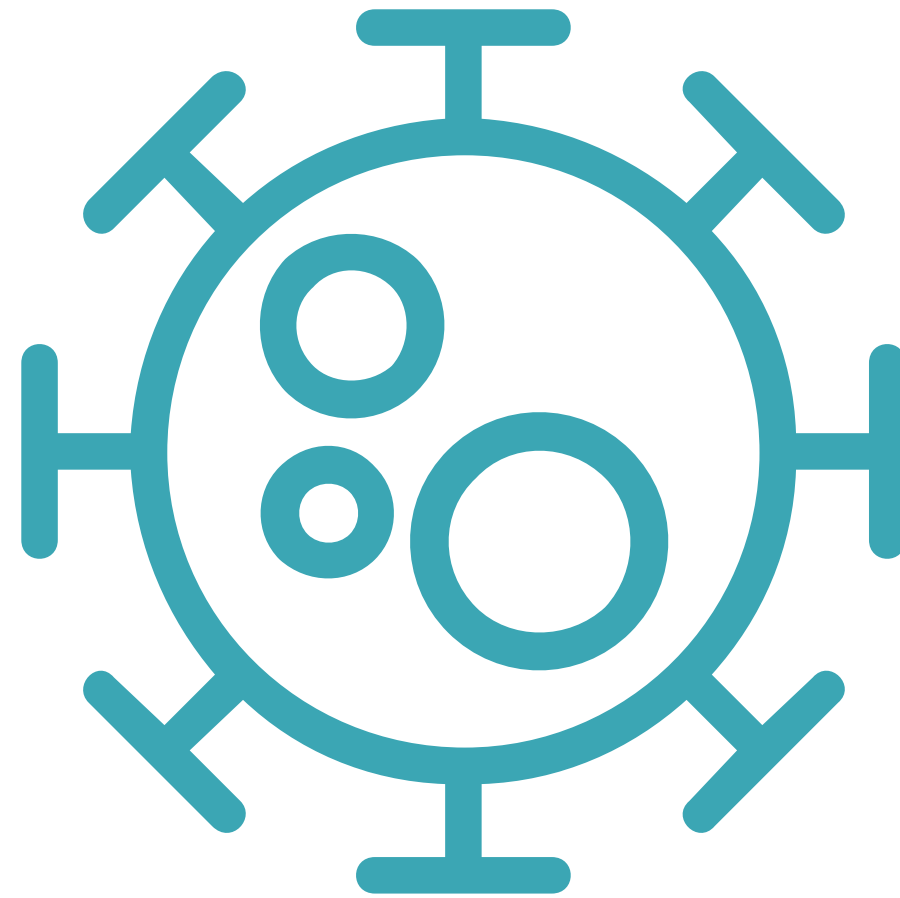


# The Impact of Coronavirus



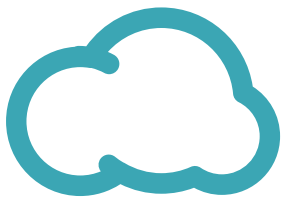
# The Impact of Coronavirus

## Unprecedented Times



### Business Impact

Coronavirus is having an unprecedented impact on media companies and technology companies' businesses



### Technology Investment

Coronavirus is leading to an irreversible shift in media technology investment, away from legacy and towards digital business models and workflows



### Selling Models

Coronavirus is radically changing the events landscape in an industry that heavily relies on events to close deals and shape technology roadmaps

# Business Impact

## The Major Side Effects of Social Distancing

The global epidemic of COVID-19, commonly known as coronavirus, is changing the world in 2020. Known to have started in China, it is rapidly spreading throughout the globe due to its highly contagious nature. It is influencing people's lives, straining healthcare systems, rattling financial markets and paralyzing business activity. The virus is taking the world by surprise, disseminating uncertainty as many of its characteristics are still unknown to scientists. Governments are proactively moving to mitigate the impact of this dramatic black swan on the lives of their citizens as well as on their economies. Most governments worldwide have imposed lockdowns in order to contain the spread of the virus. These lockdown measures are having an immense effect on business and economic activity. In the broadcast and media industry, they are having an impact consumers' viewing habits, affecting revenue models, technology investment, content supply chain investment and sector trends. In the following pages, we take a look at this impact.



New Programming Formats  
Changing Technology Selling Modes  
Remote Workflows & Collaboration  
Cancellations Shifting Content Trends  
Creative Innovation  
**Financial Pressure**  
Factory Closures  
Shifting Audience Habits  
Productivity  
News & Affairs Business Continuity  
Cloud-based Everything  
Supply-chain Disruptions

# Business Impact

## The Major Side Effects of Social Distancing

### Streaming Consumption



60%

Projected spike in streaming consumption



### Advertising Revenues



12%

Expected fall in traditional media advertising revenues, mainly driven by sports



### News Consumption

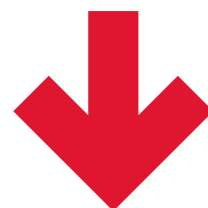


67%

Consumers worldwide watching more news



### Sports Events



450+

Sports events cancelled worldwide



### Remote Workflows

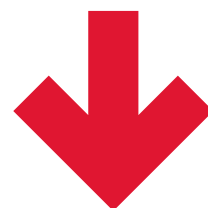


500%

Increase in Microsoft Teams usage in China during lockdown



### Scripted Production



150+

Scripted productions cancelled in the US


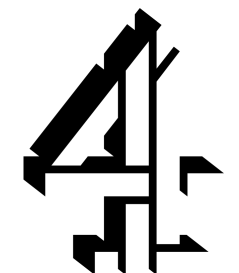


# Business Impact

## Advertising

Advertising is under pressure. Advertising revenues are highly correlated with the performance of the economy. This is because advertisers generally tend to cut their spending during dire economic times. As the world has become more globalized, countries' macroeconomic performances have gradually grown more connected. This has made the world better and more prosperous but has also increased its volatility and inherent risks. The better response to risk and volatility is diversification, which is why several commercial broadcasters such as ITV have tried to diversify their revenues away from advertising and towards other funding sources such as subscriptions and content licensing. However, advertising still accounts for a large share of the media industry's revenue. ITV has forecast a 10% drop in advertising revenues in March before saying that it cannot quantify the impact of the pandemic on its advertising revenues. The cancellation of live and, more importantly, sports events - sports accounts for a large share of advertising revenues - will only exacerbate this outlook.

