London Technology Club

Media

Future Technology Series Season 3:

Technology & Media

October 2022

londontechnologyclub.com

Foreword on the Future Series Season 3: Technology & Media

In my role as a Member of the House of Lords, and former role as the UK's longest-serving Minister for Culture, Communications and Creative Industries (2010–2016), I have always championed initiatives that set out to make creative industries the fastest-growing part of the UK economy.

Since my ministerial role, I have been fortunate enough to have more freedom to explore the intersection of media, technology and business in the digital world, even dipping my toe into podcasting, radio and producing a weekly media and tech industry newsletter called The Vaizey View.

Media is the backbone of culture and community. It allows the creation and sharing of news, ideas and movements and helps bind societies. Don't get me wrong—it can also fragment and disrupt. A strong, independent and transparent media is crucial to democracy. It should challenge thinking, investigate matters of societal importance and uphold cherished values as well as be an instigator of change. It should also earn the right to be trusted. Without trust in media, societies will struggle, with thinking and communications operating on quicksand, rather than being the bedrock of information sharing and informed debate.

I was always keen to form policies that ensured everyone had access to media—hence whilst in office, we accelerated the rollout of broadband to more than 4 million rural homes and introduced the 4G network.

I also wanted to ensure that leading media companies wanted to operate and innovate in the UK. We were able to grow the creative industry threefold compared to the UK economy as a whole. As with all areas of business, I endorse public-private partnerships and incentives and have seen first-hand how this can translate to impact—for example, we introduced tax credits for film, TV, animation and video games. As a result, the film industry became the second-highest contributor to growth in the service sector in 2017, growing 72.4% in the mid-2010s. It convinced Lucasfilm to make Star Wars in the UK and led to the likes of Pinewood and Shepperton studios having to expand their facilities to meet the demands of being overbooked for the next decade.

My colleagues at LionTree and Kindred Media are always reminding me that media is in a state of constant change. Currently, we are in the midst of what can only be described in this report as a digital whirlwind, throwing up many questions about media business models, positive/negative impacts on society and grey areas around commercialisation of audiences. Boundaries, such as physical retail as media, are being broken down.

As with many industries, media saw some companies struggle and others thrive during lockdown. Those that accelerated their momentum are now having to find new strategies to continue to stay relevant, as players that emerged stronger from the pandemic look to find sustainable growth.

We have a naturally creative and innovative culture here in the UK. Our media should reflect, facilitate and enhance that USP. I certainly understand the key need to attract inward investment to the UK tech economy. Today, the Department for Digital, Culture, Media & Sport plays a key role in UK business innovation and the country's acquisitions of key skills. As this report outlines, media and technology go hand in hand—therefore, this is a crucial topic for the UK's continued demand for knowledge, culture and entertainment.

Well done, London Technology Club, for curating this report and bringing media to the forefront of tech investors' minds. Enjoy the read—I certainly did!

Lord Ed Vaizey of Didcot
Member of House of Lords of the United Kingdom

Welcome to the London Technology Club

The London Technology Club is an exclusive community of family offices, private and institutional investors, venture capital firms, technology experts and pioneers. The club combines hard to access co-investment opportunities, education, and relationship-building opportunities in the tech sector under one live and digital umbrella, providing access to competitive VC funds with attractive returns.

We organise events with leading technology visionaries, entrepreneurs and investors. A number of prominent international investors are members of our Advisory Board, such as Martin Gilbert, co-founder of Aberdeen Asset Management and chairman of Revolut; June Felix, CEO of IG Group; Jim Mellon, chairman of Burnbrae Group , Peter Brabeck-Letmathe, chairman Emeritus of Nestle Group and former chairman of Formula One and Noor Sweid, General Partner of Global Ventures.

Introduction

> **"He who controls the media controls the minds of the public" – Noam Chomsky**

Media is a dance—the interplay between content, culture, conversations and Commerce.
We capitalised Commerce because, at the end of the day, you can have good content, culture and conversations, but if you can't commercialise it, it's hard to have a sustainable media business.
As you will see, the stable overall growth pattern of the media market masks an underlying shift and volatility.

Brands are clamouring for attention and so are always looking to be where their target audiences spend their time, where they have conversations and make connections. Yet the media industry has a constant tension with audiences that typically don't want to a) have their media interrupted or influenced by advertising and b) pay for their access. Media business owners, therefore, are always looking at how to commercialise their platform and audience without alienating and turning audiences off their platform or losing their attention. As summarised by Max Willens of Insider Intelligence:

> "Media is good business if you can attract a sought-after audience and keep their attention."

