaming publishers and studios should consider how to most effectively partner with the broader technology industry and foster collaboration on everything from peripherals to televisions to mobile devices to embed game-forward thinking into design and distribution. Simplifying access to gaming content across various hardware types will help empower consumers of all ages to enjoy their preferred games anytime, anywhere, thereby broadening the reach of gaming experiences.

Trend 2: Gaming IP will increasingly influence the cultural zeitgeist by expanding beyond current format and into new mediums

With more gamers come greater profits for publishers and studios but also demand from consumers to continue creating and adapting content. Historically, companies in the gaming space have lost control over the creative direction of their IP when expanded beyond the console causing issues for gamers who see their favorite IP stray too far from what they consider as "canon".[11] However, with greater access to capital, gaming leaders can exercise more control over how their IP is brought to life in different mediums. This has resulted in more content that stays true to its gaming roots and satisfies both existing and newer gamers. Television shows and movie adaptations such as *The Witcher*, *Arcane*, *The Super Mario Bros. Movie*, *Gran Turismo*, and *The Last of Us* exemplify this trend. These adaptations have not only achieved commercial success but also served as a conduit to transform viewers into gamers. In fact, 44% of today's gamers have been inspired to play a specific video game after watching a related TV show or movie.[12] The reverse is also true, with existing film and music IPs being transformed into gaming experiences, a trend that 45% of surveyed gamers would like to see more of.[13] These discovery channels not only unlock previously unsupported avenues for advertising and sales, but also foster new partnerships across the entertainment ecosystem.

For continued success, gaming companies should both manage their IP and better integrate with fan communities. To successfully maintain creative control of IP, strategic decisions about permissible use of existing IP will be just as important as investing in undeveloped IP. Also crucial will be forming strategic partnerships with companies in less traditional entertainment sectors, such as automotive and telecommunications to make new and existing IP more accessible and discoverable on the console and beyond. Finally, developing an in-depth understanding of fandoms can be a game changer and drive significantly higher lifetime value, but requires careful consideration in execution based on findings. This is especially true for "superfans." Superfans are defined as segments of the broader fan population that evangelize their fandoms and are willing to follow their favorite characters and IP across service, platforms, and ventures all while driving outsized engagement .[14] These superfans in particular are acutely aware of, and sensitive to, perceived commercial exploitation. They are quick to identify "cash grabs," and even quicker in voicing their displeasure at monetization efforts that could compromise the integrity of their favorite titles and characters.

Trend 3: Business models will continue to shift as development cost accelerates faster than revenue

With each new generation of gaming technology, gamers' expectations grow. They anticipate larger game worlds, deeper immersion, and new innovative gameplay techniques. As a result, game maps have expanded dramatically, with some titles offering hundreds of hours of content. And the emergence of sandbox (interactive and creative gameplay) and live service games (also referred to as "games as a service") has created an expectation that games will perpetually evolve and grow. This genre of gaming has evolved beyond the box, transitioning from static, packaged software to dynamic, living entities. However, developing and maintaining these goliath titles demands substantial investment in both labor and capital, and yet these demands are not consistent. The video game industry operates cyclically, utilizing the most resources at the peak of development, then diminishing toward the end of the cycle, effectively leaving the once massive pool of resources now underutilized. This pattern is resulting in layoffs, studio closures, branch shutdowns, and acquisitions as studios and publishers are not able to effectively manage costs against their revenues.[15] The first three months of 2024 alone saw more than 6,500 gaming professionals out of work.[16] This unsustainable practice generates a sense of distrust and frustration within both creator and player communities.

To foster sustainable development, studios and publishers should evolve their approach to managing resources during the development of large-scale AAA titles. This may require updates to organizational design and development processes to enable faster, smoother, and less stressful production timelines. Additionally, with increased complexity and longevity of games, technology investments are increasingly impactful. These may include standardized, scalable, and centralized cloud-based architectures to power multiplayer/live service titles or the pointed deployment of technologies like Generative AI to enhance the productivity of developers and creatives.