## Coronavirus Impact on Commercial Sector in the UK

Company	Covid-19 Actions
	ITV slashed programming budget by £116m and identified a further £60m in potential savings
	C4 unveiled cost-cutting measures worth £250m at the start of April and revealed that it expects revenues to be down by 50% in April-May

”

As a commercially funded business, the Covid-19 outbreak has had a severe impact on our advertising revenues. And so we are taking action now to manage our costs appropriately and ensure that we both protect our staff and our ongoing ability to serve our audience

Alex Mahon, CEO, Channel 4



# Business Impact

## Subscriptions

The impact of this crisis on subscriptions will be more mixed. Expect consumers to drastically shift their consumption preferences during this period and view digital entertainment products more as necessities as they increasingly spend more time at home. This does not apply to all types of subscriptions but mostly to those that rely on scripted content such as Netflix, Disney+, Amazon Prime etc. As a result of more countries adopting lockdown measures, streaming consumption is skyrocketing, putting pressure on bandwidth and leading OTT providers such as Netflix to cut the quality of their streaming. According to media companies, viewing and subscriber numbers are up on pretty much every platform. Subscription-based services relying on sports content will be hit by the cancellation of events and will need to find ways to keep fan engagement high during this crisis - more on this later. The final impact on subscription revenues will depend on a variety of variables, including consumers' spending on these products in these unusual times and OTT platforms' efficiency at a time when consumption is at a record high.



**Disney+ doubles its subscriber base in a couple of weeks, helped by Coronavirus**

”

We're truly humbled that Disney+ is resonating with millions around the globe, and believe this bodes well for our continued expansion throughout Western Europe and into Japan and all of Latin America later this year

Kevin Mayer,  
Chairman,  
Disney's Direct-to-consumer and International

# Business Impact

## Content Production

The impact of this crisis on content production is unprecedented. Sports productions worldwide have been canceled. The same applies to scripted productions, which have been postponed. In sports, it is a multi-billion dollar impact as rights buyers spent huge sums of money on delivering this content. This is particularly true in a quadrennial year that was supposed to have major events such as the Tokyo Summer Games and the European Championship taking place. Some buyers have already asked to postpone the payments for these rights in an effort to reduce financial pressure arising from this crisis. Sports broadcasters will leverage archive content and new formats to offset the holes in their programming schedules, though this may not be enough. Scripted content will also have to experiment with new formats to keep content flowing to audiences. Demand for news and affairs coverage is instead soaring at a time when supply is shrinking. In news production, some staff are still going to the studio while other employees have moved to their homes in a massive re-organization effort.



A series of television talk show hosts in the US ranging from John Oliver to Jimmy Fallon have started broadcasting from their homes as a result of the Coronavirus pandemic. Most news anchors are still broadcasting from their studios though media companies have rolled out a series of logistical measures to reduce the quantity of on-site personnel



# Business Impact

## Hardware Revenues

Hardware revenues will take the largest hit from this crisis as shown by our Coronavirus Impact Tracker. Cancellations, of live events and scripted productions, are largely responsible for the negative shock in hardware revenues. Non-essential hardware will be particularly hit while we have received some comments in our Tracker highlighting that essential hardware necessary to enable remote working will experience a temporary rise in demand. Essential hardware, however, represents a minor share of total hardware revenues according to research gathered by IABM. Some media technology suppliers such as Ross Video have temporarily closed down their manufacturing plants as a result of government intervention aimed to shut down non-essential business activities to contain the spread of the virus. Both demand for and supply of hardware are therefore falling at this time of crisis. Supply chain disruptions are also set to negatively influence the sourcing of components for hardware manufacturers, further exacerbating supply.



### Coronavirus Impact on Hardware Revenues

%

4%

Percentage of companies saying that revenues will Increase

%

86%

Percentage of companies saying that revenues will Decrease

↑

5%

Average % Increase in revenues for companies predicting a rise in revenues

↓

43%

Average % Decrease in revenues for companies predicting a fall in revenues



# Business Impact

## Software & Service Revenues

The overall demand for software technology is down according to the latest IABM data. However, software revenues show a mixed picture that needs to be carefully analyzed. According to our Coronavirus Impact Tracker, demand for legacy types of software revenues such as permanent licenses will significantly decline. Demand for subscriptions is instead set to accelerate as a result of this crisis. This may accelerate suppliers' transition to as-a-service offerings and exacerbate the industry's cash flow crunch, particularly for those in the middle of this transition. On-demand revenues also show a mixed picture that largely depends on the use case for the technology. On-demand revenues linked to what is growing (e.g. streaming consumption, remote editing, etc.) will grow. The converse applies to on-demand revenues that are linked to live production or theatrical releases, for example, as these have completely shut down. The final effect will, therefore, depend on the makeup of the customer base for on-demand technology suppliers.



