EXPLORING OPPORTUNITIES: THE IMPACT OF COVID-19 AND THE MEDIA INDUSTRIES

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An article discussing the impact of the 2019 novel coronavirus disease (Covid-19) on the media industries. It considers the role of innovation during the pandemic. It also looks at the effect of the lockdown on film and TV releases and production, piracy, and the ongoing tension between subscription video-on-demand (SVOD) and public service broadcasting (PSB). Finally, it considers how sport content is evolving during the crisis.

SCOPE OF THIS ARTICLE

The 2019 novel coronavirus disease Covid-19 outbreak has had an effect on every industry and sector; the media industry is no exception. In particular, the uncertainty surrounding the potential duration of the outbreak (and the social distancing measures which have been introduced around the world to slow its spread) has left stakeholders at all levels of the content value chain facing difficult questions about how to respond to the crisis. As these stakeholders scramble to adapt to the new global reality and prepare for changes ahead, the industry is already having to grapple with three immediate issues; a widespread halt to content production, a sharp decrease in advertising revenues and the global disruption to live sports.

However, many businesses have also taken the outbreak as an opportunity to re-evaluate their purpose and some have even started to carve out new roles for themselves in an attempt to reach consumers during these challenging times and set the foundations for future recovery and growth. In a world that is in many ways dependent on physical and social interaction, this article looks at how the media industry is coping with a crisis which forces everyone apart, and whether the industry will see any long-lasting impacts of the crisis or learn any important lessons from it.

THRIVING THROUGH INNOVATION

The task of keeping viewers and audiences engaged during this period is not a straightforward one. Businesses that largely depend on revenue generated by live events are experiencing particularly tough times. It is difficult to predict how this crisis will affect the media industries, and the implications of this uncertainty are currently being explored by a Digital, Culture, Media and Sport Committee (DCMS) inquiry, in which the DCMS is calling for evidence from organisations and arms-length bodies regarding the impact of the outbreak (see *Legal update, Covid-19: DCMS Select Committee inquiry into impact on industry and organisations within its remit*).

Yet it is not an entirely negative story. We are already seeing businesses across the media and entertainment world respond to the disruption caused by Covid-19 by providing alternative ways for consumers to access content and entertain themselves, reorienting themselves to reach consumers and also, perhaps more importantly, leveraging that reach for positive and charitable purposes. Several alternative forms of content, pushed through different channels, have emerged, exemplified nicely by new live entertainment models, such as the One World: Together at Home concert co-hosted by the World Health Organisation and Lady Gaga, that raised $127 million for Covid-19 relief. The role of content (and particularly performative content) to bring about shared purpose and a sense of togetherness despite separation may be one of the defining features of immediate responses to Covid-19.

FILM AND TV: BIG SCREEN MOVES TO SMALL SCREEN

As with other industries and sectors in which the "live audience" is considered integral to the business model, the feature film industry has had to respond rapidly to lockdown measures, in this case the closure of cinemas. Film distributors have executed one of the swiftest channel-shifts in recent memory, skipping theatrical exploitation in favour of, in some cases, a "straight-to-Netflix" style release.

This has shaken up the previously rigid approaches to release windows between theatres and home distribution. For example, Universal released its highly anticipated film *The Invisible Man* on pay-TV channel Sky Cinema months ahead of schedule (cutting short its theatrical release to less than a month) and Paramount released comedy *Lovebirds* directly onto Netflix in May, completely skipping a scheduled April theatrical release. After a virtual screening of *The Invisible Man*, its director, Leigh Whannell, held a Q&A in an attempt to create a collective virtual viewing atmosphere, another growing trend in the industry. AT&T will be launching new subscription video-ondemand (SVOD) platform *HBO Max* in May and its Chief Operations Officer John Stankey has stated that hosting studio movie launches is part of the operator' s "rethinking of [its] theatrical model" and forms part of a response to changes in consumer behaviour.