The Virtuous Media Circle

We believe there is a virtuous circle of five parts that modern media owners look to create:

1) Build an audience: Create a platform that gets people's attention

2) Sell either:

a. access (e.g., subscriptions or licences) directly to the consumer

b. or attention to brands looking to get their message (i.e., advertise) to that audience

3) Make sure you can track that audience's behaviour so that you can:

a. improve and iterate your product (the content and media experience)

b. justify the cost of your product (selling advertising to the brands)

4) Make sure that:

a. the consumer trusts you

b. you can measure your audience

c. brands trust your data and are happy to pay for access to the audience

5) Retain the audience's attention so that you can move to point 2 again

The tension in media is in getting the virtuous circle right—the frequent trade-offs between the experience of the medium, the consumer expectations and the monetisation.

A digital whirlwind has whipped up and merged media, advertising and retail. The lines are blurred. The media highway has everyone exploring new lanes. Traditional media agencies are being either disrupted or cut out. We are seeing tech collaborations between social media and e-commerce tools, media groups adding e-commerce platforms for clients and large consultancies making moves in media buying and strategy. Digitally native media businesses and those with large newsletter-based publishers are being swept up in a busy M&A market with companies that are looking for 'logged-in audiences' fuelling acquisitions. Physical retail is becoming media and boundaries are being broken down between CPG companies direct to the consumer. Major global brands and large companies are creating their own in-house modern media houses.

Brands and consumers are now welcome to participate and co-create conversations and content. Active conversations as much as passive content mean that creator communities are increasing their influence on consumers' buying habits. The choice for business is a simple one: embrace a warm welcome from the creator community excited to share in your story… or be left behind.

The Great Digital Media Shift

Traditional print media and now linear TV are the poster children of the traditional-to-digital shift. In 2022, streaming TV overtook linear TV. In the 1980s, there were 64 million print newspapers in circulation throughout the US on any given day. Now, that figure is closer to 24 million.[1] The Washington Post, for example, now has 3 million online subscribers and only 159,000 print readers. The business of journalism is an increasingly less lucrative industry. Most revenue comes from digital ads running on news sites—so rather than selling the news to consumers, it's the time and attention of consumers that is being sold to advertisers.

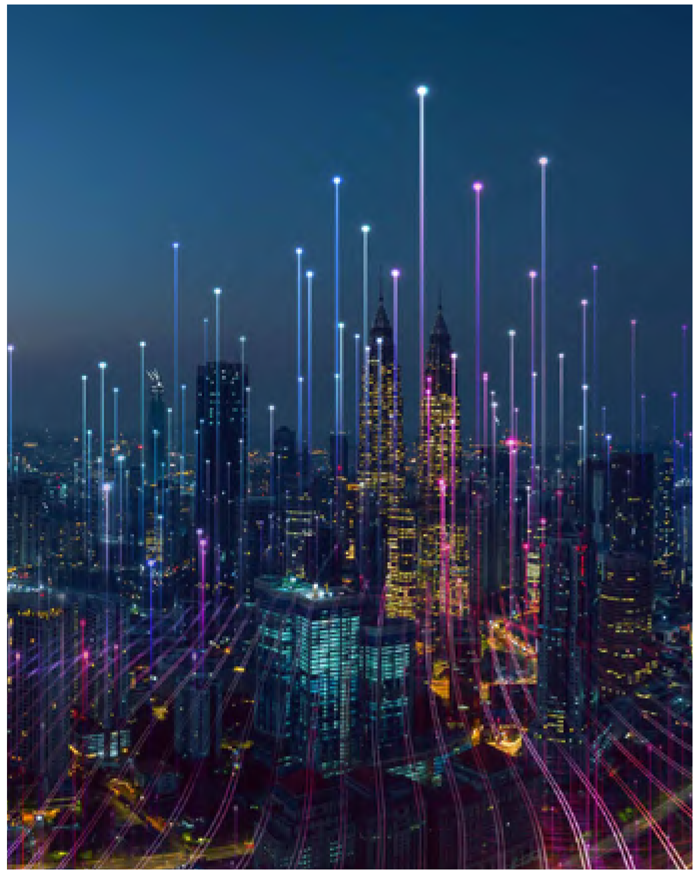
> *The pressure remains on media owners to find sustainable business models without impacting their product—the content consumer's experience.*

As a result, some of the best quality content is locked behind subscription-based paywalls. If it's a sustainable business from advertising revenues, marketeers are demanding more effectiveness for their spend (from both efficiency of spend and attribution). Efficiency in the money they spend gets the most bang for the buck. Then comes attribution—understanding the impact of the spend—on brand awareness, sentiment and for most, ultimately, sales.