Trend 4: Traditional gaming categories will converge and compete with UGC as the number of "games as a platform" grows

Games have already started becoming platforms in themselves within which gamers can develop their own experiences or create new games all together (e.g., Roblox, Fortnite UEFN Mode). This ability to create games within games has given rise to thriving creator economies and some of the most vibrant online communities. This phenomenon will likely continue as new tools make building game worlds, assets, and characters even simpler and more accessible to untrained, everyday players. Increasingly game-savvy players can take greater ownership of their in-game experiences, utilizing technologies like blockchain (crowdfunding, asset creation, etc.) and Generative AI to create content they can then share online with friends, while simultaneously cultivating their own fanbases. These innovative creative capabilities are expected to contribute to the growing UGC sector of gaming. In 2024, UGC gaming platforms are expected to pay out almost $1.5 billion to content developers, showcasing a lucrative opportunity for creators, while the number of paid indie developers on 3D UGC gaming platforms is expected to surpass 10 million.[17]

As tools for creating content become more user-friendly and the amount of UGC in the gaming landscape increases, we can anticipate the relationship between gamer and publisher to deepen, with publishers allowing more UGC and community/social interaction. Developing features that enable this can improve brand reputation, boost IP awareness, deepen engagement, and grow player bases. Publishers may also benefit from new revenue-sharing models and one-time purchase opportunities. By focusing on adapting in these areas, existing stakeholders not only can help grow competitive advantage, but also lead in the transformation of the gaming industry toward a more interactive, creator-driven future.

Trend 5: Anti-toxicity campaigns and anti-bullying efforts will become mission critical to safe gaming experiences

Gaming's growth has been exciting but has also exposed a degree of toxicity many weren't expecting—and these toxic behaviors are on the rise. The overall percentage of gamers who reported witnessing or experiencing toxic behavior increased from 68% in 2021 to 74% in 2023.[18] And many, especially women, are growing increasingly sensitive to the emotional experiences they have online, with nearly 3 in 4 multiplayer gamers saying they would not try a new game if it's known to have a toxic community.[19] As online toxicity dampens user engagement and loyalty, directly impacting the profitability and reputation of gaming platforms and titles, the industry has taken notice and is looking at solutions to solve this at scale.

To truly address toxicity in online gaming, publishers and developers will need to consider penalizing toxic gameplay, and take a multi-faceted approach rooted in behavioral science for both proactive and reactive methods. Using enhanced behavioral prediction techniques via AI and machine learning-based algorithms and player reporting systems to generate in-game nudges can prevent toxic behavior. Coupled with positive reinforcement such as "karma points," behaviors can be influenced to change. Ultimately, by investing in advanced detection technologies, incorporating behavioral science, and enabling community self-management, the industry can create a more inclusive and respectful gaming environment. This, in turn, can lead to increased player retention, higher engagement rates, and a stronger brand reputation.

The takeaway

Gaming has transformed from a basement-dwelling pastime to a mainstream entertainment powerhouse with more than 3 billion global gamers.[20] But today the industry sits at a pivotal juncture where embracing technological advancements, managing creative assets, and fostering positive community interactions will likely be key to future growth and sustainability. Long-term success could rely on publishers and studios adapting to these trends, and finding ways to coexist within an increasingly intertwined and shifting entertainment landscape.

A deep dive into music

The music industry of today is sitting at a nexus of democratization and technological evolution. Social media and DIY platforms have shifted the power of music production directly to artists while lowering barriers to building fandoms. Evolving technology like Generative AI and virtual reality are revolutionizing consumption to create new, immersive experiences that compete for listener time and wallet share. Furthermore, the addition of digital service providers (DSPs) introduced new players into an already complex landscape and shifted the revenue model from higher-priced physical products like CDs to lower-margin products through streams and digital downloads. Thus, while music consumption has steadily increased, margins have decreased. These shifts have broad impact and raise questions about how the industry will evolve.

Trend 1: Generative AI is simplifying production, streamlining creative processes, and augmenting analytics, but authenticity and ownership concerns remain

In 2023 alone, more than 10 different music AI models have been released by companies like ByteDance, enabling users to generate custom songs with a simple text prompt.[21] Generative AI is also simplifying production tasks, streamlining music discovery, data collection, and playlist generation, and decreasing cycle time for marketing and research. Despite the immense potential that GenAI brings, artists and labels are increasingly concerned about how AI might devalue the artistry of music creation, create new pieces of music without the label and/or artist's consent, and even displace human creators (one of the major worries of the Hollywood writers' strike in 2023). Universal Music Group (UMG) has even helped launch the "Human Artistry Campaign" to promote the work of human creators and protect its artists from improper use of their works in AI-generated music.[22]

AI-generated content is also not consistently protected by copyright laws across regions. A US Copyright Office case confirmed in 2023 that the reason AI images are not protected is because they are generated by the technology and are not the product of human authorship.[23] However, European Union law states that "A.I.-generated works can be protected by copyright if they have sufficient originality,"[24] which implies that publishing rights organizations (PROs) in the future could start protecting generative creative rights alongside standard rights.