The concept of "watch parties" is also gaining traction in the wake of new add-ons and apps designed to allow friends and families to watch content simultaneously from different locations. Netflix Party is a prominent example of this. Similarly, Curzon Cinema has found itself to be well-equipped for cinema closures, as its own home entertainment platform, Curzon Home Cinema, has seen the release of most of the arthouse distributor' s films simultaneously with their release in movie theatres for some time. So far, this attempt to reintroduce some of the social benefits of audience viewing "on the big screen" has proven popular with viewers and underscores the increasing convergence between "traditional" content consumption (whether it be film, "stay at home" television or viewing on-demand or over-the-top content on personal devices) and social media-based interaction.

It is possible that these shifted release timelines and viewing trends could have the long-term effect of encouraging content producers to rethink the traditional distribution landscape and potentially reduce the importance of the theatrical release. This is especially relevant given the economic uncertainty that has already been caused by the Covid-19 outbreak, as frugal consumers may be less willing than ever to part with the money required for a trip to the cinema. As producers and distributors find themselves without the option to launch a full-scale cinema release to create excitement and conversation around new and upcoming films, innovation around content release could lead to long term impacts on the manner in which stakeholders target potential audiences. We have already seen an increase in homemade content (see *Production: unprecedented demand v production halt*) since the outbreak started, and it would therefore not be surprising to see an increase in social selling and influencer-led consumer outreach, leading to new formats for pushing "cinematic" content.

PRODUCTION: UNPRECEDENTED DEMAND V PRODUCTION HALT

Social distancing measures have led to a spike in the demand for content. Strategy Analytics' latest forecast for SVOD services suggests that a 5% global boost to usage can be expected (see *businesswire.com: Strategy Analytics: Coronavirus Expected to Add 5% to Global Video-on-Demand Subscriptions in 2020*). At a time when social distancing and "lockdown"-style measures mean that people are consuming more than ever, those same measures have also led to a dramatic slow-down in content production. For example, Netflix (which added 16 million new subscribers during Q1 2020) has said that it will start to feel the effects of social distancing measures (in terms of impact on new content production) by Q3 of this year.

How far-reaching the effect of the production halt will be is likely to depend largely on how long social distancing measures are left in place. If platforms run out of fresh content, this is likely to have a significant short-term impact on consumer behaviour, although the medium and long-term effects remain unclear. The content drought may, for example, encourage churn between SVOD and advertising video-on-demand (AVOD) platforms, an uptake in linear TV consumption, or even an increase in gaming and a wider channel-shift to e-sports or other forms of online gaming as consumers search for new content and platforms to fill their time.

Interestingly, the content drought may also lead to new types of content. As thousands of creatives stuck at home begin to explore the various tools and platforms at their fingertips, platforms may seek to plug the content gap by funding independent homemade content. The appetite for homemade content is perhaps best exemplified by the increased viewership of user-generated content on social media platforms, including the uptake in use of the videosharing app TikTok, which saw its first-quarter revenue soar, that is, at a time much of the world was entering lockdown (see *Reuters: TikTok owner ByteDance first-quarter revenue soared to around $5.6 billion, 17 June 2020*). The UK' s appetite for TikTok' s up-to-60-second video content builds on the growing popularity of shortform content of an episodic nature, allowing TikTokers to entice viewers back for a "part 2". These new approaches to content creation may accelerate recent trends towards variable-length episodes and memetic propagation of content, responding to changes in consumer preferences when it comes to storytelling.

Producers are some of the hardest hit within the industry. Even if they are able to renegotiate production deadlines (which will invariably be missed due to global production halts), it is very unlikely they will be able to obtain the cash injections on which they rely (particularly where those payments are contingent on production milestones such as completion of principal photography).

Traditional production company structures have for some time also had to accommodate investment by talent (enabling key talent to participate in the financial success of the content). As audiences diversify and content distribution windows change, shrink or potentially disappear, we expect there will be knock-on impacts on the structuring of production companies and the ways in which producers, talent and other participants are incentivised and remunerated. The aim will be to ensure that everyone's "slice of the pie" continues to grow, but that may require new solutions (whether these are corporate, commercial, financial or creative) to address pressure on the value chain.

For producers coming under pressure on existing or recently-greenlit productions, there may be fresh impetus to seek new or alternative sources of funding. For example, the use of convertible loan notes, common in early-stage technology and other "small-cap" investments (and not by any means unknown in media circles), may present themselves as a useful and risk-adjusted way of "financing through" this difficult period while still enabling these investors to participate in the upside of increasing demand for content.