Many media platforms are starting in a specific genre such as music and then looking to leverage our attention into a platform for all media. Land and expand…

Digital media is revolutionising the way we consume content, and the future is even more dynamic. Some of the sectors that saw immense gains due to technology and consumer adoption such as SVoD (streaming video on demand) will not be able to sustain that growth, while others will continue to build from their higher bases. Yet there are still billions of people in the world who are not able to regularly access high-speed internet, which means there is still large room for media industry growth. Governments are beginning to realise that media is a core part of a strong 'orange economy'. All of which means the future of the $2 trillion industry is very exciting one.

Simon Pavitt
London Technology Club
Chief Operating Officer



1 Print newspapers in circulation

Contents

Navigate the report by clicking on each title or subtitle

01 The Vision Summary

1.1 A future day in the life of a media owner
1.2 Defining media
1.3 The global media market

02 Media Is Now Everyone's Business

2.1 Streaming Pressures
2.2 Media platforms widening their scope
2.3 In-house media
2.4 Merging media, ecommerce and advertising
2.5 Intent-driven media
2.6 Actionable audio media
2.7 LTC Spotlight on: *The future is Rewards for Listening and Sharing your favourite music*, by Manon Dave

03 The Future For Content Creators

3.1 Creator economy growth
3.2 The next generation of merchants
3.3 Digital content and Web3
3.4 The big bet: Immersive virtual worlds
3.5 LTC Spotlight on: *What the metaverse and new tech means for the future of influence*, by Edward East

04 Tools For Media Empires

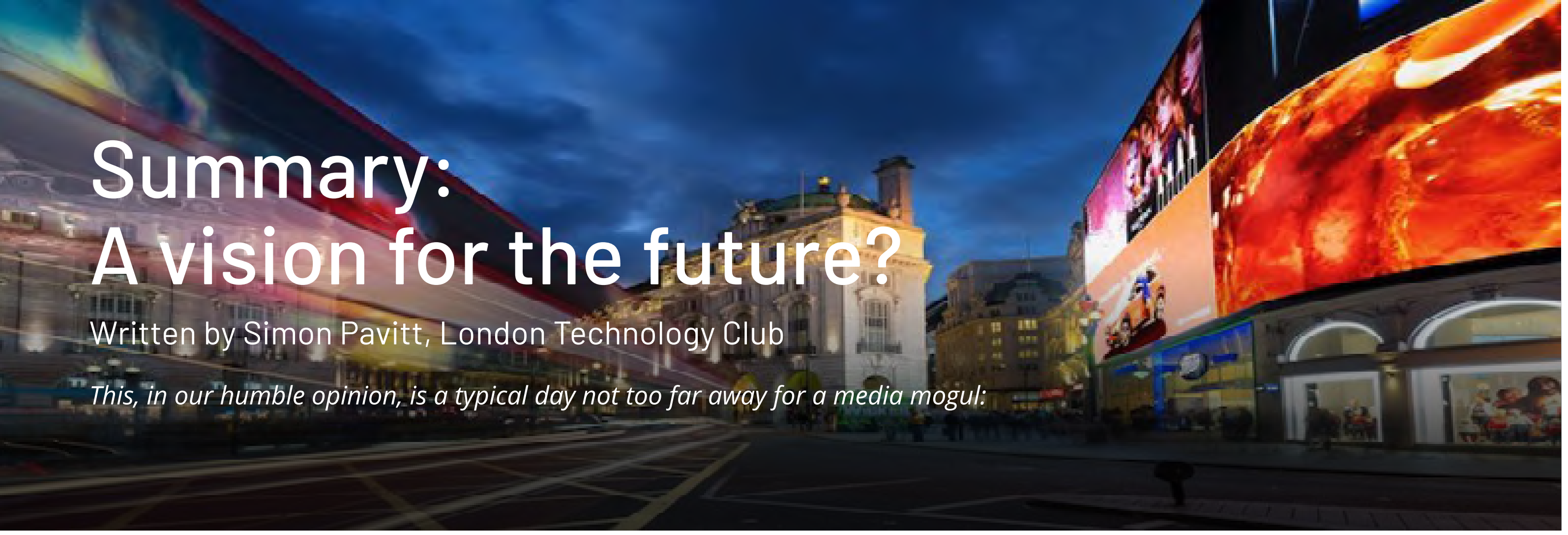
4.1 Conversations
4.2 Privacy
4.3 Recommended algorithms
4.4 Building your own media empire
4.5 AI in content creation
4.6 Beyond digital to dynamic and immersive

05 The Importance Of A Thriving Media Industry

5.1 Launching an orange economy future
5.2 LTC Spotlight on: *The Future of Media Planning & Buying is consumer-centric*, by Andrew Carmody

01 The Vision Summary

"The future is moving from the current digital model to more dynamic, immersive media. Media will become completely shoppable, bringing the virtuous circle closer to the overall experience."



Summary:
A vision for the future?