### Coronavirus Impact on Software Revenues



17%

Percentage of companies saying that revenues will Increase



54%

Percentage of companies saying that revenues will Decrease



26%

Average % Increase in revenues for companies predicting a rise in revenues



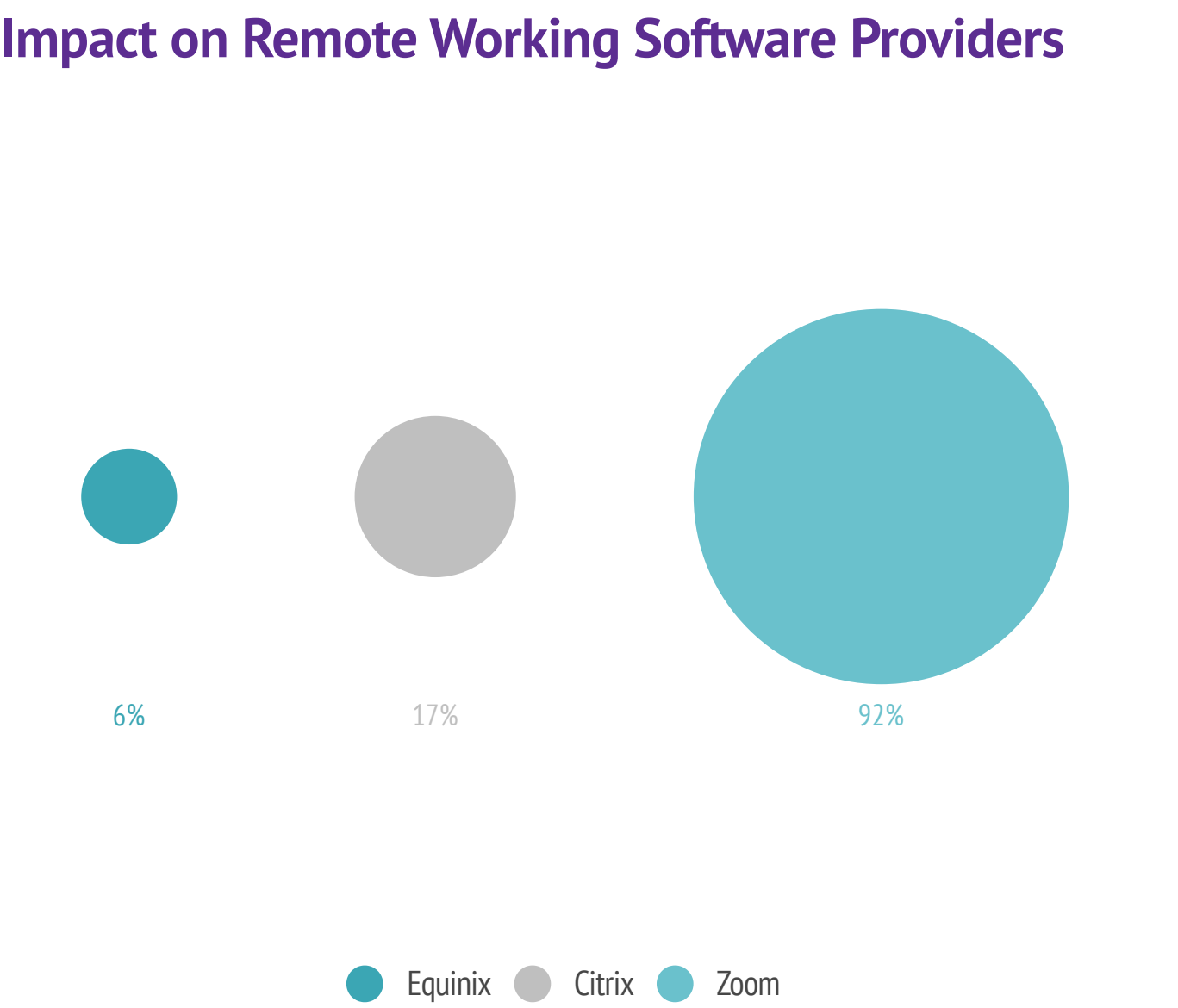
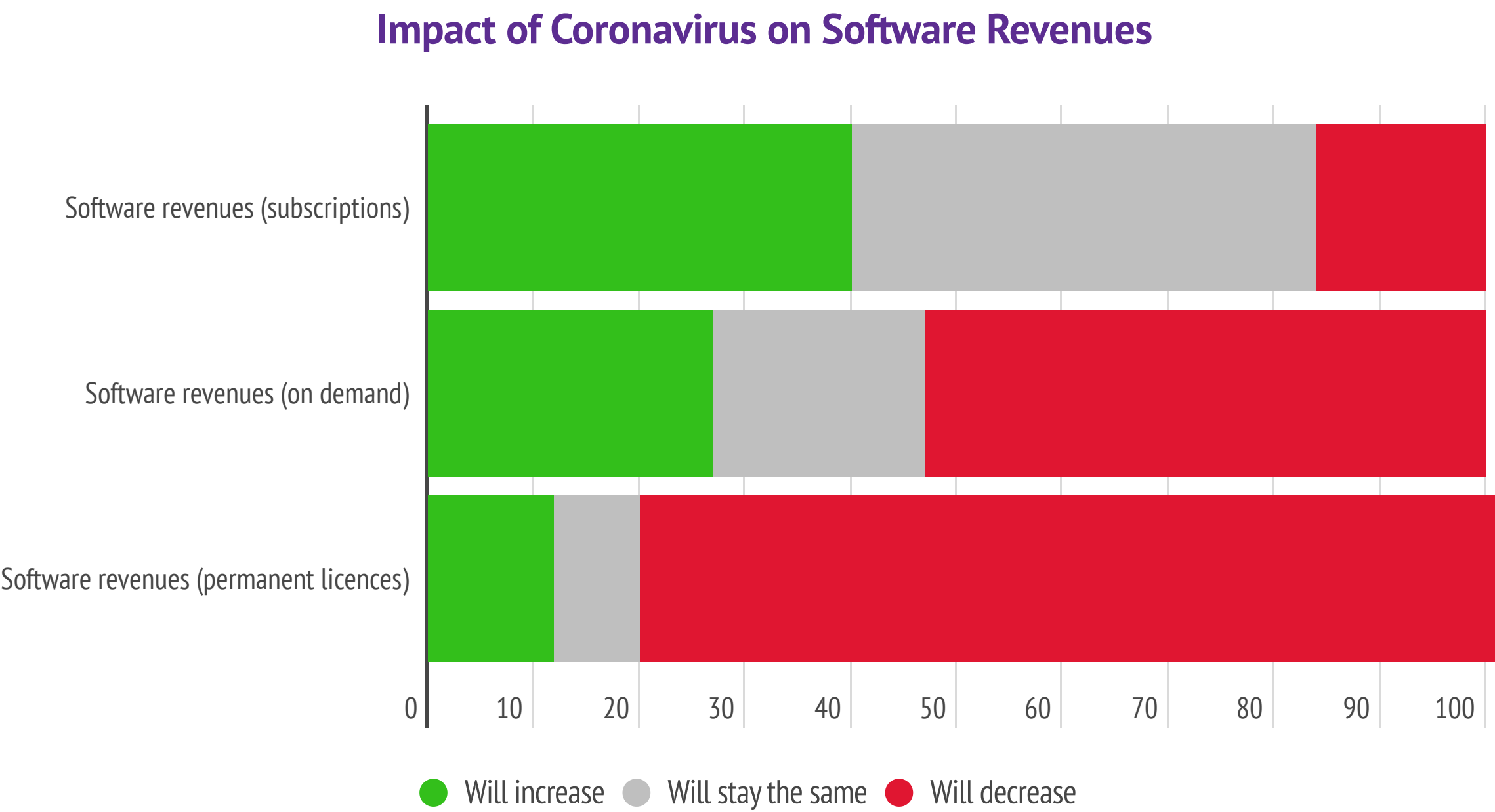
42%

