Ready for prime time

AI outlook in media and entertainment

Introduction

The media and entertainment (M&E) industry has been an early adopter of technology, from personalised algorithms serving up the best content to immersive media formats. AI is now helping optimise production costs and unleash a more meritocratic 'creator economy'. But it will also challenge the industry to grapple with strategic and tactical questions on areas including intellectual property (IP), human creativity and authenticity.

An Economist Impact survey, commissioned by Databricks, polled 715 technical executives and 385 data and AI technologists with titles such as data scientists, data engineers and enterprise architects. The survey included 125 respondents representing M&E.

We found:

- **Eight in ten are optimistic that generative AI (GenAI) will become a significant value driver for their business within two years, and industry respondents are the most likely to believe that their organisation cannot afford to ignore AI.**

- **Predictive analytics stands out as the top use case in the years to come.**

- **GenAI is not yet used or piloted as extensively across business lines as in other sectors, but respondents plan to ramp up its expansion significantly in the next three years.**

- **Looking ahead, a key step for the industry will be actively experimenting to find the right balance between humans and AI.**

We'd like to thank the following executives for participating in interviews and sharing insights:

- **Sanjay Bhakta**, chief product and technology officer, **Condé Nast**

- **Gereurd Roberts**, group managing director, Seven Digital, **Seven West Media**

- **Amit Sharma**, chief technology officer, **Dream Sports**

The prelude

The entertainment sector has been an early adopter of AI and emerging technologies in general. Indeed, Nvidia, the now trillion-dollar chipmaker, originally designed its graphics processing units in the 1990s to enhance image quality in video games; their huge processing power proved well suited to AI-driven image and video processing and later came to prominence as the central hardware of the AI revolution.[1]

Disruptors like Netflix pioneered the use of data and algorithms to serve up highly engaging personalised content. Around 80% of content viewed on the platform comes from personalised recommendations,[2] which are becoming more important as consumers increasingly expect brands to understand and anticipate their needs.[3] TikTok took the art of personalisation algorithms even further, monitoring thousands of user signals—such as likes, comments, follows and time spent watching a video—to deliver a mix of content from accounts that users follow and those they have yet to discover.[4]

Today, monitoring consumer activity and engagement is becoming a revenue-generating opportunity, with advertisers harvesting insights to personalise campaigns and predict content trends.[5,6] M&E brands are using machine learning, AI and natural language processing internally to streamline tasks from image and video editing, content tagging and automated data movement, to metadata generation, character animation in TV and film, content captioning, and automated post-production workflow.[7,8,9,10]

Until now, and in common with many industries in the survey, M&E brands have been predominantly focused on internal use cases for GenAI, with less than 15% of companies moving beyond the testing phase for external use cases.

But eight in ten respondents (81%) are optimistic that GenAI will become a significant value driver for their business within two years, and the sector is the most likely in our survey to believe their organisation cannot afford to ignore AI.

Towards an inclusive culture

Democratisation stands out as a key challenge and opportunity, according to our survey. The sector has been a cautious adopter of GenAI to date, not yet using or piloting it as extensively across internal business lines as other sectors.

However, respondents plan to ramp up GenAI adoption significantly in the next three years, with more than 80% of business lines planning to use it.

1 https://www.bbc.co.uk/news/business-65675027
2 https://medium.com/@shizk/case-study-how-netflix-uses-ai-to-personalize-content-recommendations-and-improve-digital-b253d08352fd
3 https://www.emarketer.com/content/most-consumers-want-brands-personalize-their-communications
4 https://buffer.com/resources/tiktok-algorithm/
5 https://www.forbes.com/councils/forbestechcouncil/2024/05/07/ai-utilization-in-the-media-and-entertainment-world/
6 https://www.morningstar.com/news/globe-newswire/9220871/largoai-and-big-screen-entertainment-announce-strategic-partnership
7 https://www.sportsvideo.org/2024/02/15/perifery-on-harnessing-the-potential-of-ai-ml-in-media-and-entertainment-workflows/
8 https://www.symphonyai.com/resources/blog/media/3-ways-ai-reshaping-media-entertainment-industry/
9 https://vitrina.ai/blog/ai-powered-animation-techniques-in-film-production/
10 https://www.ibc.org/ibc-daily/ai-media-partners-with-dazn/10930.article

Looking ahead, a key step for the industry will be actively experimenting to find the right balance between humans and AI: just 56% of respondents agreed that their organisation is actively experimenting to find this balance, with the remainder being neutral.