Written by Simon Pavitt, London Technology Club

This, in our humble opinion, is a typical day not too far away for a media mogul:

I love being part of an industry that has a consistent trend of outpacing global growth. When I am considering media businesses, I look for the following ingredients—what I call CCTV:

Creativity (new ideas, culture, storytelling, movements)
Content (entertainment, conversations, information, knowledge)
Technology (distribution, interaction, immersion, convenience)
Velocity (spreading fast, relevant, timely, viral, sharable, accessible)

A thriving modern media business needs all these ingredients. As an investor, I used to be somewhat of a specialist, but now I compete with large financial players and unusual pools of capital from unexpected sources. Media is now everyone's business. It's a $2 trillion market that continues to grow in importance in people's and businesses' lives—so much so that it won't be long until it's a $3 trillion market. Big companies are looking at media as an integral part of their growth strategy to build a more direct relationship with their target customer. Big media companies are looking to better monetise their audiences. Others see media as a new revenue stream.

From the outside, it sounds like it's simple to grow and succeed as a media business. But that's not the case.

Most growing media companies face the moment when they need to shift from audience recruitment to profits without losing and alienating the audience. Increased dependencies on advertising over other forms of monetisation mean media is not an easy business. I focus on large markets that are still increasing the spread of access to broadband. For example, consider India, where there is the potential for huge audiences, or the Gulf Cooperation Council countries, where governments and sovereign wealth funds are pushing to build out their orange economies. Increasing prosperity creates great demand for knowledge, culture and entertainment.

Technology has been the conduit to businesses across media and now it is driving advertising, retail and commerce to converge. It is leading to a challenge for media business owners like me to find durable models for profitable growth.

I tell the media businesses I invest in or own that they need to ensure that they don't end up on the wrong side of the constant disruption in the industry. One cannot rest on one's laurels: if you continue to operate over the next five years as you have done to date to maintain your competitive differentiation, you will lose relevance.

I have found that the industry barriers to entry are now low. Someone like Joe Rogan can create a podcast from scratch, then see it become a media business that is bought for $200 million by Spotify. And many different players from other industries—from brands to consultancies—are coming in. One can now create video content not with cameras, but with code. It can feel a little synthetic sometimes, because it's not easy to escape the 'uncanny valley'. Yet as a content creator myself, I now also depend on my AI content co-pilot to write for me—it helps to maximise SEO, produce keyword-rich text and ensure there's no plagiarism. In fact, my AI copy assistant wrote 80% of this article for me...

Technology that was once available only to hackers or the earliest of adopters, such as AI-generated content, is now becoming available to anyone with an internet connection. As you can see, the pace of innovation and change is high. Media disruption is rife, partly because—as cultures and consumer tastes in consumption change—momentum can build (which certainly accurately reflects the term 'viral'). The future as I see it is moving from the current digital model to more dynamic, immersive media. Media will become completely shoppable, bringing the virtuous circle closer to the overall experience. Consumers will expect to be able to experience something in media and buy it there and then.

I remind myself that I am also a consumer of media and, therefore, I look at my patterns of behaviour. With AI becoming more obvious in advertising, I have started to train the algorithms in terms of what I watch and click on, knowing that, whatever I do, I will get served a lot more of that content and advertising. So, I have to be mindful to curate what I want to receive in the future. This kind of behaviour is something the media and advertising business will have to consider in the future.

As a media owner, I know it's all about spotting the cultural movements and adopting the latest technology—one needed to be in early during the shift from a content-owned (downloaded and purchased) to a content-streamed industry. Those who understand how these shifts could reshape markets and open new opportunities will gain a competitive edge, while those who sit comfortably on traditional business rhythms will scramble to catch up. As Bain & Co keep advising me: Don't be a scrambler.

Defining Media

Media is defined as the main means of mass communication (broadcasting, publishing and the internet) regarded collectively. The plural form of 'medium', it broadly describes any channel of communication. Media disseminates news, music, movies, education, promotional messages and other data for large numbers of people to receive and consume.

The media contains two subsegments: traditional media (e.g. print, such as magazines and newspapers, linear TV, radio) and digital media (digital newspapers and magazines, over-the-top (OTT) video, music streaming, audio recordings, video games, social networking and mobile platforms). For the purposes of this report, we have not focused on the entertainment side of the wider definition of media (i.e. films, gaming, social media). Video games is a sector that we will cover in a full separate report in the future. We have also avoided the rabbit hole of the positive or negative impacts on society with regards to social media, persuasive technology and extractive systems. With each passing year, more people around the world are spending more of their time, attention and money on the complex and increasingly immersive media experiences that are available to them.

