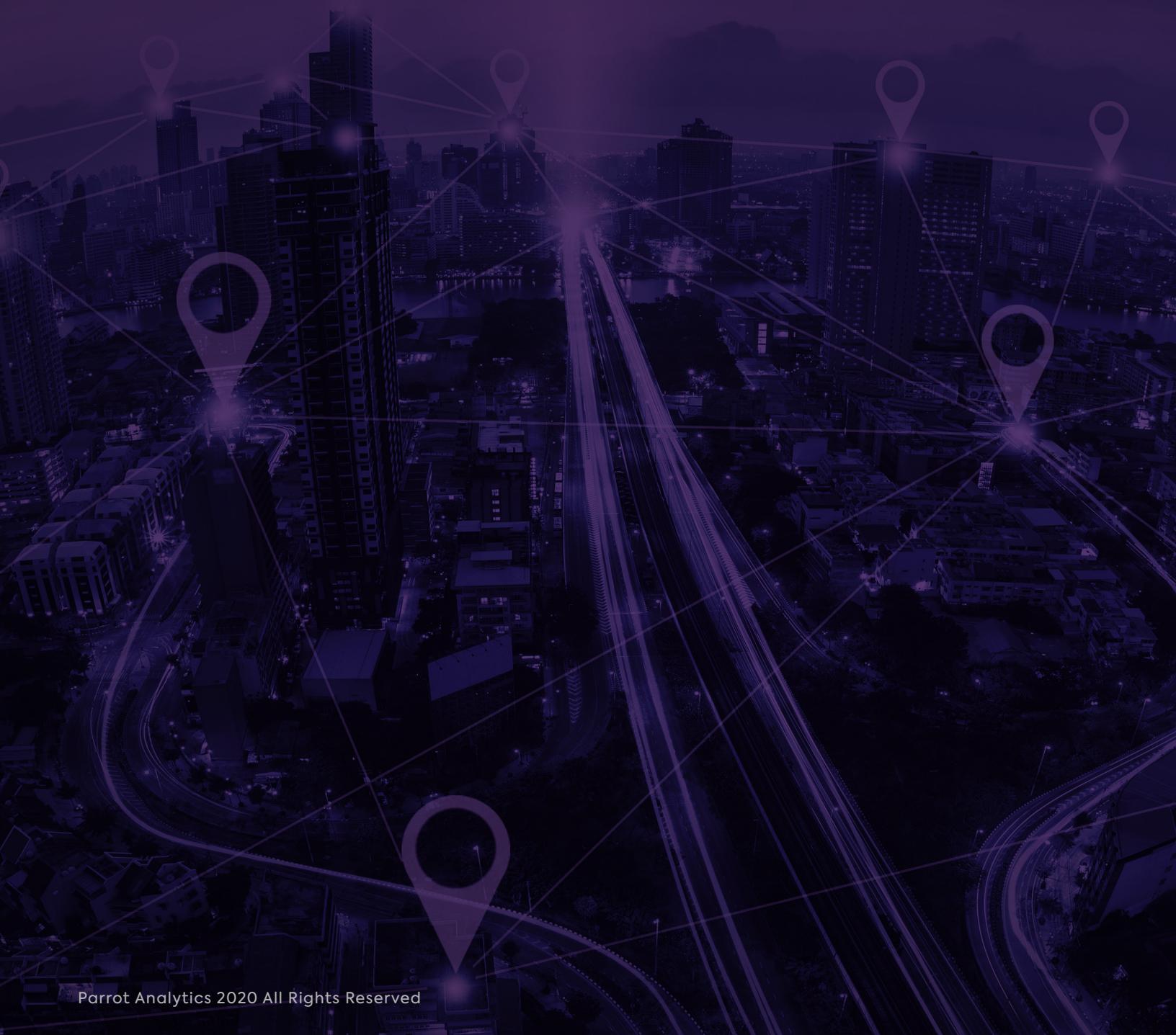




# NAVIGATING COVID-19 **SPECIAL REPORT**

*Practical Solutions for Thriving*



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# Executive Summary

## Purpose

Today, billions of people around the world are in lockdown, increasingly sharing, commenting, streaming, and researching TV shows. This report provides a glimpse into the largest dataset of global TV audience behaviors as well as roadmaps for thriving during and beyond the pandemic for OTTs, broadcasters, distributors, producers, and marketers.

## Introduction

We, at Parrot Analytics, acknowledge the undeniable uncertainty and complex challenges facing us all, and feel compelled to step up to pursue our mission of unlocking the magic of content in order to sustain the global TV industry. Thus in this special report we are opening a conversation. We offer our roadmaps for navigating this crisis. And, we invite industry leaders to unite and collaborate with us in solving this unprecedented problem.

## Changing Industry Dynamics

- What are the challenges facing various segments of the TV industry?
- What qualities have created opportunity under stay-at-home measures?
- What can the industry do to thrive moving forward?

## COVID-19's Impact: Trends & Insights

- How have content preferences changed in-light of COVID-19?
- Which platforms have had the greatest uplift during lockdowns?

## Industry Predicaments & Solutions

In these sections, we provide our data-driven roadmaps for various segments of the TV industry.

### OTT Solutions: Sustain Subscriber Growth

- Should a platform adjust titles' release schedules?
- Which titles should be acquired to drive subscriber acquisition and/or retention?

### Broadcaster Solutions: Fill Programming Holes

- Should holes in schedules be filled with reruns of the missing content or replaced with different content?
- How to prioritize replacement content options?

### Distributor Solutions: Leverage Libraries

- How to prioritize titles and markets given shifting demand for content?
- How to identify the optimal platforms to which to sell content?

### Producer Solutions: Adapt to Audience Needs

- How to prioritize and potentially adjust content to meet audiences' needs during lockdowns and beyond?
- How to surface new formats that will be key during and after the production shutdowns?

### Marketer Solutions: Activate Audiences

- How to reallocate budgets to most effectively reach audiences?
- How to locate key audiences and taste clusters?

# Changing Industry Dynamics

**COVID-19 is a global pandemic that has affected everyone in the TV industry, but it has not affected everyone equally.**

The global lockdowns, forcing everyone to be home, have led to increased content consumption (viewership, ratings, etc.). Yet, this increased consumption has been accompanied by the unique challenges of satisfying audiences while production of key tentpoles has been halted and delayed. Broadcasters and cable (Pay-TV) have additional hurdles compared to OTTs. They must also cope with reduced ad revenue within the industry, making their ability to optimize their airing schedules and to fill content gaps even more crucial. Nonetheless, OTTs and Broadcasters alike are looking to solve their challenges by acquiring and producing virus-proof content.