Today, GenAI doesn't inherently know if it's breaching copyright law by generating a song. Rather, it takes human intervention to manage AI-generated content. Ultimately, legislation will be required to establish clear guidelines, rules, and restrictions. Unfortunately, that process can take years (even decades). In the meantime, industry stakeholders should invest in critical capabilities and practices to govern any potential use of GenAI. One such example is building robust metadata tagging capabilities, which will likely become integral to effectively track rights and royalties across the ecosystem.

Trend 2: Immersive technologies and innovative, cross-sector partnerships are enabling multisensory, experiential music listening

One of the most intriguing trends in the music industry today is the increased demand for music experiences that move beyond traditional "lean-back listening." Advances in technology now enable listeners to experience sound in three dimensions, allowing them to pinpoint exactly where the sound is coming from. Venues have taken notice in efforts to gain a competitive advantage, with YouTube Theater installing L-ISA technology, a 3D audio processing engine—the first of its kind in a live music venue. Sphere in Las Vegas has even moved beyond that; it contains the world's largest beamforming audio system and incorporates 4D technology, so the audience literally feels various elements (e.g., wind) while watching a movie or concert.

Concerts themselves are incorporating more technology now than ever. In 2022, Coachella utilized augmented reality during the livestream of EDM artist Flume's set to depict a Godzilla-sized parrot and leafy trees overlooking the stage.[25] Electronic music artist Imogen Heap used virtual reality (VR) technology to create 3D visuals of her music for audiences to explore and interact with during live performances.[26] Concerts are even moving beyond the physical medium, with holographic concert tours from ABBA, Ronnie James Dio, and Tupac attracting large and consistent crowds. An increasing number of artists now host virtual concerts inside video games and collaborate with gaming companies to host meet-and-greets or sell merch.

As artists age and VR technology becomes more ubiquitous (and affordable), ownership of master recordings of songs will likely become even more valuable than they already are. Millions of people listen to Elvis Presley's music every day … imagine if you could now go see Elvis in concert? While the implications are widespread and exciting, large-scale adoption of these technologies still eludes most of the industry due to high investment costs, hardware integrations challenges, and unclear price elasticity. It is yet to be seen which technological capabilities the music industry will adopt at scale, which will be pointed experiments, and which will be set aside.

Trend 3: Today's digital landscape gives artists more ability to create music and build fandoms on their own, potentially changing their relationship with the music labels

For over a century, record labels have played an integral role for artists. But the recent digital revolution has created as many headaches as opportunities for both labels and artists. Before the 21st century, most fans only interacted with their favorite artists through magazines, music videos, or live performances. Today, however, the barrier between artist and fan is thinner than ever thanks to the ubiquity of media and technology in our society. As a result labels have sought to evolve their capabilities to better serve artists, promoting them across new mediums and utilizing massive amounts of data to inform decisions.

Despite this, artists have increased access to self-service tools and platforms that can enable them to "make it" on their own. Digital Audio Workstations enable artists to create, record, edit, and produce music directly on their computers, while platforms like Spotify and Soundcloud empower artists to bring their music directly to consumers. Social media has drastically decreased the time for a song to gain widespread popularity, introducing the possibility of instantaneous popularity through "going viral." Eighty-five percent of TikToks contained music in 2023, and TikTok's short-form virality inundates listeners with songs faster than traditional radio or streaming.[27] Platforms like Instagram and Twitter have become places for artists to build fandoms by directly engaging. Additionally, live interactions on platforms like Twitch allow artists like Post Malone and deadmau5 to live stream games and speak directly with fans.

The traditional value proposition of labels—connection to studios and recording time, mass production of physical copies of the records, and rapid distribution of their songs around the world—is evolving as more tools and distribution channels become available to artists. However, hoping to go viral is also not a reliable strategy for artists. Access to labels' relationships and capabilities is still invaluable, but shifting technology and industry dynamics signal the role of the label is likely to shift, and a label's investment in capabilities to help artists navigate today's landscape may deepen artists' trust.

Trend 4: As entertainment offerings proliferate and music IP is increasingly embedded across categories, winning "share of ear" will become increasingly difficult; building "franchises" around artists that go beyond music can help companies expand their value proposition and identify new revenue streams

Every year, the number of entertainment offerings increases, making it increasingly difficult for providers to keep consumers' attention long enough to turn a profit. For example, podcasts—the boilerplate for the new "edutainment" genre—are often hosted on the same streaming platforms as major artists. This DSP business model is largely subsidized with slim to negative margins, spurring the question: Is this model sustainable as offerings continue to proliferate? Furthermore, if listeners spend less time listening to music and more time listening to podcasts or watching any of the thousands of TV shows or TikTok content that's continually released, the revenue pie to split across the entire industry will continue to change.