The Global Media Market

Global media is a $2.34 trillion a year market, and it's expected to grow to $2.51 trillion by the end of 2022, a CAGR since 2021 of 12.2%.

Whilst consumers were eating up more content than ever before, the industry had to take a big deep breath in 2020, when the Covid-19 pandemic caused revenues to fall by 2.3%. M&A activity ground to a halt ($17 billion in 2020 vs $142 billion in 2021).

Yet the industry recovered well in 2021, resuming its trend of outpacing global growth.

In 2022, the $2.5 trillion global industry is expected to grow by 7.3%, and it should notch a 4.6% CAGR through 2026. By 2026, PwC believes the industry will approach $3 trillion in revenues[2]—55% of total revenues are expected to be generated through digital media through 2027.[3]

North America dominates media—it's the largest market in the world, with a value of $660 billion, or roughly a third of the global market. In 2020, the media industry saw a decline of around $53 billion (a 7.3% drop) due to the pandemic. Many companies had to rearrange their operations and the closure of commercial activities created real operational challenges. Some forms of media (e.g., Out- of-Home) were left unable to access consumers.

Although the US still leads the market, Asian countries are today demonstrating how increasing prosperity creates great demand for knowledge, culture and entertainment. In the future, Africa is expected to be the fastest growing region for the market.

The media market has seen a dramatic shift from traditional channels, such as print or non-digital media, to digital forms. This effect is expected to continue to be prevalent throughout the entire market and in all regions.

Two major factors have led to this shift:

1) The expansion of mobile internet access

The increase of consumers with mobile and streaming devices and faster connection speeds has enabled more media to be transmitted through digital channels.

According to Professor Scott Galloway of the NYU Stern School of Business, "The average American spends 11 hours per day consuming media, 65% of their waking life. Roughly 40% of that time is spent on a mobile device. Billions of dollars and millions of person-years are spent capturing and monetizing that attention.[4]

2 Expected revenue by 2026
3 Percentage of digital media revenue in 2027

Most people today—more than 8 in 10 Americans—get their news via digital devices, doing their reading on apps, listening to podcasts or scrolling through social media feeds.[5] Meta is a half-trillion-dollar business predicated on diverting attention away from physical life to its apps—and advertising generates 98% of its revenue.[6] According to Bain & Company, faster download speeds on phones have raised the bar on "I want all of it, right here, right now."[7]

Yet in 2021, still 72.7% of households had fixed broadband internet access, and 60.7% of the population had mobile internet access. That means there is still a lot of room to grow for media with increased adoption of digital devices.

2) Accelerated digitisation

The pandemic tremendously increased the demand for digital media, accelerating the need for digitisation across the entire industry. In the first six months of the Covid-19 pandemic, streaming viewership on phones grew more than 40%.[8]

Digital media has severely cut into the traditional print business, slashing advertising revenue streams for publishers and making it challenging to attract paying readers. Both factors have led to massive cutbacks in newsrooms in, for example, the US.[9] Since 2005, 2,500 newspapers across the US have shut down.[10] One-third of American newspapers are expected to be obsolete by 2025.

But other areas of the media market are thriving.

Consider 6AM City, a hyper-local news source that aims to spark conversation and community. The company's daily newspaper is active in 24 cities across the US. Over the past year, its revenues doubled, its subscriber base grew to 800,000 and the company had a retention rate of over 95%, with 450 active advertisers.[11] Its horizontal expansion was put on steroids—the company knows that when it spends $250,000 on each market, it receives $1 million back in revenue, so it's taken advantage of this to scale quickly.

> *With the emergence of new platforms (e.g. the metaverse), the media market will add a completely new dimension for accessing consumers and enabling new possibilities for consumption.*

The future is even more pitched at media that attracts younger generations, is more evenly distributed around the globe and is more dependent on advertising in all its forms. If we are spending 65% of our waking life consuming media, the future holds two possibilities: either we realise this is too much of our time and reduce our consumption, or platforms seeking our attention will find ways to make the experience even richer.

In the future, improved technology and new ways of consuming media will align with increasing user consumption, so expect the market to grow steadily.

4 Monetizing attention
5 News via digital devices
6 Advertising on Meta
7 "I want it all"
8 Streaming viewership during Covid19
9 Cutbacks in newsrooms
10 Shutting down newspapers
11 6AM City newspaper

02 Media Is Now Everyone's Business

"Every tech company should go direct to their audience and become a media company."

Brian Armstrong, Coinbase founder

The digital whirlwind has whipped things up so much that anyone now can have a media empire, and no one is staying in their lane on the media highway. The monetisation of media is effectively through one of four revenue models: subscriptions, licence fees, advertising and sponsorships and e-commerce.