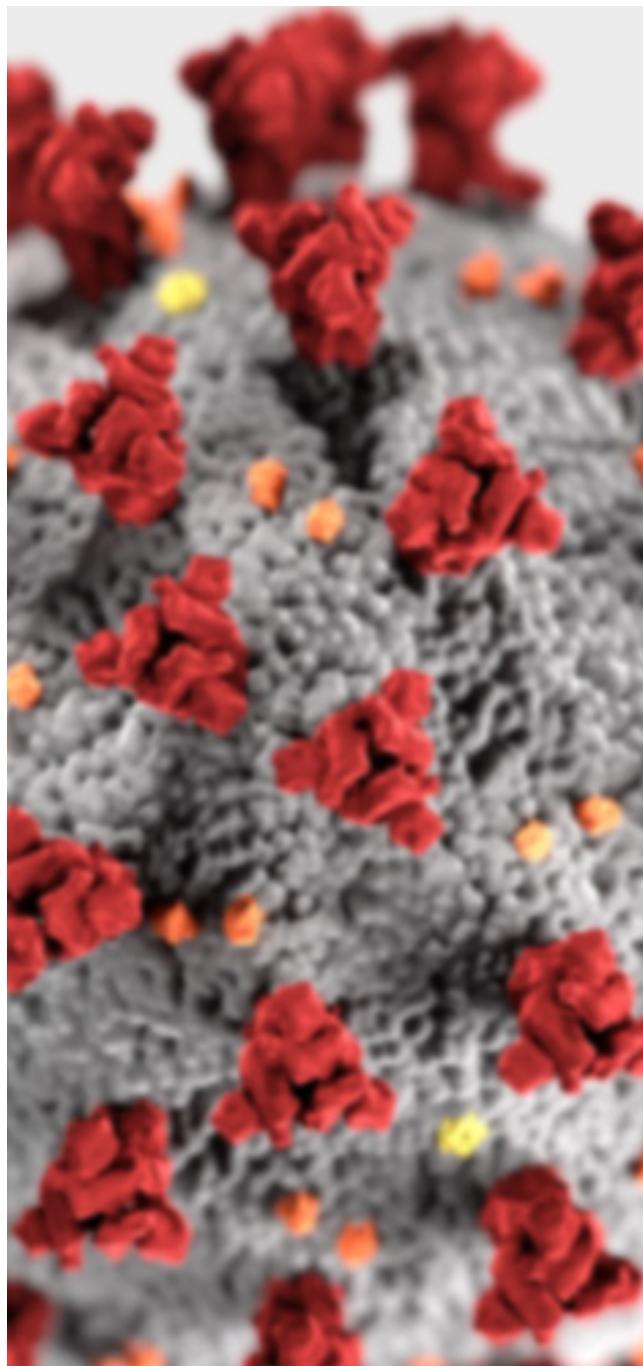
Meanwhile, distributors have an opportunity to revisit and leverage their reserve of content. They can offer unique packages of titles that will allow platforms and channels to retain their viewers and subscribers. Producers are challenged with finding innovative ideas and formats as well as adapting existing ideas to new restrictions placed during and post-lockdown. Simultaneously marketers are left searching for fragmented and dispersed audiences, recalculating and holding on allocating budget.

The pandemic has by all metrics caused upheavals in the attention economy, altering the course of many companies including media titans. Amidst all of the uncertainty and chaos, we look to evidence across billions of data points to validate strategies that reduce risk and deliver growth.

## Immediate Consequences vs. Aftermath

Audience behaviors during lockdown are likely to differ from those in the future when intervention measures are relaxed.

In the immediate future, OTTs benefit from the first-rate talent and IP they have assembled in pursuit of victory within the “Streaming Wars”. Under stay-at-home orders, OTTs are gaining subscribers due to consumers heightened perceived value of their catalog offerings. Matthew Ball has keenly highlighted what [our data validates](#), COVID-19 has



# Changing Industry Dynamics

plummeted what was a skyrocketing cost of customer acquisition. This is exciting for platforms launching mid-pandemic such as Quibi, HBOMax, and Peacock. Yet, as time stretches on, OTTs may lose subscribers whose free trials end or who churn due to the recession. After the lockdown, the demand for content may be even more important as out-of-home activities will pose greater competition.

In the short-term, Pay TV has similarly seen an uplift in viewership and ratings. Yet, as industry analyst Rich Greenfield points out, [this bump has been underwhelming](#). Greenfield is not alone; many analysts expect networks to feel more repercussions due to their losses of advertising, their reliance on live TV, and their [battle for a digitally oriented key audience](#): those [between 18-24](#). When consumers are faced with hard choices, COVID-19's impact long-term may accelerate cord-cutting, contributing to Pay TV's decline. However, broadcasters can avoid this by capitalizing on audiences who are tuning in now.

Distributors and producers of content are simultaneously seeing opportunities and challenges. **Michael Iskas, Global President at Storylab, a producer and distributor of content** summarizes this,

**“The major production setbacks caused by the pandemic will not only increase the value of finished program catalogs, but will undoubtedly trigger the creation of a new, virus-proof, genres and innovative formats where digital and physical reality get blurred.”**

To his point, format innovation is essential not only during the shutdowns, but also in the aftermath.

## What qualities have created opportunity under stay-at-home measures?

There are a few characteristics of SVODs that have been advantageous during the lockdowns.

- **Size of Catalog** – The lockdown conditions have temporarily increased the value of all content, making it easier to reach the threshold of demand needed to acquire a customer. Thus, the larger the catalog the greater the likelihood of customer acquisition at the moment.
- **Supply of Originals** – As stay-at-home orders continue, boredom and loneliness is on the horizon for many consumers. This makes original content that connects people more important than ever.
- **Flexible Viewing** – With families, roommates, and others forced to share living spaces, SVOD content availability on multiple screens is an advantage. The flexibility to watch on TVs, laptops, and phones allows consumers to watch their preferred content wherever they want and with whomever they want.
- **Ad Free** – Declining revenue from advertising poses a unique challenge at the moment; many companies have cut their marketing teams, frozen budgets, and are limited in ad-production capabilities. Thus, SVOD's diminished reliance on ad-revenue is beneficial.

Consider Netflix, its large catalog, supply of diverse original content, flexible availability and lack of ad-reliance [allow it to thrive in this moment](#). The crisis has also temporarily reverted Netflix to an earlier phase in OTT [life-cycles](#), in which total demand for content dictates subscriber growth and retention.

## Changing Industry Dynamics

Netflix is not alone, Disney+ also exhibits similar qualities. Although it has a limited supply of originals, its flexible access, ad-free platform, and large catalog of premium children's and family-friendly IP support its ability to thrive. Amazon Prime Video and Hulu are also well positioned with large catalogs, many originals, and flexible viewership.

For Pay-TV, channels with large catalogs of family-friendly content, such as Discovery and Disney, are fulfilling increased demand from kids who are home due to school closures. Other broadcasters which are experiencing holes in programming are employing repeats or flashbacks of favorite episodes, searching for foreign acquisitions, and considering moving exclusive content from their OTT platforms back onto linear.

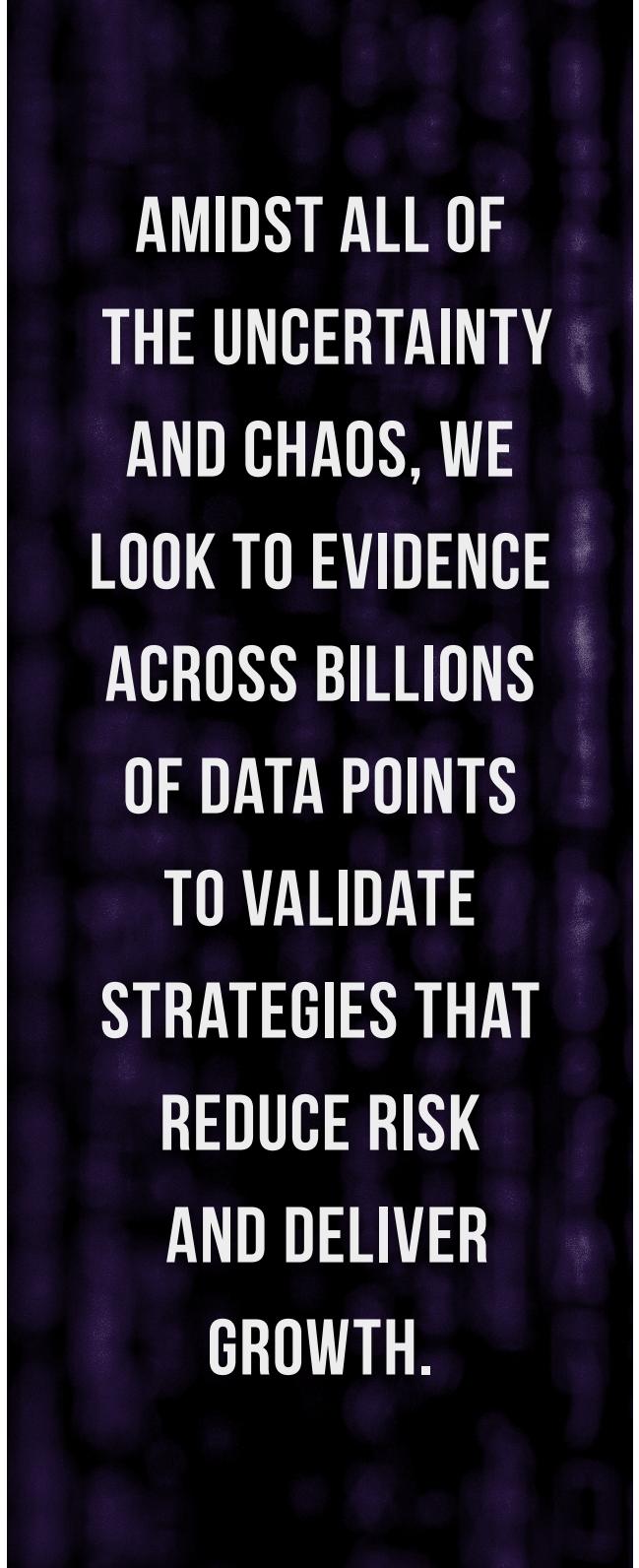
The key for producers and distributors is therefore to capitalize on this need for a larger catalog and greater supply of originals. They can solve the pains of an aching industry with innovative content that fulfills and attracts the audiences that platforms, networks, and marketers are seeking to find.