Average % Decrease in revenues for companies predicting a fall in revenues

# Business Impact

## Software & Service Revenues

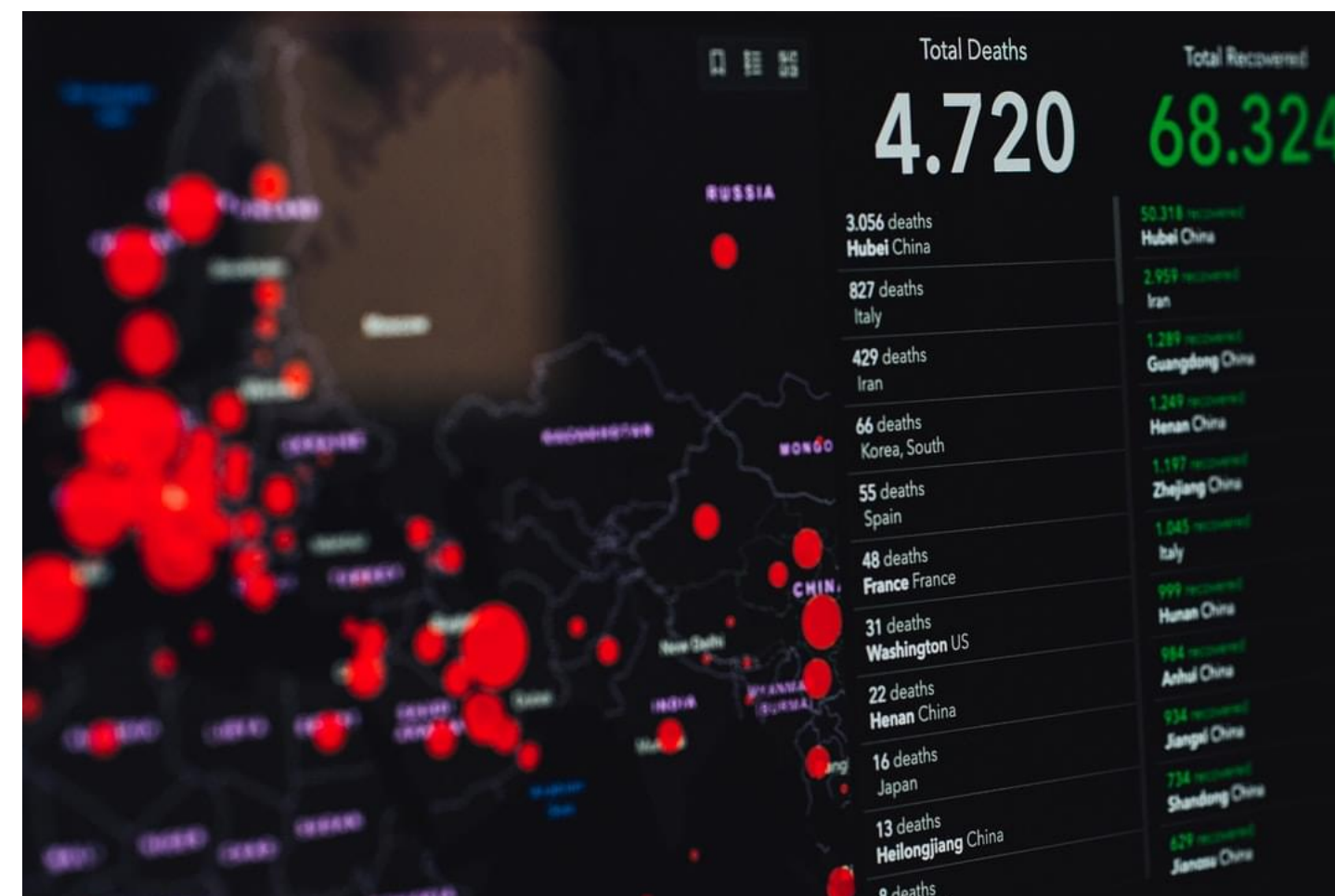
Service revenues also offer a mixed picture that resembles the situation of on-demand software revenues. Service revenues linked to live production will suffer greatly from this crisis but, as highlighted earlier, those linked to optimizing streaming consumption such as CDNs will arguably see soaring demand.



# Business Impact

## The Impact of Government Intervention

We can expect governments around the world not to remove social distancing measures until a vaccine for the virus - or an effective treatment - becomes widely available. However, governments are expected to relax some of their lockdown restrictions as the virus' spread slows. For example, Spain re-opened some non-essential business activities in mid-April after a stringent lockdown. The return to the (new) normal will be gradual, slow and country-specific. For example, sports matches may be resumed in some countries behind closed doors. There will be different phases in which specific restrictions are lifted though lockdown may be reinstated if new hotspots of infection are discovered.





# Technology Investment

## Business Continuity

Most "nice-to-have" projects are being halted or slowed down to prioritize technologies that allow remote working and remote production of content. Some broadcast and media organizations may be forced to take a more digital approach to cope with the increased risk of physical contact. We have often highlighted how media technology buyers have been inclined to take a “wait-and-see” approach when investing in new technologies such as cloud and remote production. In some sectors, there has been some aversion to the risk of investing in new technologies due to their potential impact on current operations. Risk preferences are shifting radically as a result of this external shock. Our Tracker certainly underlines this, highlighting increased investment in virtualization and remote production. Most buyers have told us that, post-pandemic, they can't imagine things going back to the way they were before. Therefore, the need for business continuity will certainly accelerate established technology transitions that were already underway at media companies.