Streaming Pressures

> *"There was a time when Silicon Valley people laughed at the idea media companies could ever do streaming—Googlers called Hulu 'Clownco' before it launched."* Benedict Evans, independent tech analyst and commentator

Mid-2022 was a watershed moment, when streaming TV viewership in the US overtook cable for the first time. Shows on internet services accounted for 34.8% of viewing time, which surpassed the 34.4% of viewing time on cable.[12] This was a significant moment. And it highlighted the phenomenal growth in audiences that major media companies—Netflix, Hulu, HBO Max, Disney+ and Amazon Prime—had seen since launching their streaming video on demand (SVoD) platforms. Many of the largest and most sophisticated players

have had a relatively simple business model: they have relied on subscriptions, a single stream of revenues. Yet organic user growth in that model is now declining. At the end of April 2022, Discovery pulled the plug on its $300 million investment in CNN+, just three weeks after its expensive launch. There is increasing concern amongst investors that sustaining growth is now the next challenge.

The likes of Netflix and Disney+, which have built large audiences, need to diversify revenue streams and provide more opportunities for marketers to reach their viewers.

The SVoD platforms are facing headwinds that include a troubled economy (consumers are battling a rising cost of living), hyper competition for original content and increased competition in the market. There is a shift in focus from growing audiences to retaining them and, in the words of Netflix, a promise to "better monetise (its) big audience".

There are two schools of thought as to whether streaming services in the future can hold onto subscribers:

1) **The value entertainment: Stay at home**

According to Spencer Neumann, Netflix Group CFO, "There's a level of escapism that entertainment provides. If you look at the pay TV business over economic cycles, it tends to be a bit more resilient as well, because the value of in-home entertainment increases as folks perhaps don't go out as much."

2) **Rinse and repeat**

Many expect streaming surfers... that is, people who leave one platform for a while in favour of another, then come back again after the first platform has updated its content catalogue. Nearly 20% of subscribers to services like Netflix, Hulu and HBO Max cancelled 3 or more subscriptions over the past two years, vs 6% in the two-year period that ended in June 2020. The takeaway is that "consumers are increasingly rotating through services to save money and watch the shows they want".[13]

12 Internet vs cable viewership
13 Rotating streaming services

Netflix

Netflix's total revenue for Q1 2022 was $7.97 billion (£6.6 billion), missing analysts' expectations of $8.04 billion (£6.7 billion). Its shares have halved in price this year. Netflix has 221 million subscribers but reported a loss of 1 million subscribers between April and the end of June 2022. It was the second quarter in a row in which the streaming giant has seen subscriber numbers drop, reversing a decade of subscriber growth.

It is no secret that Netflix is looking at new ways to keep subscribers and sustain profits. First, it announced a crackdown on password sharing. More recently, it is having an internal discussion about whether to stop binge releases and instead space out the release of episodes in a series. Here are three more strategies:

1) **Crossing the Rubicon: Ad-funded subscriptions**

Netflix announced that, in early 2023, it would split its subscription model into two tiers: a premium priced service (the current format) and an ad-supported, lower-priced tier.[14] Launching a cheaper service effectively gives subscribers the chance to pay less in return for viewing ads.

> CEO Reed Hastings has frequently outlined the need for a *"better-than-linear-TV advertisement model that is more seamless and relevant for consumers, and more effective for advertising partners".*

He also believes the company can deliver an advertising experience that is "fundamentally different" from that of linear TV, in a way that supports both advertisers and viewers. Netflix has chosen Microsoft to run its ad platform in the lower-priced subscription tier. Media agencies and brands are waiting to see how this vision will be brought to life.

2) **Reinvesting in brand loyalty**

Netflix's marketing spend focus is moving further towards titles like Stranger Things that create conversation and excitement (i.e. drive word of mouth), and at "building passion for the Netflix brand" (i.e. building consumer loyalty to Netflix). Its marketing spend in Q2 2022 alone was just under £575 million.

3) **Gaming**

Despite a big push recently on gaming, Netflix's subscribers haven't embraced the offering yet. Only 1.7 million people—less than 1% of its subscribers—have engaged with the company's games on a daily basis.[15] The company has acquired indie game developers such as Night School, Next Games and Boss Fight Entertainment, and plans to release over 50 mobile titles by the end of 2022.[16]

But Netflix isn't the only company growing its gaming library to compete for subscribers. Apple Arcade, launched in September 2019, now boasts over 200 titles. Amazon's Prime Gaming bundles games, in-game offerings and a Twitch.tv subscription as part of Amazon Prime. Google provides access to hundreds of games through its Play Pass, and Meta has its Oculus Quest VR platform.