The threat of a content drought grows in parallel with the proliferation of free content from various sources. We have seen many (S)VOD and Pay TV services add content to free sections of their platforms for audiences who may be stuck at home, including in many cases educational and child-friendly content in the wake of school closures. For example, Amazon Video has made 40 family and children' s shows available for all Amazon customers regardless of whether they have a Prime subscription. Theatres have been making some of their recorded content available for free online; the National Theatre has been streaming past productions on its YouTube channel and the Globe Theatre has added free content onto its existing on-demand platform, Globe Player.

These are examples of commercial bodies in the media industry contributing to a sense of solidarity that has emerged during this crisis. Other organisations will no doubt follow suit, but in doing so they will need to ensure they have the rights to offer the relevant content for free, this may not be the case when it comes to acquired content.

In a move that should help the production industry ramp up again, in May 2020, the Producers Alliance for Cinema and Television (PACT) published guidance drawn up by the television industry on managing the risk of Covid-19 in television production (see *Legal update, Covid-19: TV production guidance*).

ADVERTISING: UNPRECEDENTED DEMAND V FALLING ADVERTISING REVENUES

AVOD platforms and commercial broadcasters that rely on advertising revenue are also paradoxically suffering during this outbreak despite a spike in viewer consumption. Advertising spend in key industries such as sport, cinema and travel have been cut due to Covid-19-related disruption and fears about the current and future economic climate. Advertisers across all sectors and industries will be reallocating their spending away from advertising to their core operations to protect their businesses. In addition, stay-at-home consumers are unable to spend their money in-store or purchase experiences, which had been a key growth area across the consumer marketplace.

Commercial broadcaster Channel 4 has implemented almost £250 million of cost-cutting measures to deal with the advertising slump, expecting advertising revenues to be down by 50% over April and May, according to an announcement on its website on 8 April 2020. ITV announced a 42% drop in advertising revenue in April (see *Reuters: ITV's ad revenue falls 42% in April as coronavirus bites, 6 May 2020*). UTECA, the association that groups together the main private TV channels in Spain, warned that while the TV sector is experiencing a 40 % growth in TV consumption, it is also experiencing a drop in ad investment of "over 45 per cent since the start of quarantine" (see *advanced-television.com: Spain: Private TV SOS on TV ad fall*).

This means that, where content is usually funded (either directly or indirectly) through advertising revenues, new funding models and ways to obtain returns on investments will need to be found. As with other production models, it may be that we see innovative ways of dealing with the absence of traditional lucrative advertising deals, not least because some consumer brands will still be eager to reach consumers. Accordingly, AVOD platforms may start to consider alternative models for consumption to maximise an advertiser' s share of airtime. This may, for example, take the form of an increase in brand exclusivity agreements.

PIRACY: THE DARK SIDE OF UNPRECEDENTED DEMAND

The Covid-19 pandemic has also resulted in a major surge in online piracy. Piracy tracking firm Muso registered more than 11 billion visits globally to illegal piracy sites in February, indicating a spike in visits since stricter lockdown measures were implemented globally (see muso.com: *Muso tracks 11.2 billion visits globally to piracy sites in Covid-19 Feb 2020*).

As people spend more time online, the battle against piracy has become more relevant than ever. The internet affords content pirates access to cheap routes to market for their counterfeits. It also enables them to expand their operations, due to a rise of online infringement linked to the ease with which anyone can register a domain name and set up a website, and the popularity of social media as a means to spread the word about access to pirated content. It will be interesting to see how the European Commission reacts to the spike in piracy in the light of its focus on counterfeiting and piracy in recent years; piracy was put on its Watch List in 2018. It is possible that measures will be introduced to encourage platform operators and owners, along with responsible local enforcement authorities and governments, to take the necessary actions to reduce the availability of goods or services that infringe intellectual property rights.

The crossover between the surge in free content and the spike in online piracy could, depending on how long social distancing measures stay in place, have the effect of confusing consumers further about what they can access online legally, thereby potentially feeding into the surge in piracy. This "channel legitimacy" issue may have long-term implications as content platforms expand, diversify and converge. It will also be interesting to see whether the surge in free content has the more general effect of eroding the SVOD market in the long term, especially as consumers become more conscious of how they allocate discretionary spending.