### **What can the industry do to thrive moving forward?**

In the midst of uncertainty, data allows decision-makers to be agile.

COVID-19's effects on the global TV industry have likely just begun to unfold. As new consequences emerge, the industry will need to adapt swiftly by combining the art of storytelling with the science of human behavior.

**Read on to discover insights into the current impacts of COVID-19, as well as our data-driven roadmaps to a thriving TV industry.**



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# Key Takeaways

## From the COVID-19 Special Report

- 1 **New challenges** come with new opportunities. Our data allows executives to be agile in finding and adapting to these changes.
- 2 **Audience** content preferences have shifted due to COVID-19, these include a desire for original content, especially content that fills holes left by cancellations or delays.
- 3 **OTTs** have an opportunity for growth due to increased streaming volume, but in order to prevent churn they must optimize their release schedules and content acquisitions.
- 4 **Broadcasters** are challenged with holes in programming schedules, but can adapt by reinvigorating fandoms and finding replacement titles that will attract target audiences.
- 5 **Distributors** should optimize their content packages for broadcasters and OTTs in need.
- 6 **Producers**, despite shutdowns, can be resilient by prioritizing projects that fulfill audiences' shifting demand and finding new formats to create fresh content.
- 7 **Marketers** may need to pivot their channel spends, but can find ways to maximize their audience reach and tap into emerging preferences.

# COVID-19's Impact: Trends & Insights

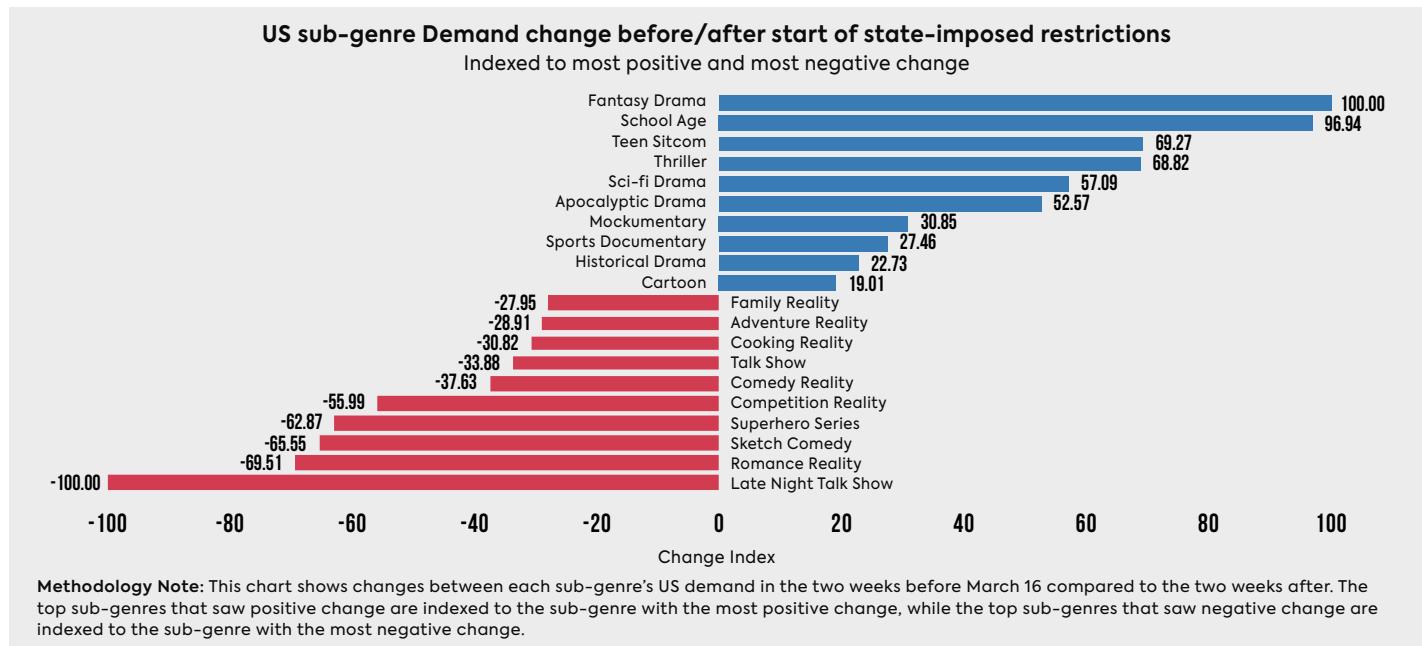
In this section, we examine the current impacts of COVID-19 on the attention economy, including changes in demand for content and platforms.



*Viewers want to be able to sit back and smile and to laugh and I think that's important to do. People get enough of the horrors of the world from the news."*

-Tom Brisley, Creative Director, Arrow Media and Co-Founder of Arrow

## How have content preferences changed in light of COVID-19?



## Content climbing in demand

- Family Content:** Families are home watching TV together, causing a climb in demand for [School Age](#), [Teen Sitcom](#), and [Cartoons](#).
- "Escapist" Dramas:** Audiences are demanding [Fantasy](#), [Historical](#), and [Sci-Fi Dramas](#) that remove them from the here-and-now.
- Darker Draws:** Audiences are also embracing the chaos and stress via [Apocalyptic Dramas](#) and [Thrillers](#).
- Familiar Favorites:** Audiences are taking the opportunity to binge their favorite [older multi-season series](#) with [lots of episodes](#) during the lockdowns.