Disney+

In 2017, Disney staked its future on building a streaming service to rival Netflix as audiences moved to online viewing from traditional cable and broadcast

14 Netflix ad tiers
15 Netlix gaming engagment
16 Netflix aquiring game developers

television. The picture at Disney+ is similar to that at Netflix: there's a clear need to move from audience recruitment to profits. Disney is also preparing to introduce an ad-supported tier for Disney+ in late 2022, and plans to take that international in 2023.

In August 2022, Disney reported a total of 221.1 million paying direct-to-consumer subscriptions, equalling Netflix's total of 220.7 million.[17] Note this is across Disney, which includes 152 million Disney+ subscribers, 23 million ESPN+ subscribers and 46 million Hulu subscribers.

Whilst Netflix partnered with Microsoft for its ads, Disney has an ad deal partnership with The Trade Desk to run automated ads across all Disney properties, leveraging all of Disney's opt-in first-party data (more on that in part 4 of this report). Disney's deal with The Trade Desk is also considered one of the largest media business efforts to bring new technologies into ad-targeting systems before third-party tracking finishes. There is a large opportunity to develop new ad measurement and ad targeting technology to maintain the effectiveness of in-app advertising.

Automation allows Disney to sell more ads at scale and accelerates the company's goal to target more of its overall pool of first-party data. It allows brands to target automated ads across Disney's linear and streaming properties, i.e., Hulu, ESPN+, ABC, Freeform, National Geographic and FX. Disney wants to automate 50% of its ad inventory business by 2026.[18]

Can SVoD Provide Targeting Data For Advertising?

The key for the media industry now is what sort of targeting data it can provide to advertisers. The rapid growth of the streaming media audience in the past few years has pushed marketers to look for opportunities to reach these viewers. Media companies are answering that demand with the development of advertising formats that provide targeting at a greater scale. Each walled-garden media outlet aggregates and anonymises audience data, making it difficult to tell if ads are reaching different consumers or the same people too often.[19]

According to LionTree's founder and CEO Aryeh Bourkoff,

> *"On the monetisation side, ad-based models perform well, and technology-powered and targeted advertising will likely play a more prominent role in the future of streaming amid competition for subscribers (Roku, ViacomCBS's PlutoTV, Comcast's Peacock, Fox's Tubi), particularly as large players expand into international markets. Not everyone will subscribe to Netflix just to watch Squid Game, so hybrid SVoD/AVoD models can provide an important revenue mix, driving value as well as growth."*

A lot hangs in the balance for the SVoD industry. Can it deliver an effective platform for advertisers? If not, advertisers will place their budgets elsewhere. The future could be a fracture between those players that are able to successfully and profitably diversify revenue streams and those that are not.

17 Disney+ subcriptions
18 Disneys' automated ad inventory
19 Targeted advertising

Media Platforms Widening Their Scope

Existing media platforms that originally moved from a content-owned (downloaded and purchased) model to content streaming are also feeling pressure to find the next way to monetise their large audiences. Consider the music streaming services.

Spotify

Spotify transformed music listening forever when it launched in 2008. As of Q2 2022, it is the world's most popular audio streaming subscription service, with 433 million users, including 188 million subscribers (up from 165 million in Q1 2021), across 183 markets.[20] Its subscriber base has increased dramatically in the last few years and has more than doubled since early 2017.[21]

Yet in a 2020 report, The New York Times wrote that only 13,000 out of seven million artists on Spotify generated payments of $50,000 or more during 2020—that's only about one in every 500 artists.[22]

Spotify has already made its play in audio in general, with large investments into the podcasting business and in video, live audio and more targeted ad opportunities. Three years after the ground-breaking streaming music platform launched its first podcast, Spotify now has over 3.2 million audio series—over a million more than Apple. Similar innovation is being demanded now on the artist side of the business.

Spotify is now looking at where else it can leverage its platform and grow revenues from other industries. Its natural next step is live events and the concert business. Spotify is testing a website called Spotify Tickets that would sell concert tickets directly to fans.[23] Right now, the site is selling tickets to concerts across the US. It wants to eat the lunch of Eventbrite and Ticketmaster.

Ticket technology is hot in the investment space, with SeatGeek recently raising $238 million in Series E Funding led by Accel. SeatGeek is a New York City-based technology platform for live event experiences for fans, teams and venues, and with a pre-money (that is, prior to investment or financing) business value of $1 billion. The company is on track to more than double its revenue in 2022.

From Music Streaming To Integrated Media Platforms: Anghami

Anghami is the first legal music streaming platform in the Middle East and North Africa, providing more than 70 million users in MENA, Europe and the US access to over 57 million Arabic and International songs to stream and download. It also offers 200,000 Arabic and international podcasts.