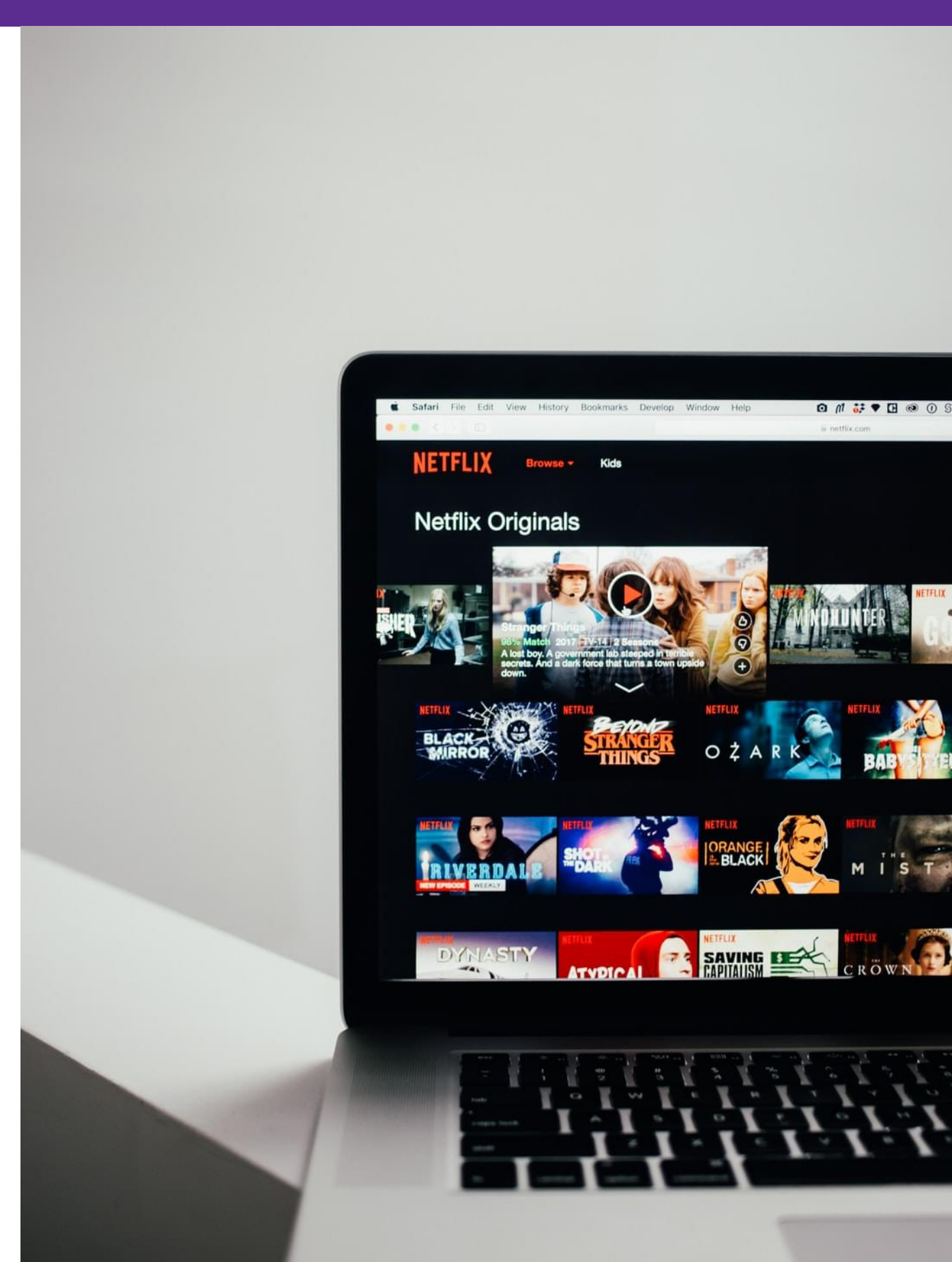




# Technology Investment

## Drivers of change

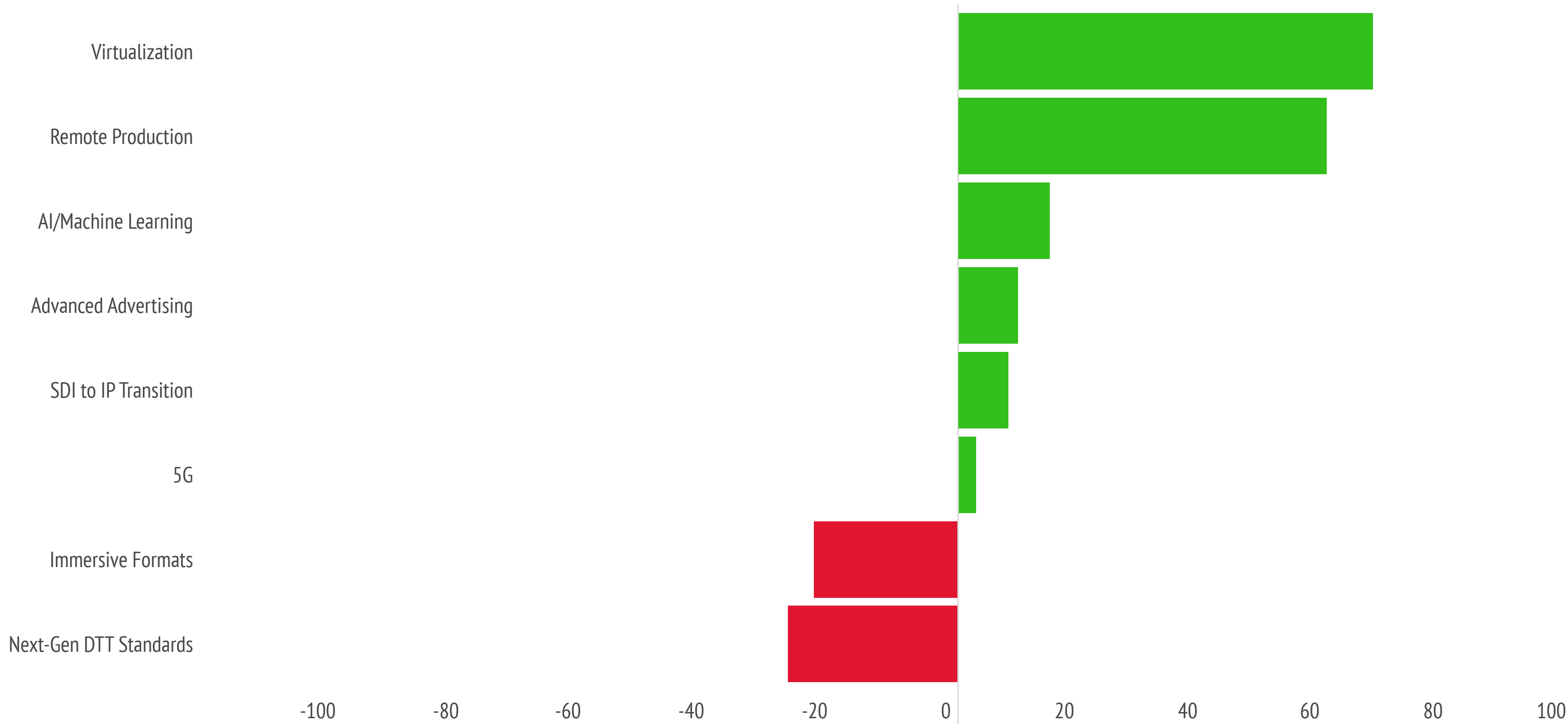
This report puts direct-to-consumer (DTC) at the center of the digital transformation going on at media companies. DTC projects are not slowing down as a result of the Coronavirus crisis as they represent the long-term focus of media companies. Other things may well slow down due to a complete re-evaluation of priorities or due to necessity. If we look at drivers of change discussed in this report, the Coronavirus crisis should accelerate digital speed and warfare - the digital transformation going on at media companies and the competition for eyeballs - while significantly slowing down the digital inflation that was driving media companies to consolidate and invest huge sums of money in programming. Coming back to DTC, the focus will be on getting content out to consumers - even replays - and optimizing the experience at a time when demand exceeds supply. This should translate into investment in more scalable and flexible technology. Consumers may also not go back to their old viewing habits as they are forced to make use of several virtual tools during their lockdown.