## Content declining in demand

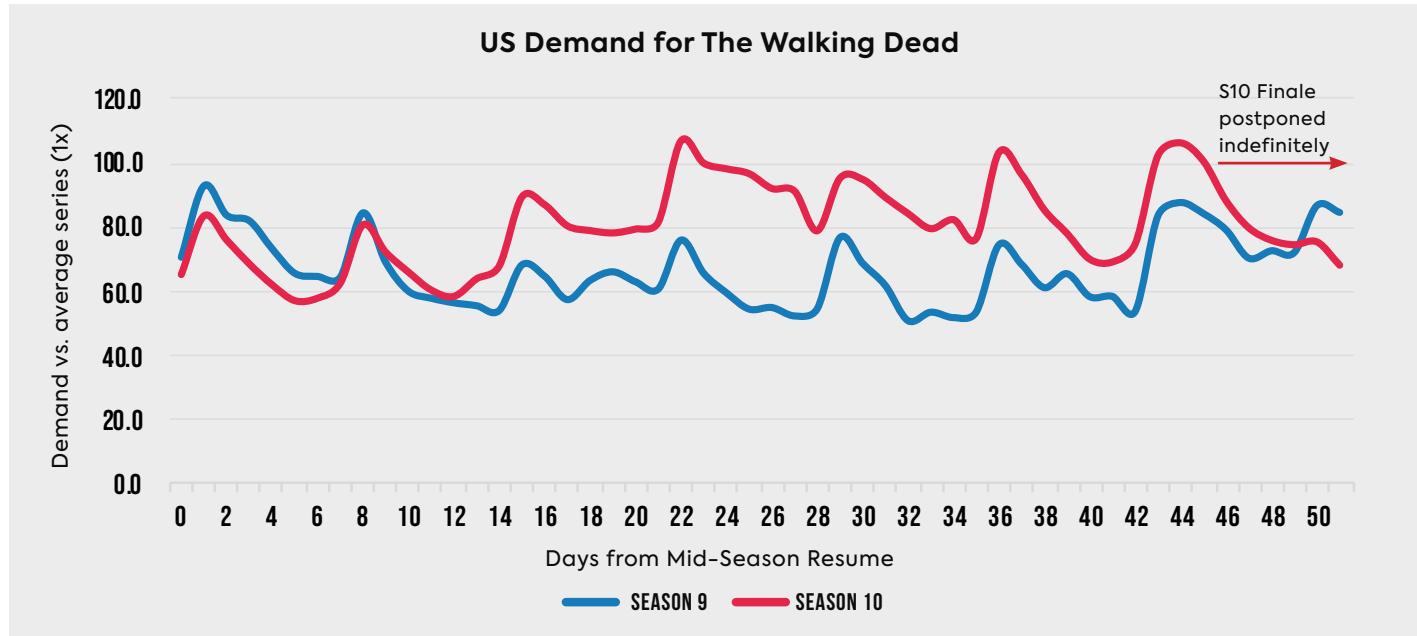
- Impacted Productions:** [Talk Shows](#), [Late Night Talk Shows](#), [Sketch Comedy](#), and [Superhero Series](#) see declines due to disrupted filming. [Saturday Night Live](#) and [The Flash](#), for example, had to stop releasing new episodes mid-season.
- Reality Series:** From [Romance Reality](#) to [Cooking Reality](#) to [Family Reality](#), demand for reality declines despite lacking production restrictions, perhaps due to increasing preferences for escapism.

# COVID-19's Impact:

## Trends & Insights

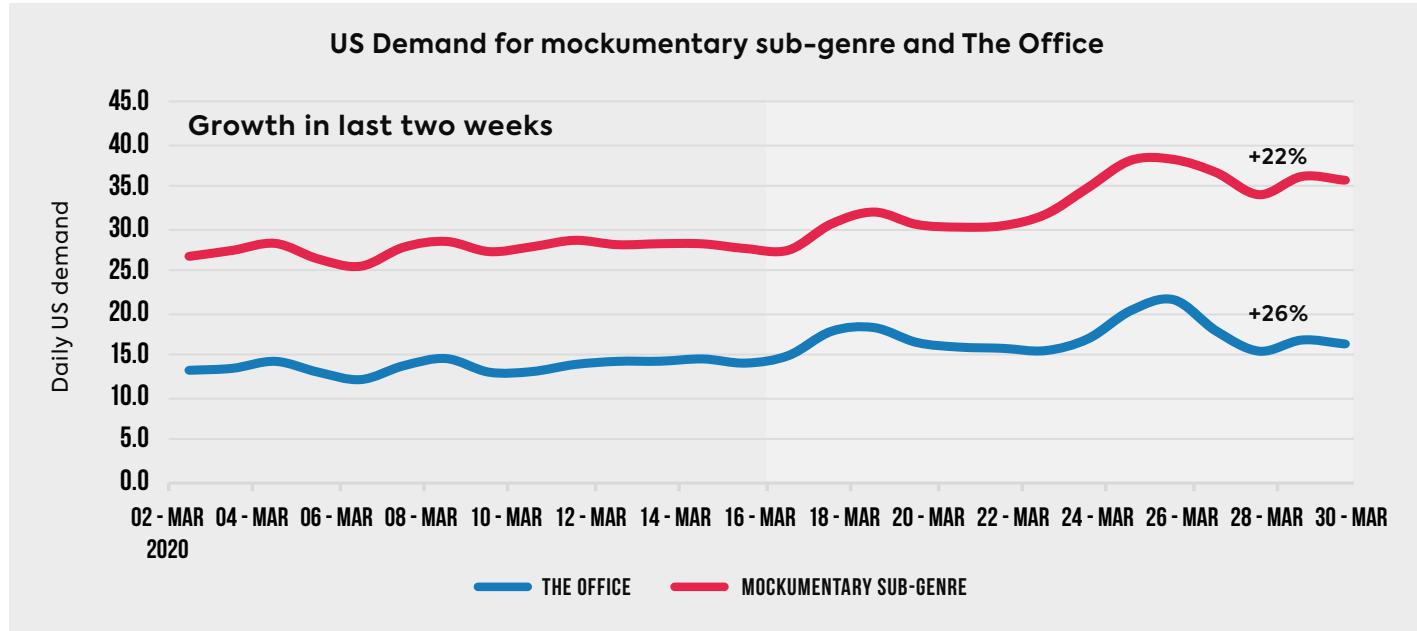
### Case Studies & Insights

#### Preferences Boost Series Success



In the chart above, comparing the current and previous seasons of *The Walking Dead*, demand for this season was last season's equivalent 12 days after mid-season premiere. From this point, the season saw elevated demand until the finale episode was postponed due to production delays.

#### Fans Flock to Familiar Favorites



*The Office* saw a 26% bump in demand during March and drove the entire mockumentary sub-genre higher. People are using this time at home to rewatch old favorites or catch up on old classics they never had time for previously. This example shows the value of a large and bingeable library of episodes that provide audiences with hours of content.

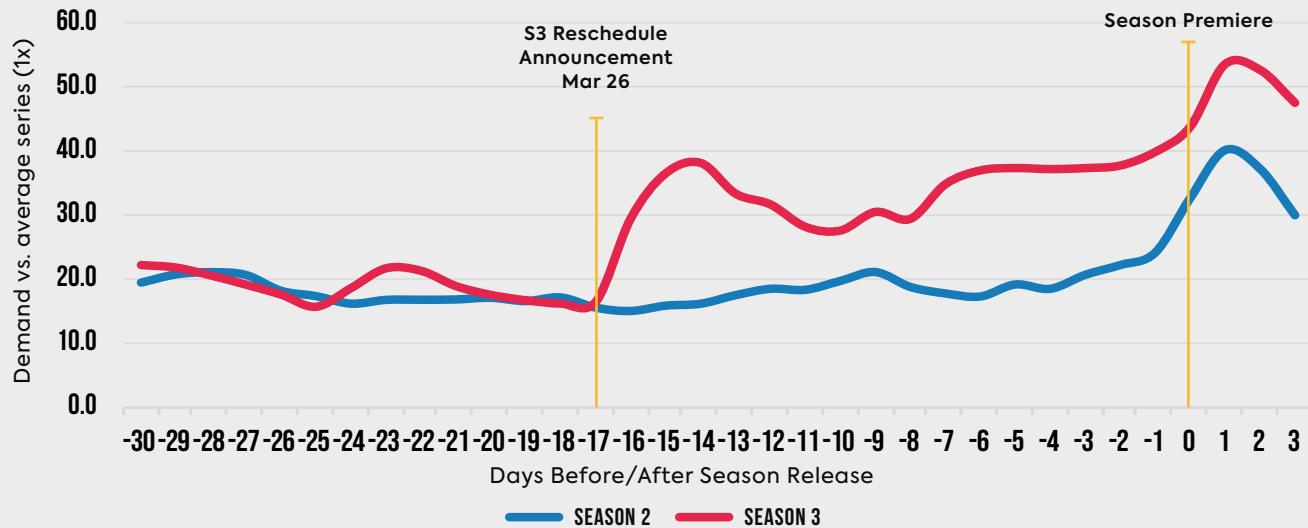
# COVID-19's Impact:

## Trends & Insights

### Case Studies & Insights

#### Act Early, Feed Hungry Audiences

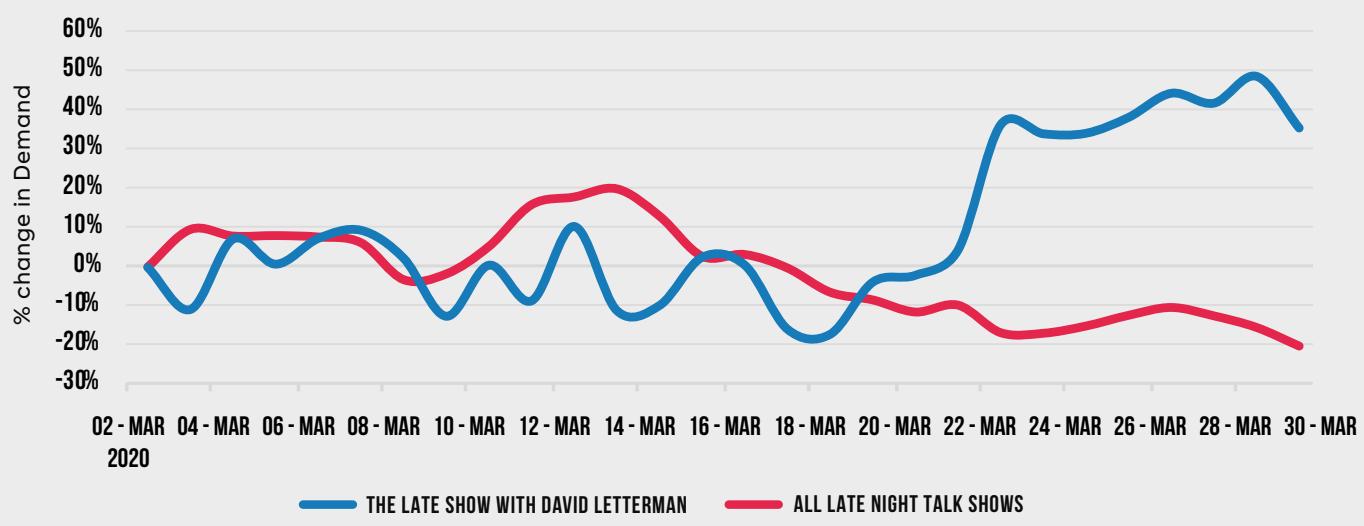
UK Demand for *Killing Eve* pre-season premiere



*Killing Eve*'s demand in the lead up to the season 3 premiere paralleled that of season 2 until the announcement that the release would be brought forward in response to the COVID-19 crisis. Releasing a new series or season can benefit from current increased interest from audiences hungry for new content.

#### Replacements Work Well

US Demand for late night talk shows in the US indexed to March 2, 2020



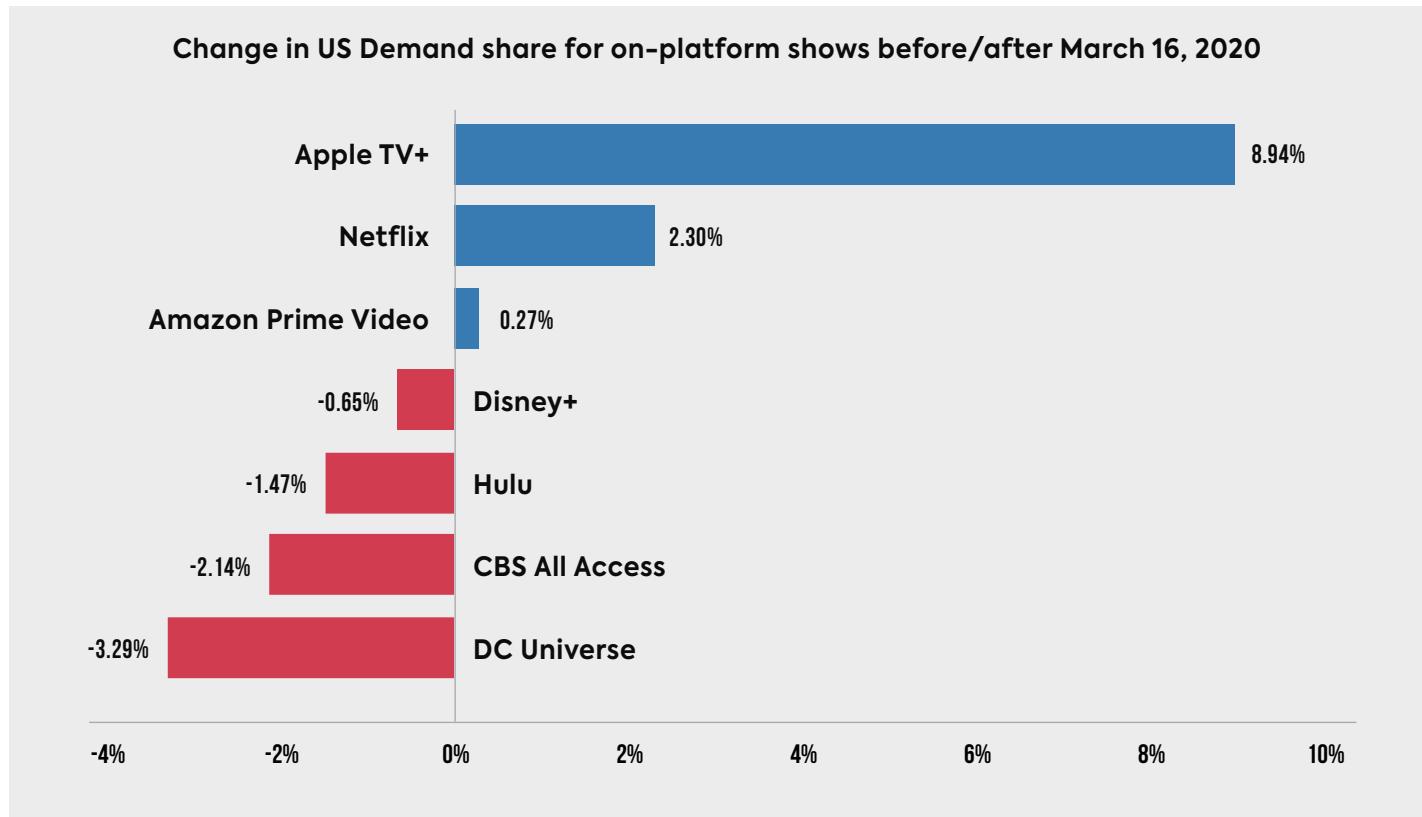
Despite not airing new episodes since 2015, demand for *The Late Show with David Letterman* is up 40%, in stark contrast to the rest of the late night talk show sub-genre. There is a clear advantage to legacy content in that production cannot be disrupted. Audiences are willing to view older series to fill the gap left by production restrictions.