For Seven West Media, one of Australia's largest media conglomerates—spanning broadcast television, radio, print and online publishing—realising the promise of GenAI hinges on democratisation. "A data and AI culture helps all parts of the business understand that we prioritise data-driven decisions, and that's what will help us gain the insights that will improve performance," says Gereurd Roberts, group managing director, Seven Digital, at Seven West Media. "[Our] priority is to train and upskill our teams and talent around GenAI, so that it becomes a process and a product that's internalised."

Welcoming input from all corners of the business helps Seven West Media experiment with use cases and build them quickly.
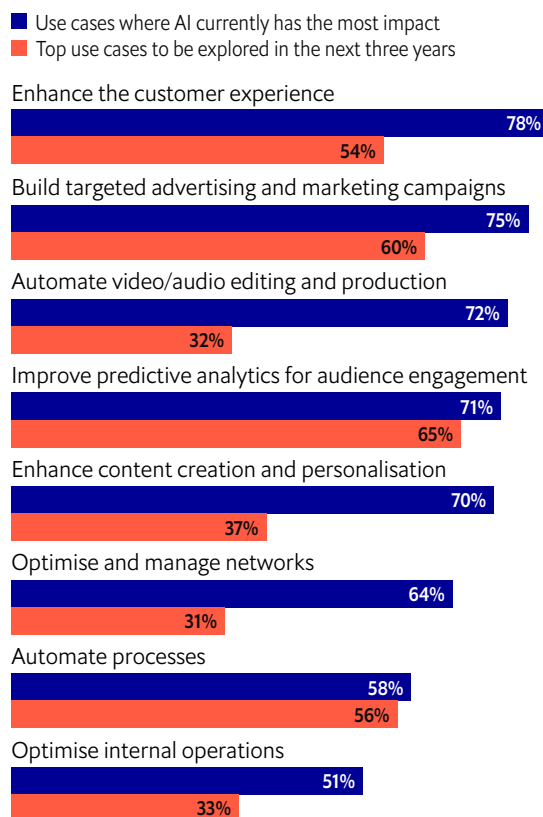
" **Everybody's got good ideas about AI.** It doesn't live within the data and growth team. If you've got an idea, we put it on paper, sit down, talk through it, and then see if we can spin that up into a prototype in two weeks to four weeks."

Gereurd Roberts, group managing director, Seven Digital, Seven West Media

Transforming audience engagement

The most impactful use cases for AI are in customer experience, our survey found, and the top exploratory use case for the coming three years—predictive analytics for audience engagement—will also focus on the experiential domain, with use cases around automation and efficiency lower down the priorities (see figure 1). This indicates a growing prioritisation of harnessing AI-driven foresight data to guide M&E investment decisions today and a continued emphasis on improving customer and audience engagement above operational optimisation.

Figure 1: Top use cases now and in the future

■ Use cases where AI currently has the most impact
■ Top use cases to be explored in the next three years

Enhance the customer experience
78%
54%

Build targeted advertising and marketing campaigns
75%
60%

Automate video/audio editing and production
72%
32%

Improve predictive analytics for audience engagement
71%
65%

Enhance content creation and personalisation
70%
37%

Optimise and manage networks
64%
31%

Automate processes
58%
56%

Optimise internal operations
51%
33%

Source: Economist Impact

Seven West Media is one company looking to AI to generate insights around audience viewing figures.