# Technology Investment

## Technology Trends

IABM Media Technology Impact Index



The Media Technology Impact Index ranges from -100 to 100 and relies on the % of companies saying that investment in a technology is increasing vs. decreasing



# Technology Investment

## Creative Innovation

This crisis is certainly going to spur some creative innovation - and experimentation - in terms of new programming formats and workflows as demand for entertainment rises while supply shrinks dramatically. Expect to see some creative innovation translating into shifting investment as well.

Sports buyers, for example, may leverage their archives to create new content for fan engagement, cover the holes in their schedules as well as experiment with new formats that do not rely on live production.

Technologies such as AI/ML can be certainly used to sift archives and create content packages though most buyers are telling us that creative decisions remain in the hands of editorial teams. News is already adapting to the lockdown requirements with several programs around the world gathering experts' input through consumer video technology. Even anchors, in a few cases, have started broadcasting from home. These trends may also produce some lasting changes in the industry as efficiency gains may lead buyers not to go back to the old ways of doing things.



COPA90 is an online video platform that provides football fans stories, news and content to build engagement. COPA90 and EA Sports have recently collaborated and recruited former Manchester United footballer Rio Ferdinand for a series focused on an interactive FIFA tournament between football players. More broadcasters are experimenting with "stay at home" formats to cover holes in their schedules