# COVID-19's Impact:

## Trends & Insights

### Which platforms have had the greatest uplift during the lockdowns?

As SVODs seem poised to gain from the lockdowns, we examined how demand for content on major OTT platforms has shifted.



### David and Goliath Both Win

**Netflix:** Although starting from a dominant position, the SVOD has been able to grow its demand share by 2.3% in this period at the expense of most other platforms. This is a continuation of the trend we have seen, with particularly strong growth for the platform [since the beginning of this year](#).

**Apple TV+:** This platform is a recent entrant to the market and has a smaller catalog of entirely digital original shows. Despite this it has managed to [grow its share](#) 9% in this time, without the benefit of opportunely timed releases. Its latest release in this time frame was [Amazing Stories](#), which is on a weekly release schedule.

### Lessons for other streamers looking to launch (i.e., Quibi, Peacock, HBO Max):

- Audiences want original content, and will have increased perceived value of new catalogs.
- Episodic releases help maintain audience engagement and extends the ROI on original content.

For more on release strategies, see [Release Strategies Guide to 2020 \(Ep 1 | Ep 2\)](#).

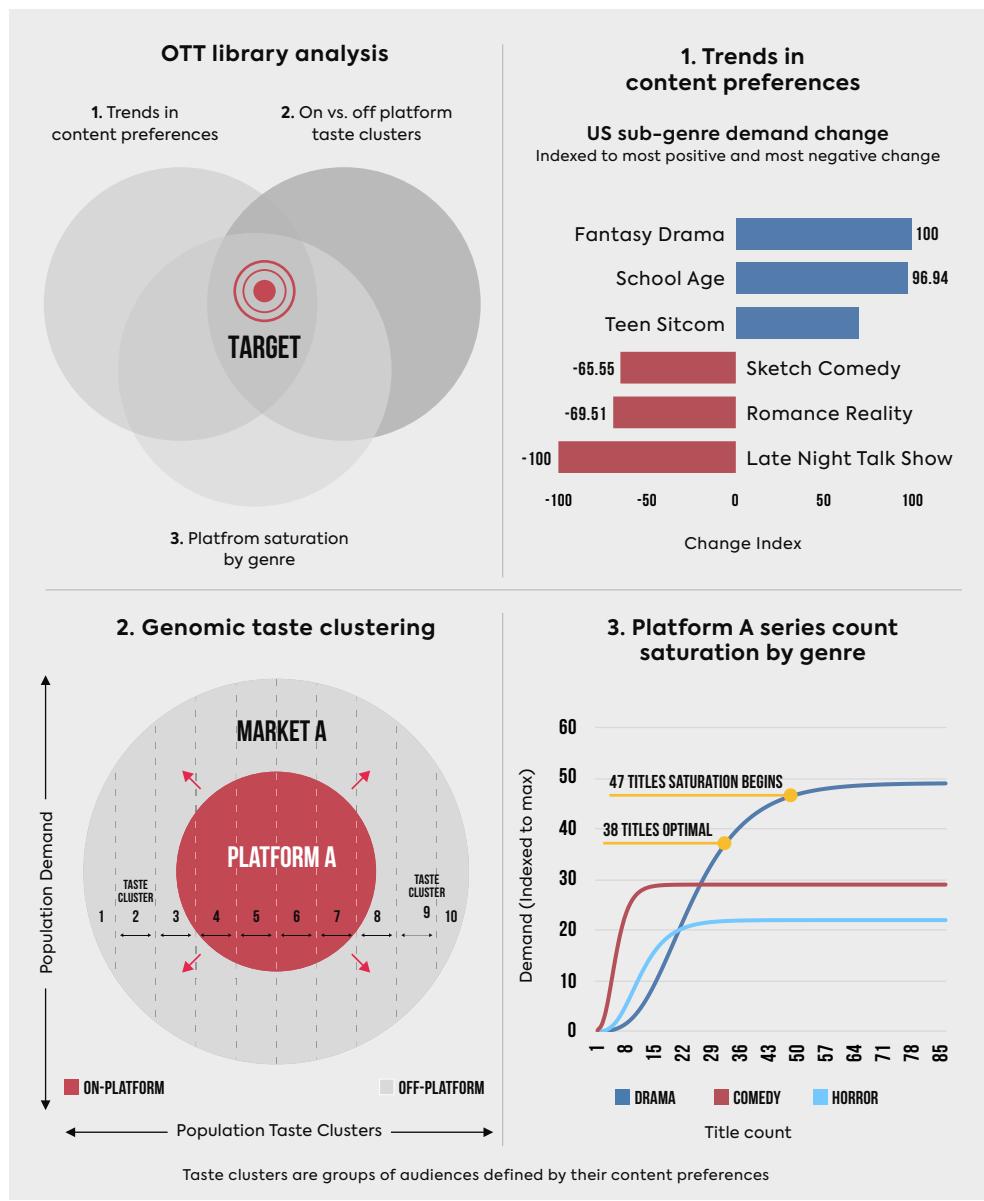
# OTT Solutions:

## Sustain Subscriber Growth

In this section, Parrot Analytics examines key considerations for OTTs evaluating their libraries. This roadmap reveals how to decide whether to adjust scheduled releases of titles, as well as how to decide which titles to license.

**"We have not changed the release dates of any titles and are continuing to launch new films and TV shows as we had scheduled to do before this horrid pandemic took hold."**

-Netflix Spokesperson



**1. Capture shifting preferences:** (#1 in Chart) - By examining trends in content preferences, OTTs can prioritize speeding up releases or acquiring titles that may appeal to audiences' shifting needs.

**2. Acquire vs. retain subscribers:** (#2 in Chart) Platforms must evaluate whether titles fulfill the preferences of existing subscribers or those yet to be acquired. Depending on an OTT's goals, they may choose to prioritize a title that targets retention or to prioritize a title that targets acquisition.

**3. Ensure audiences are satisfied, but not overloaded:** (#3 in Chart) – Saturation is another term for diminishing marginal returns. Based on past data, OTTs can derive an optimal point or a point of saturation. To ensure audiences are not overwhelmed, OTTs should evaluate if there is headroom before speeding up releases or acquiring titles. Otherwise, due to genre saturation, titles may underperform.

# Broadcaster Solutions: Fill Programming Holes

In this section, we uncover how broadcasters can decide whether reruns will best maintain viewership and if not, we reveal how to prioritize potential [replacement](#) titles.

	HIGH FANDOM	LOW FANDOM
HIGH LONGEVITY	Reruns make sense	Current show has high longevity but less devoted fans may be open to replacement. Decision on rerun or replacement will likely be cost driven
LOW LONGEVITY	Try to find new content that appeases superfans or get creative and find ways to revitalize low longevity show	Fill gap with a replacement show

Longevity measures how consistent the demand for a title has held up over time. Fandom measures how active the fans of a title are in expressing demand. A higher fandom represents a more dedicated, and possibly niche fanbase.

**“What broadcasters need now is content that can deliver quickly, but we’re almost through that. In the medium term, broadcasters will need archived or user-generated content that is easy to access and therefore easy to deliver.”**

-Tom Brisley, Creative Director, Arrow Media

## 1. To rerun or replace titles?

Evaluating a title's fandom and longevity reveals which shows are candidates for reruns versus replacements. The stronger the fandom and greater the longevity, the higher likelihood a rerun will be successful. On the other hand, if the title has lower fandom and longevity this indicates replacement is the best option.

## 2. How to find the best replacement?

Using demand as well as affinity (i.e. audience consumption history and preferences), broadcasters can find a title that best appeals to both the target audience of the replaced content as well the target audience of the channel as a whole. Finally, they can prioritize according to cost and total demand.