A pilot project centred on video-on-demand audiences consuming content from the 7Plus platform on connected TVs enabled the company to forecast viewing figures seven days in advance at an accuracy rate of 92% . That same capability has now been extended over a 28-day period, with the company able to ascertain, with 94% accuracy, how audiences will consume content across TV, mobile and desktop platforms.

Another project used AI to identify active and inactive users on 7Plus. AI capability, Mr Roberts says, helped the organisation understand when people start to drop off and therefore "what levers we need to pull to take them out of the dive and bring them back into a more active and engaged state." Even bringing back a portion of inactive users can have a pronounced impact. "If we can bring back 10% of high-value audiences, that has ramifications across our business, which is worth tens of millions of dollars, and it also saves us having to constantly go out and acquire new audiences."

At Condé Nast, the iconic publisher with a roster that includes *The New Yorker* and *Vanity Fair*, AI is helping internal workaday tasks such as copy editing or meeting summarisation, but it's also boosting user experience. For the Vogue 'Runway' app, which contains an extensive historical archive of images from fashion shows around the world, an AI-based model allows users to locate images related to specific designers or items of clothing.

Seven in ten respondents to our survey cite enhanced content creation as a current high-impact AI use case. For instance, AI can facilitate more sophisticated and immersive virtual and augmented reality experiences, social gaming, interactive storytelling, and enhanced TV, cinema, museum, sports and live cultural experiences, spawning new revenue streams.[11]

Advertising is emerging as a key growth area for AI, driving innovation through more creative campaigns and sophisticated advertising models. Six out of ten respondents expect to explore AI use cases in targeted advertising and marketing over the next three years.

In recent years, AI companies and media brands have explored partnership and licensing agreements, allowing entertainment companies to monetise valuable proprietary data while maintaining appropriate controls.[12] GenAI is also enabling M&E brands to tap into more of the advertising spend that has, in recent history, been dominated by tech giants.[13]

[11] https://radiotoday.co.uk/2024/02/expanding-universe-vr-ar-media-entertainment/
[12] https://www.ft.com/content/79eb89ce-cea2-4f27-9d87-e8e312c8601d?miRedirects=1
[13] https://www.bcg.com/publications/2024/genais-influence-on-future-creativity-in-marketing

Additionally, AI is helping brands lower their marketing production costs, potentially freeing up resources to increase their media spend.[14] For publishers, it is already optimising advertising workflows and enabling advertisers to adopt more dynamic pricing and distribution models, paving the way for a more efficient and effective advertising ecosystem.[15]

Predictive analytics is the top use case in the years to come, our survey found, with close linkages to marketing.

> **"Understanding on a predictive basis who's going to hit the platform and when, and [using] that to drive greater engagement is something we can take to advertisers and give them greater confidence in our ability to drive the high value audiences that they want to see at scale."**
>
> Gereurd Roberts, group managing director, Seven Digital, Seven West Media

AI will help media brands get closer to customers, a crucial differentiator in an industry where customer satisfaction is so closely tied to engagement and overall quality of experience.

> **" The future is about really understanding your customer. The apps, products and commercial offers that they'd like to see are all becoming increasingly personalised."**
>
> Sanjay Bhakta, chief product and technology officer, Condé Nast

Meanwhile, for Seven West, agile deployment is a priority. "Our business is all about speed to value," says Mr Roberts.

AI drama

The entertainment industry's embrace of AI has not been all rom-com. Copyright lawsuits and writers' strikes are among the flashpoints for an industry that sees potential threats to its operating model and most valuable ingredient: IP and human creativity. There are also ethical challenges to attend to, such as whether to use AI to generate content directly for consumers and label it as such.

Although not traditionally known as a regulated sector, M&E does show widespread concern about regulatory and compliance risk (see figure 2). Relevant considerations include the production of libellous content, copyright infringement of other companies' IP, consumer data protection and emerging regulations, such as liability for synthetic media content like non-consensual intimate imagery or political deepfakes.