SVODS V PSBS: THE ONGOING BATTLE

The Covid-19 crisis has further accelerated the uptake in the use of SVOD platforms. If the long-term effect of the crisis is that SVOD providers do manage to increase their audience share, despite the threat of consumers cutting their subscriptions to reduce outgoings, this will likely exacerbate the decline of the traditional public service broadcasters (PSBs). Of particular interest will be the stance Ofcom takes in its efforts to protect PSBs given that, last year, it provided recommendations to the government for a new framework to keep PSBs prominent in an online world (see *ofcom.org.uk, A new future for public service broadcasting*) for a summary of these recommendations). It seems likely that this will take the form of:

- Increased enforcement of existing measures to protect the PSBs, such as updating its rules to ensure PSB TV channels are prominent and easy to find.
- Recommending that the government establish new rules regarding PSB content prominence on major viewing platforms such as smart TVs and streaming sticks (television delivered via the internet is out of Ofcom' s remit).

The government has indicated its views on potential measures to ensure the continued prominence of PSBs. In the government response to the House of Lords Select Committee paper (*Public service broadcasting: as vital as ever*) the government recognised the importance of PSBs' role in ensuring that the broadcasting system properly provides for the whole country. It supported the aim of Ofcom' s PSB review, which was to strengthen its understanding of how the regulatory framework can adapt to ensure the PSBs' continued resilience in the changing technological environment. The paper also recognises that "at a time of division, [PSBs] play a role in unifying the country through shared experiences".

The relative success (or otherwise) of SVODs and PSBs in navigating the difficult months of the Covid-19 crisis and its aftermath will determine the overall strength and diversity of the consumer content market going forward.

SPORT: AN EVOLVING WORLD

COMPETITIONS

Covid-19 has hit the sporting world particularly hard, as fans lament the postponement or cancellation of some of the most highly anticipated events in the sporting calendar (some of the latest casualties include Wimbledon, the 2020 Olympic Games and the Champions and Europa Leagues). However, the world of traditional sports has started to plug this content gap through tapping into an already-forming synergy with the world of e-sports (online competitive gaming). The digital agility of the e-sport industry is its strength during this crisis. Given that most esports companies originally operated as online-only games companies (before moving into staging live stadiumfilling e-sports tournaments), they are in a good position to exploit their ability to leverage the "cloud-first" and social media-led approach of much of the fan community. The League of Legends Championship Series is just one of many recent examples of e-sports companies taking events that were scheduled to be held in front of a live audience online due to the Covid-19 pandemic.

The growing fusion between traditional and e-sports is neatly exemplified by the launch of the eChampions League last year, described by UEFA Chief Marketing Director as "a natural extension of the UEFA Champions League into competitive gaming" which "could lead to the coexistence of virtual and real competitions". Activities since the outbreak of Covid-19 appear to be reinforcing the overall trend of live sports increasingly moving into the e-sports domain. Sports brands, teams and channels are all discovering that e-sports are an extremely effective and mutually beneficial way of fulfilling their fans' passion for sport and their interest in the competitors. For example, in the wake of match cancellations, several professional football clubs have put competitors forward to participate in an online charity FIFA tournament, started by League Two club Leyton Orient, in a bid to plug the content gap through new forms of off-pitch content on social media. To replace its postponed races, Formula 1 has launched a virtual Grand Prix series, in which experienced Formula 1 drivers have competed alongside international football stars and golf champions in a bid to win the virtual Grand Prix.

This convergence of live and virtual sports worlds brings with it a range of potential risks, challenges and opportunities for the gambling industry, as betting has the potential to be as relevant an activity for e-sports as for traditional live sports. The Gambling Commission recently released new guidance regarding the Covid-19 outbreak to industry operators, reflecting the serious impact of the outbreak on the industry and its position on the edge of (or indeed outside) some of the measures taken by the government to relieve businesses of financial strain. For example, the gambling industry has not benefited from the business rates exemptions the government announced in March, which has exacerbated its losses. It will be interesting to see whether the uptake in e-sports is reflected by a parallel uptake in e-sports-related gambling, and whether this could serve to offset the losses the industry is currently suffering.