Leveraging demand and affinity to optimize content acquisition for title replacement

SERIES	Demand Index	Replaced Title Affinity Index	Channel Affinity Index	Demand Per Dollar	Prioritization Value
TITLE 1	100	100	51	0.75	65
TITLE 2	91	79	48	1.03	77
TITLE 3	67	81	100	1.20	97
TITLE 4	58	46	74	1.18	68

The affinity index reflects the likelihood that audiences which demand one title will also demand a second title. The higher the affinity index the higher the likelihood.

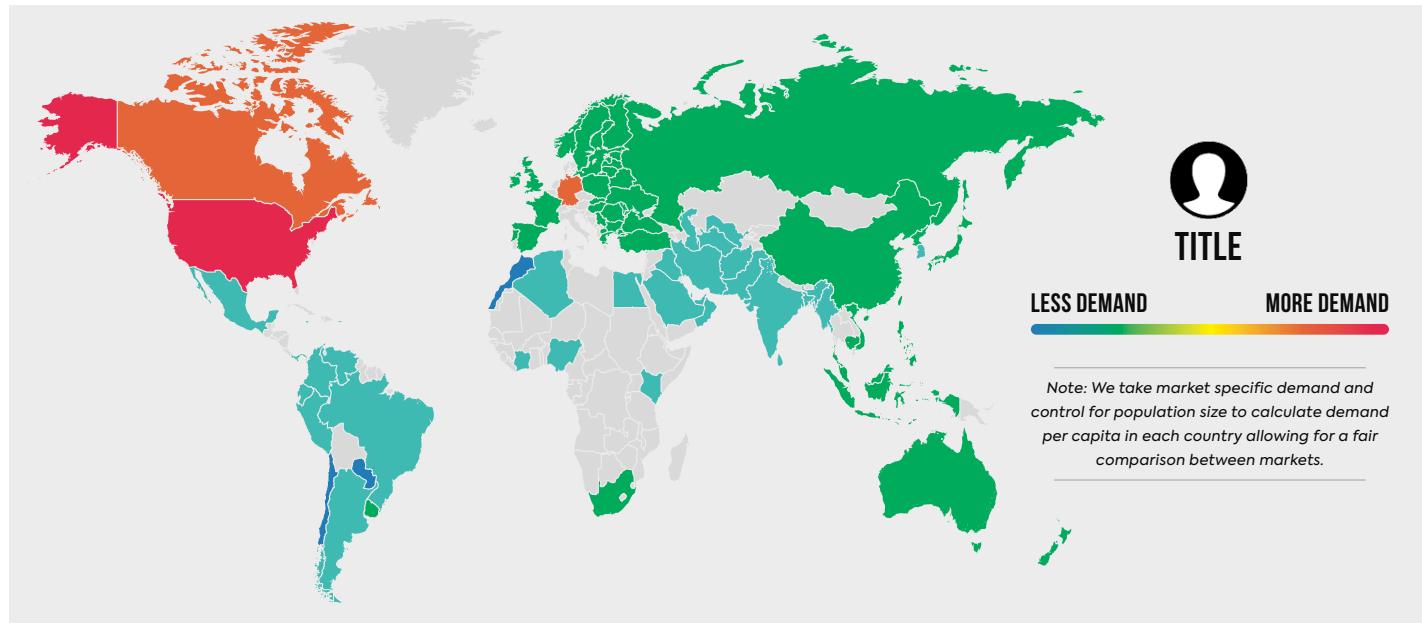
# Distributor Solutions:

## Leverage Libraries

In this section, we demonstrate how distributors can most effectively sell their content. They can first surface the value of their titles across markets and then find the best platform or channel.

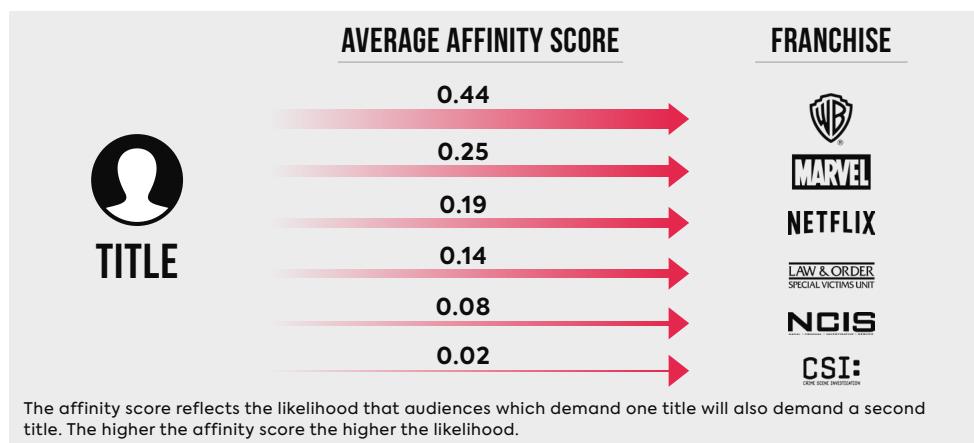
**"We're creating collections to help our buyers navigate our catalog – providing a curated way to access high volume daytime treats, for example, or primetime premium shows"**

-Emmanuelle Nameich CEO at Passion Distribution



### 1. Where in the world is my content in demand?

Platforms and broadcasters are looking internationally to acquire the content their audiences are demanding. By comparing demand for titles around the world distributors can prioritize markets for each of their titles.



### 2. Which platforms and channels should I target?

Once key markets are identified, distributors can use audience demand history to reveal which platforms or channels a title has the greatest affinity to. Thus distributors can determine the buyers that would benefit most from their titles.

# Producers Solutions:

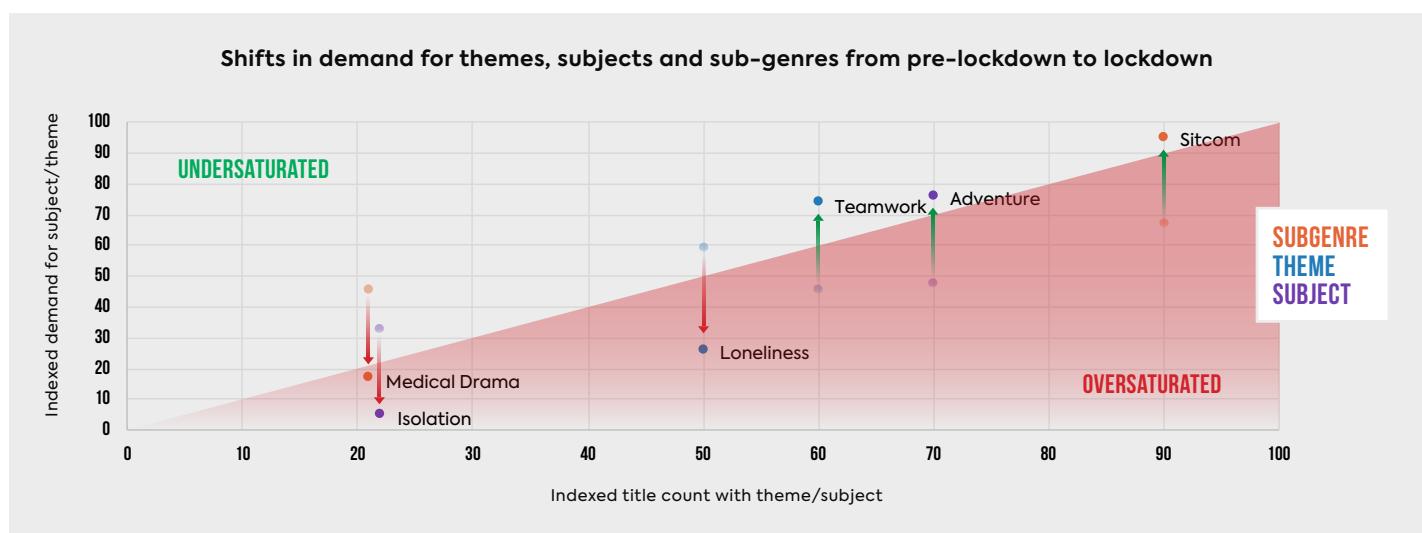
## Adapt to Audience Needs

In this section, we show how to identify audiences' shifting demand for content during the pandemic and outline how to get ahead of channel and platform needs by identifying international formats ripe for adaptation.