Figure 2: Biggest challenges faced in scaling AI within organisations

Regulatory and compliance concerns
78%

Lack of skilled talent
60%

Data quality and integration issues
53%

Difficulty measuring the return on investment
39%

Resistance to change within the organisation
36%

Source: Economist Impact

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14 https://www.bcg.com/publications/2024/genais-influence-on-future-creativity-in-marketing
15 https://about.ads.microsoft.com/en/blog/post/april-2024/unlocking-the-power-and-potential-of-generative-ai-for-advertisers-and-publishers

"The big question on everyone's mind, especially editorial teams, is [whether certain applications of AI] are ethical," says Mr Bhakta of Condé Nast. "Is it ethical to train a large language model on Condé Nast content or anyone else's content?" With most AI models trained on publicly available data, the use of copyrighted material without permission, credit or compensation has irked some, spawning legal challenges and leading to formal partnerships governing IP use.[16,17,18]

The worries are not just about IP. As is clear from the Hollywood writers' strikes and deep cuts in sectors like news publishing, there is a fear of job losses and degraded livelihoods.

"At Condé Nast, the focus is on trying to educate teams that AI is a good thing and is going to help you do your job faster—not by using AI to generate content but by automating mundane or manual tasks. AI means instead of ten stories a week, I can now produce 30 a week, which is good for the business. "

Sanjay Bhakta, chief product and technology officer, Condé Nast

The company is a firm believer in ensuring AI is always subject to human verification, because the accuracy and value of the outcome depends on the quality of the data. "AI is not magic. It's basically garbage in, garbage out. You can't expect it to come in and take disparate data from 100 different places, and all of a sudden make sense of it," says Mr Bhakta. People think it's precise, but because it is a predictive algorithm, it will need to be trained and taught to become smarter, he adds.
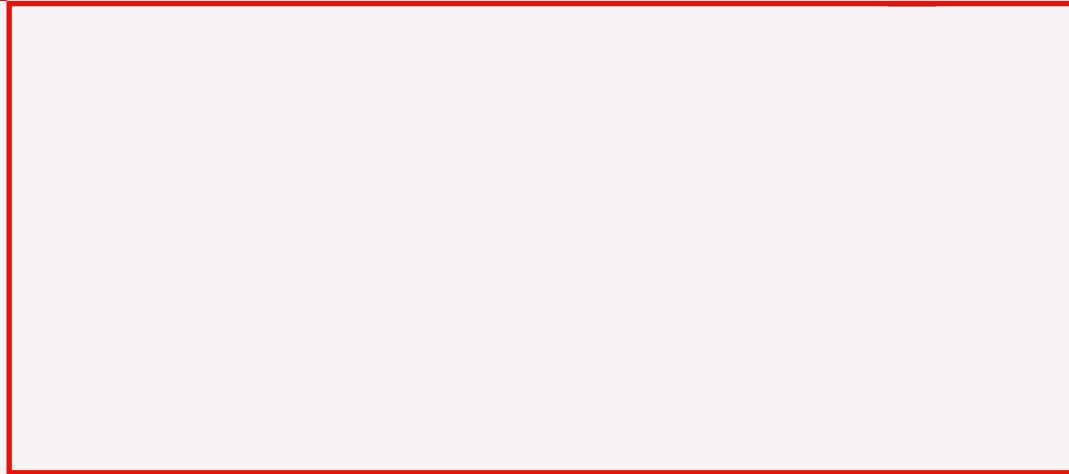
Condé Nast—founded in 1909—has seen its share of technology transitions in the media sector. By identifying where AI can empower creativity, where it creates new risks, and where human judgement is best applied—it embodies the kind of cautious experimentation that can help these industries thrive.

[16] https://hls.harvard.edu/today/does-chatgpt-violate-new-york-times-copyrights/
[17] https://pressgazette.co.uk/platforms/news-publisher-ai-deals-lawsuits-openai-google/
[18] https://www.theverge.com/2024/7/11/24196396/the-atlantic-openai-licensing-deal-ai-news-journalism-web-future-decoder-podcasts