PLATFORMS

The e-sports industry' s digital agility has not gone unappreciated by the fan community. Twitch, a streaming platform which is commonly used to livestream e-sports, recorded a jump in viewership of nearly 60% in March with over 1,300 million hours watched compared to a year earlier, according to Superdata (see *Reuters: E-sports pull in more viewers as coronavirus halts live sports matches*). Facebook Gaming also saw an increase in total hours watched in Q1 of 2020, up by more than 20 % (see *hollywoodreporter.com: Twitch Breaks Various Viewership Records Amid Coronavirus Quarantine*). These increases in viewership of live streaming platforms may indicate that consumers are redirecting their viewing time towards e-sports and online immersive gameplay, whether as active participants or virtual "spectators".

This spike in engagement has coincided with increasing regulatory, especially concerning live streaming and usergenerated content. In particular, there has been a focus by the government on "online harms", which, among other things, will give Ofcom a new role as an "online watchdog". For more on this, see *Practice note, Social media compliance: Online harms*.

COMPETITORS

At the same time as the government plans to make the regulatory environment around platforms such as social media sites more robust, sports teams are encouraging competitors to increase engagement with fans and the visibility and significance of social media-led interactions (both planned and unexpected) are increasing. Both teams and individual competitors should be aware of the terms and conditions applicable to such content imposed by the relevant platforms.

Content of a defamatory nature, or content that promotes certain behaviours will usually be removed by the platform and the user may be sanctioned by their relevant governing body. For example, Tottenham Hotspur competitor, Dele Alli, is currently appealing the recent decision of the FA to charge him for misconduct relating to a video he uploaded on short-form video-sharing platform Snapchat about Covid-19. Alli has been charged with an aggravated breach of FA Rule E3, which prohibits players from acting in any manner which is improper or which may bring the game into disrepute, or from using abusive, insulting or indecent words or behaviour (the breach was considered aggravated as it included a reference to race, colour, ethnic origin and/or nationality).

Teams and competitors should also be aware of the evolving regulatory framework governing the platforms on which they are operating and posting content. Although it currently appears that any extension of Ofcom' s enforcement powers will be focussed on the "big tech" operators and social media companies, we may see a move towards sports competitors (and other "influencers", for that matter) operating in a way which reflects the spirit of any new regulations (even if those competitors are not themselves subject to direct enforcement measures). It is also worth bearing in mind the possibility that Ofcom' s new powers will eventually extend over any site that hosts content to be streamed, which would include (for example) team websites that host team-related content.

From a management perspective, sports teams and organisations will need to be aware of the platforms' rules around uploading materials that may include the intellectual property rights of others, which should be avoided unless appropriate licences are in place. This includes copyright materials such as music played and photographs displayed in the background. The proliferation of content (often generated unilaterally by competitors and without going through traditional organisational content review and approvals processes) means that sporting bodies need to be increasingly aware of (and proactive about) the role competitors play as de facto brand ambassadors and how increased social media use can affect brand value and reputation.

We are seeing various examples of sports stars taking matters into their own hands, keen to keep fans engaged and participate in the flurry of sport-related online gaming activity. For example, Miami Heat star Meyers Leonard has participated in the "Call of Duty: Warzone" tournament via Twitch.

CONCLUSION

It is likely that, in time, the period surrounding the Covid-19 outbreak will be viewed as a pivotal point for the media industry. This period will inevitably produce some winners, and it is likely that those who will fare better will be those for whom the digital world is their native environment, such as the e-sports companies and the streaming platforms. Others will need to work hard to persevere, adapt and seize opportunities as consumers seek new ways to access and experience content.

Some stakeholders will, however, look beyond the value of digitisation at the bigger picture, that of solidarity and community, and how best to effectively function in an industry that is made up of a web of interconnected and interdependent players at different levels in the content value chain. As part of that bigger picture, it may be the case that those who come out of this crisis stronger than ever will be the ones who sought ways to contribute positively and in innovative ways, rather than focussing solely on market preservation and defensive tactics. Businesses that have actively sought to connect with and reach consumers (whether through introducing new forms of content for little or no cost, adapting release windows or considering how best to meet new demands such as children' s educational programming) will perhaps build new loyalties and maintain viewership and popularity as Covid-19 passes.

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