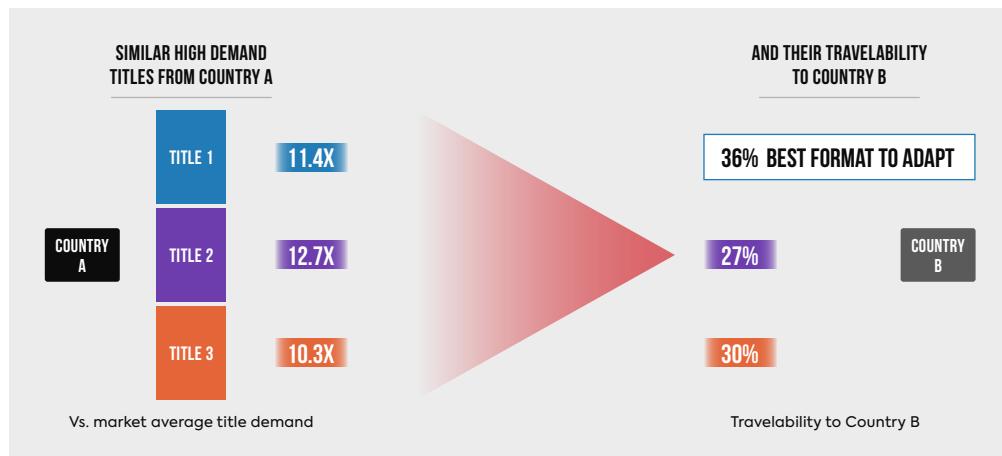
*I think it has impacted most in the same way, we can't produce content outside of our homes. We're really focusing on the development of new projects that can be produced within quarantines such as archive-based content, animations, etc."*

-Josh Wilson founder of Wilson Worldwide



### 1. Finding gaps and opportunities

Producers can prioritize titles or adjust titles in editing to emphasize undersaturated **themes, subjects, and sub-genres** within local and international markets. Once filming restarts, producers can also use these whitespaces to prioritize which productions to resume first.



### 2. Finding key formats

Producers can examine which **formats are likely to become hits** by evaluating international titles not only by local demand but also by travelability to the producer's market. Once filming can resume or if the format is producible under lockdown, producers can serve a local version creating a new audience favorite.

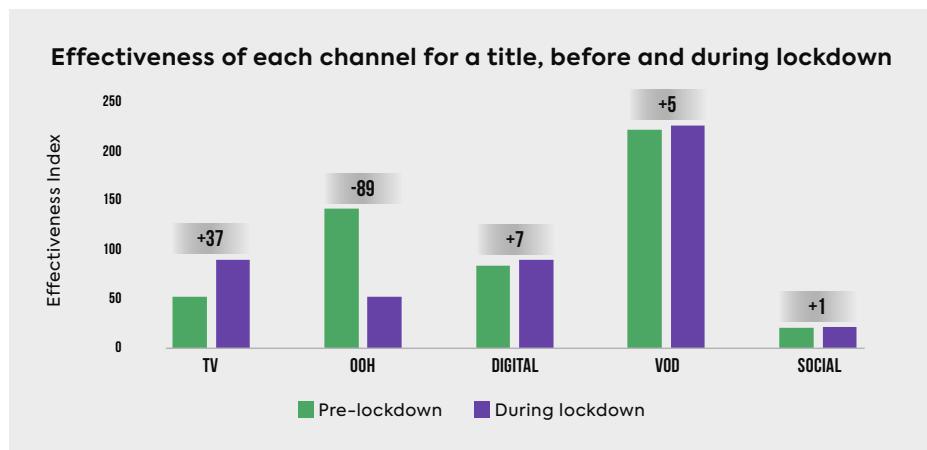
# Marketer Solutions:

## Activate Audiences

In this section, we reveal how to identify which channels will most effectively reach and activate audiences under lockdown conditions and beyond.

**“We’re not putting all of our development resources into short-term, knee-jerk reactions. We are looking at the long-term goal, focusing on bigger picture projects”**

- Tom Brisley, Creative Director, Arrow Media and Co-Founder of Arrow

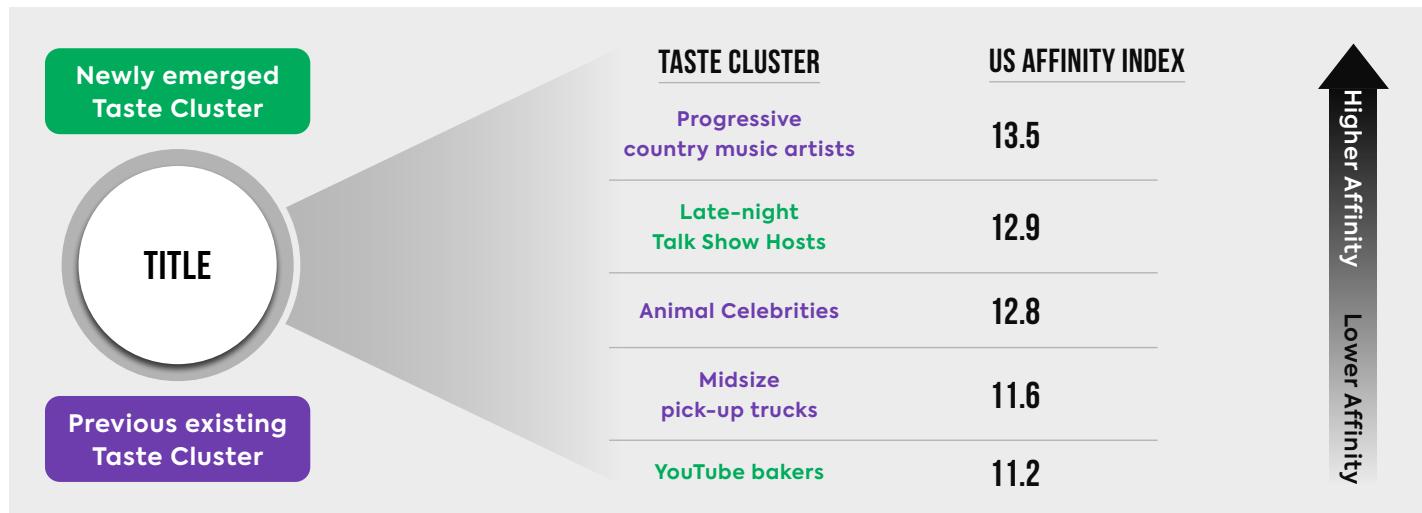


### 1. Optimal tools for reach

Marketers are faced with questions like if no-one is commuting, are Out-Of-Home (OOH) methods still effective? Is it best to focus on performance marketing? [Econometric modeling of campaigns](#) during lockdown and afterwards can reveal how each channel now impacts demand. Marketers can then optimize spend to reach the maximum audience for their budget.

### 2. Activating emerging audiences

The pandemic has created an ideal time to attract viewers via a new show. To attract the widest possible audience, marketers can tap into taste clusters, which are audience preferences for existing content and/or brands. By analyzing the existing as well as emerging taste clusters, marketers can apply consumer behavior to prioritize the [best audiences to reach](#).





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