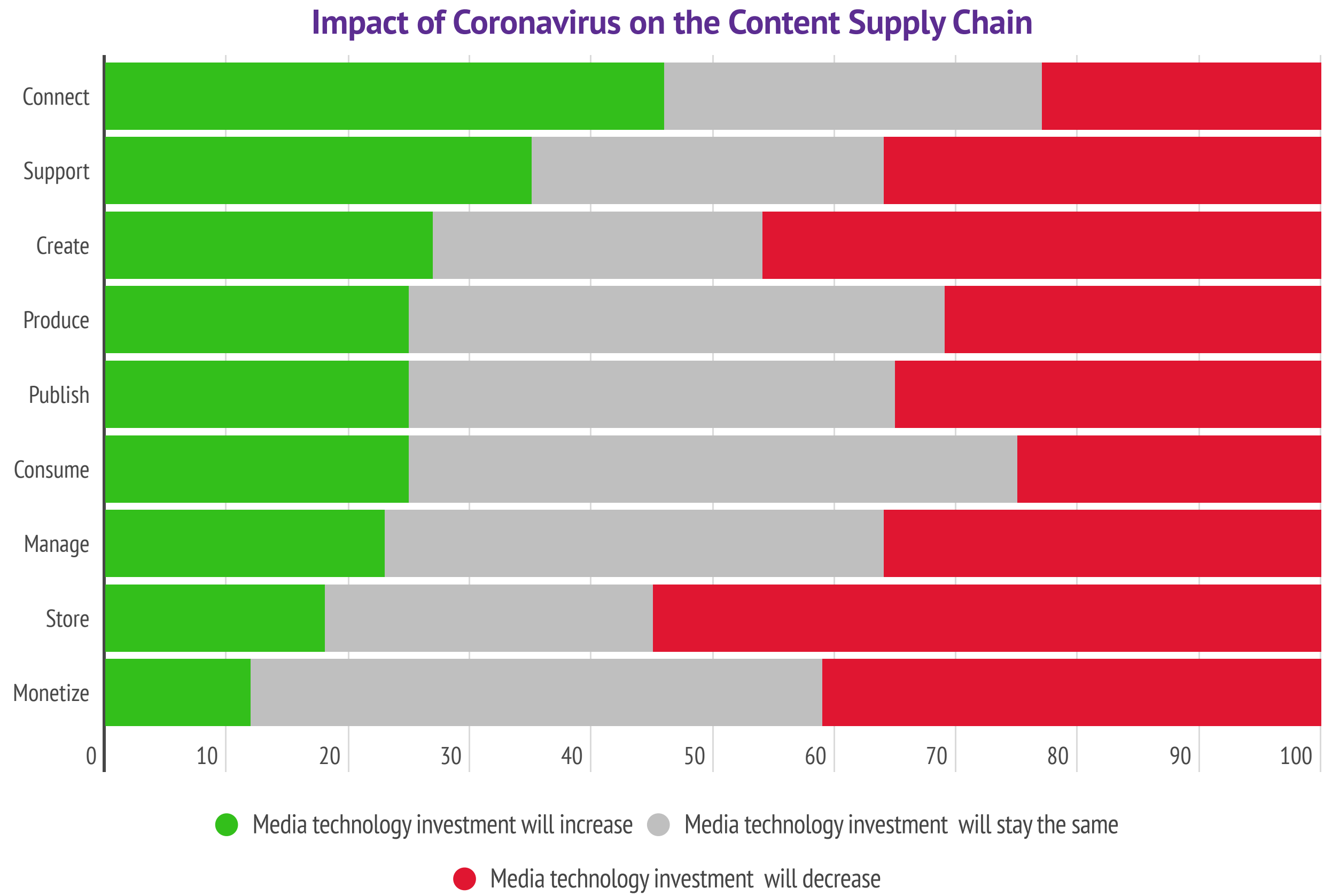
# Technology Investment

## The Content Supply Chain

The content supply chain is being significantly disrupted by the lockdowns. Media supply chains are extremely complex and financial pressure may lead some of the smaller components of the ecosystem to fall if not appropriately supported. Most buyers told us that they will support their partners and work with them through this disruption although a lot of technology users are also pivoting investment away from legacy and towards technology enabling operational flexibility. In content creation, investment has come almost to a halt as buyers prioritize other parts of the chain. Manufacturing in content creation has also suffered from this crisis with some suppliers closing down their factories. Content production is moving more quickly to the cloud, particularly for those tools that enable remote collaboration and editing. The same applies to content management, which should also benefit from buyers' strengthened inclination to leverage their content archives as productions are shut down. Content publication technology, and particularly cloud-based technology, should benefit from the surge in viewing demand. Buyers should slightly slow down their advertising projects as those revenues are hit by the crisis. More focus will be placed on consumer experiences and technologies that power them. According to IABM data, Connect is the content chain segment that stands to benefit the most from this crisis as media companies race to get their infrastructure in place to enable remote working and cope with the surge in streaming demand caused by the lockdowns. Connect is followed by Support while Store will suffer from the lower amount of content being produced.

# Technology Investment

## The Content Supply Chain



”

Right now, it's not unique to us, most content production is shut down around the globe. [We are working on restarting] things traditionally not done from home because it requires a significant amount of compute power and bandwidth to move raw encodes around. We're trying to figure out how can we get that operating out of people's houses

Dave Temkin,  
of Network and Systems Infrastructure,  
Netflix



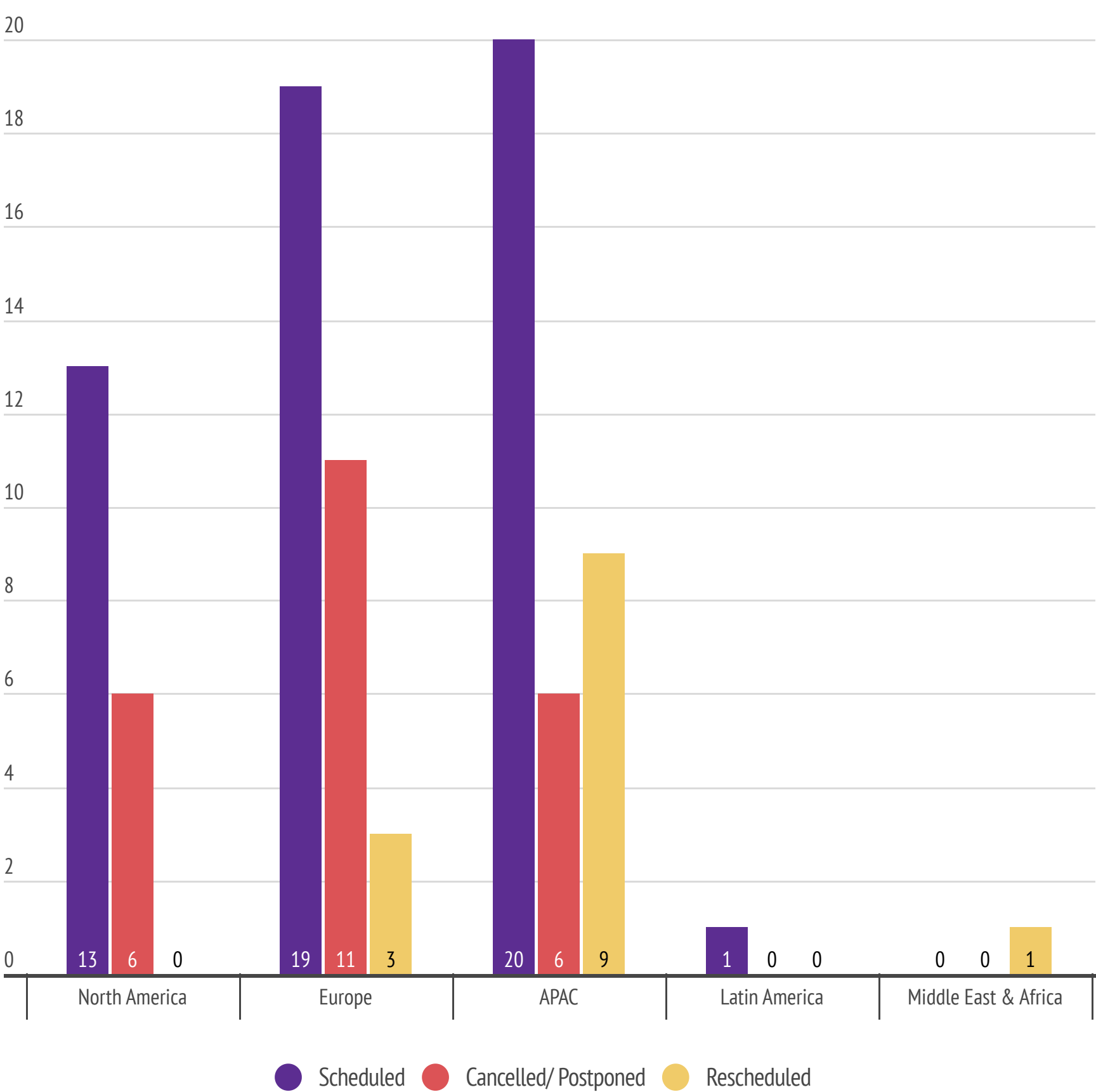
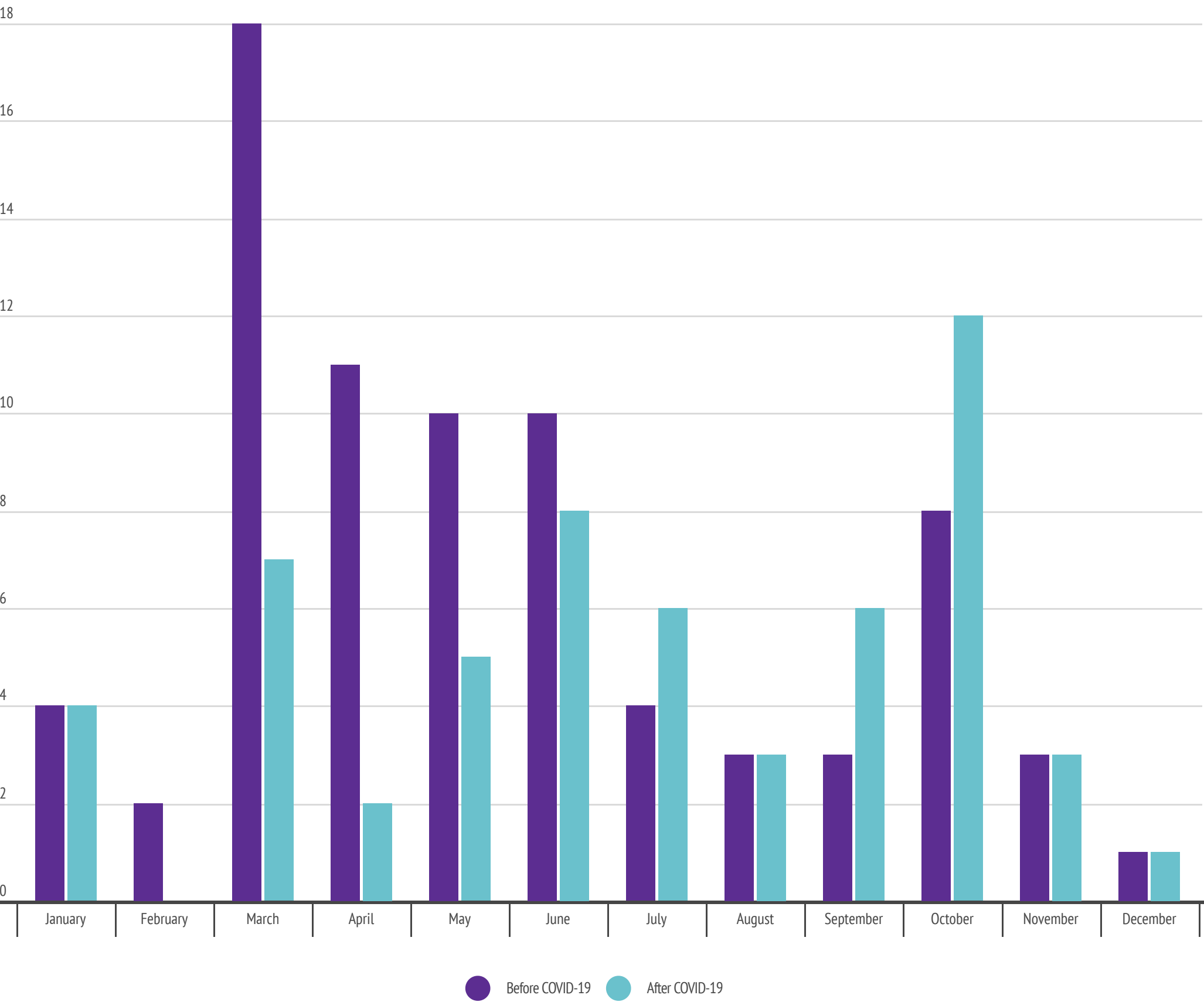
# Selling Models