Music IP is becoming more and more embedded in the larger entertainment ecosystem. There may be more entertainment offerings in general, but music is still a key piece of most of those offerings.

For example, artists like Taylor Swift and Beyonce are turning concerts from their ongoing tours into movies, and other artists like Ariana Grande and Travis Scott are being turned into video game skins in Fortnite. Approximately 33% of consumers today discover new music through social media, and 49% of gamers discover new tracks that they then continue to listen to through the games they play.[28]

To keep fans actively engaged, labels and artists can work together to capitalize on additional revenue opportunities brought about by the convergence of platforms and content across the ecosystem. Artists can build their brand and create franchises across content categories, particularly through three key strategies: 1) driving value through scarcity; 2) co-branding and co-creation; and 3) creating unique artist experiences. Selling custom items, instruments, and artist collectibles (e.g., limited vinyl runs) are great products for fans that want to feel closer to an artist than the average fan. More artists are expanding the type of products they sell beyond traditional T-shirt merchandise; rappers like Kanye, Drake, and Travis Scott all have major sneaker deals. Metallica partnered with Master Distiller Dave Pickerell to produce its own Blackened Whiskey brand that uses a proprietary sonic-enhancement process whereby specific Metallica songs are played while the whiskey soaks into the barrels.[29] Beyond physical products, unique artist experiences are increasingly coveted by fans. Social media has provided a medium for artists to peel back the curtain on how the music is made, broadcasting their recording sessions live or even just sharing their personal lives for their fans to get to know them beyond the music. In 2018, Spotify created “Sweetener: The Experience,” an art exhibit in New York inspired by Ariana Grande’s fourth studio album.[30]

The takeaway

The music industry is undergoing a transformative phase, driven by rapid technological advancements, new monetization strategies, and a widespread pull toward more power and ownership for artists. This paradigm shift has led to new business models and digital service providers, which have made the industry more discoverable and accessible but also fueled industry-wide challenges. To manage shifting consumer expectations and artist needs, labels and publishers can responsibly embrace new technologies to enhance operational efficiency and build capabilities that better support evolving consumer and artist experiences. Additionally, they can tap into an expanded set of entertainment categories that will enhance artists’ reach and ability to build and reinforce fandoms. By doing so, labels and publishers can reorient their centers of value for greater future relevance in an increasingly crowded media and entertainment market.

Conclusion

The entertainment industry stands at a critical juncture characterized by the four key themes of change: the connected consumer, content evolution, business model transformation, and accelerating technology. It is important for video, gaming, and music stakeholders to embrace these changes and proactively harness the opportunities afforded by both these macro influences and sector-specific trends. To do so, there are several key considerations for media organizations:

- Embrace new technology to advance innovative offerings and simplified operations.
- Invest in data and analytics capabilities to more responsibly and effectively unlock new insights to meet consumer and creator needs.
- Foster collaboration and alliances within and across the video, gaming, and music industries to progress toward common goals, simplify consumer choice set, innovate new offerings and business models, and share in both costs and benefit.
- Deepen understanding of and engagement with fandoms for enhanced monetization opportunities and increased loyalty.
- Consider related impacts of regulatory and ethical challenges across each step, and consistently monitor and evolve the business mindset and guardrails to embrace continual reinvention of the entertainment landscape.

The future of entertainment is exciting. And today's shifts offer unique opportunities for organizations to disrupt their own operations to reposition, reinvest, and reorganize for success, and forge new paths to sustainable growth. By taking the above steps, stakeholders not only can navigate the complexities of the modern entertainment landscape, but also can drive innovation, growth, and advantage in an increasingly competitive market while better understanding where the center of value truly lies.

Authors

Stacy Hodgins
Principal
Deloitte Consulting LLP
shodgins@deloitte.com

Abby Miller
Senior Consultant
Deloitte Consulting LLP
abmiller@deloitte.com

Abhilash Thalathoti
Senior Manager
Deloitte Consulting LLP
athalathoti@deloitte.com

Richard Goldsmith (Gaming)
Senior Manager
Deloitte Consulting LLP
rgoldsmith@deloitte.com

Matt Varraveto (Music)
Senior Consultant
Deloitte Consulting LLP
mavarraveto@deloitte.com

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