## Impact on Events

Coronavirus is an extremely contagious disease that spreads easily through physical contact. As a result of this, a string of trade shows in various geographies have been cancelled to safeguard the safety of the potential participants. Everything started with Mobile World Congress (MWC), the largest exhibition in Europe – it is held in Barcelona. After a series of participants like Facebook, Amazon, Cisco and Intel pulled out, MWC decided to cancel the show planned for the end of February. In mid-March, another large and well-known exhibition - South by Southwest (SXSW) - was cancelled after the city of Austin declared a local disaster that prevented the show from happening. MipTV, an event focused on the television industry, was also cancelled at the start of March. NAB Show was cancelled on 11 March after a series of major exhibitors pulled out of the exhibition. Other events such as Cabsat, CCBN and Prolight+Sound were rescheduled or postponed. The impact of this virus on the events industry is unprecedented and huge as the number of cancelled exhibitions shows. As a further testament to this, Informa, the world's largest exhibition company, has postponed or cancelled over 120 events with more than £400m revenue impact at the time of the writing. Media technology is an international sector that has historically focused on high-value, C-level sales that are better-conducted face-to-face. Media technology trade shows are not only an extremely valuable vehicle for closing deals but also a place for discussing future technology roadmaps with customers openly, particularly at a time when technology is changing so rapidly and unpredictably.

# Selling Models

## Impact on Events



# Selling Models

## Going Virtual

Despite the immense impact on the events industry, people will not stop meeting other people for conducting business. The face-to-face element of interactions, particularly in an industry like media technology where high-value technology discussions are essential, will remain key. However, the whole industry needs to temporarily adapt to this moment of disruption and go virtual. Of course, it will be easier to conduct demos for software providers. For those that have the possibility to do so, it could be worth experimenting with SaaS selling models like free-trials as well - see our [Adapt for Change report](#) for more information on this. Some software suppliers like Signiant and Limecraft have already announced initiatives to enable customers to have unlimited users. We do not see virtual as a substitute for trade shows but rather as a powerful complement to them. More reliance on virtual should help suppliers have more continuous relationships with their customers as well. A more proactive digital presence by suppliers through tools like webinars and customer surveys should at least partly compensate for the lost time at events.



PRESS RELEASES

### Unlimited Media Shuttle During COVID-19 Outbreak

Mar 12, 2020

Technology suppliers offering cloud-based tools have launched initiatives to promote the use of their platforms within customer organizations. These initiatives include unlimited users on subscription-based tools - see press release by Signiant above - as well as free trials



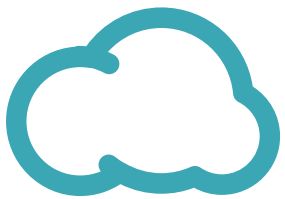
# The Impact of Coronavirus

## IABM Activities



### Business Impact

IABM has launched a page dedicated to [business continuity resources](#) to help the industry navigate through this difficult period



### Technology Investment

IABM has launched a [Coronavirus Impact Tracker](#) to understand the effects of this crisis on media technology investment and provide the industry with actionable information on sector-specific trends



### Selling Models

IABM has launched a [Coronavirus page](#) to keep the industry updated with the recent developments in the events calendar. Also, IABM has launched a [Virtual Platform](#) to enable members to reach their customers and prospects virtually