20 The most popular streaming service
21 Spotify doubled its subscriber base
22 1 in every 500
23 Spotify Tickets

The freemium service, launched in November 2012 in Lebanon, initially provided unlimited Arabic and international music to stream and download for offline mode. Like many music streaming services worldwide, Anghami plays a major role in elevating the value of the music industry, flipping the funnel from a declining revenue market to a fast-growing market that has shifted from a content-owned to a content-streamed industry. It is driven by its mission to scale legal access to music in which artists receive 50% of their streaming revenues.

In 2021, Anghami relocated its headquarters to Abu Dhabi as part of the Abu Dhabi Global Market (ADGM) and supported by the Abu Dhabi Investment Office (ADIO). The company also has offices in Beirut, Dubai, Cairo and Riyadh, with more than 160 employees.

It became the first regional tech startup to be listed on the NASDAQ when it completed its business merger with Vistas Media Acquisition Company.

Like Spotify, Anghami is expanding into live events. It recently acquired Spotlight Events, a company that specialises in managing and executing live events and concerts in the region. Spotlight is headquartered in Dubai and has six affiliate offices in Jordan, Lebanon, Egypt, Tunisia and Morocco, covering the GCC, Lower Gulf and North Africa.

Eddy Maroun, co-founder and CEO of Anghami, said, "Our vision is to expand from music streaming to a fully integrated entertainment platform that meets our goal of building our own unique category that no other provider can compete with."

Part of the strategy of the streamers is to move quickly into the ticket sales space with one eye on social media shining star TikTok. As TikTok continues to grow, it's extending its tentacles into various industries, from restaurants to concert ticket sales. In August 2022, TikTok partnered with Ticketmaster, allowing the ticket site to take advantage of the algorithm's insights on fan preferences to sell tickets. TikTok has filed a trademark for "TikTok Music" a tool that would let users download and purchase music.[24]

> *Concerts are big business, and tech companies want to move lanes on the media highway to grab a slice of the pie.*

Others Are Not Staying In Their Lane

Typically, a media agency would have the ear of the CMO of a large corporate with a big marketing budget, advising on how to optimise the allocation across the marketing mix—for example, how to spend over $781 billion dollars a year in global advertising spend. But the likes of Omnicom Media Group, WPP and Publicis are increasingly looking over their shoulder at those not traditionally operating in their lane. Large advertising agencies are facing a relatively new competitive challenge from consultancies. And yet, these new competitors are taking a different approach to serving marketers' growth needs.

Accenture, the global professional services company known usually for its strategic IT consulting, has made more than 40 strategic acquisitions over the past decade. Most notably, in 2019, it acquired 49% of Droga5, the global advertising agency, for $233 million. Accenture has united the agencies under the brand Accenture Song. It has been the world's largest

24 TikTok trademark

digital agency network for six consecutive years.[25] The outline of the agency's capabilities spans ideation to execution: growth, product and experience design; technology and experience platforms; creative, media and marketing strategy; and campaign, content and channel orchestration. Much of these are the same capabilities of the media agencies. This isn't just in terms of capabilities, but also in terms of top talent.

Moving from Omnicom Media Group to become Global President of Accenture Interactive Operations, Nikki Mendonca said, "Accenture were very open about their ambitions in the marketing space… Basically, Accenture had fantastic relationships with the entire C-suite excluding the CMO… Conquer the CMO space." Conversations at a C-Level with regards to business and media strategy are clearly converging.

In-House Media

> *"Modern media companies have a software company embedded inside and next-gen software companies will have a media company embedded inside,"* said HubSpot CTO Dharmesh Shah.

HubSpot acquired media company The Hustle for a reported $27 million; it reaches an audience of 2.5 million with an interest in business and technology.

Balaji Srinivasan, former CTO of Coinbase and former General Partner at A16Z, talked about every SaaS company having a media arm, on Twitter: "Every SaaS company should have a media arm with a newsletter that gives industry news. Just acquire an influencer in your space with a solid following. Make them editor-in-chief. Bundle their content free with your software subscription. And make all customers readers."

This approach was echoed by Brian Armstrong, Coinbase founder: "Every tech company should go direct to their audience and become a media company."

The sentiment hasn't landed with just SaaS companies, either. A wealth of acquisitions of media companies has already started to take place, from Penn National Gaming to Robinhood to Stripe to DraftKings, which bought the following (in respective order): Barstool Sports, IndieHackers, VSiN, Makerpad and Scotch.io. These companies are effectively buying audiences and then looking to directly speak to them.

The same is happening in venture capital, with firm A16Z building its own media outlet called Future. In announcing Future, A16Z talked about using Future as a way to speak directly to its audience.[26] Others are also getting in on the act: JP Morgan Chase purchased The Infatuation, a NYC-based restaurant recommendation website and messaging service.

25 World's largest digital agency
26 Connecting Future with it's audience

Merging Media, E-Commerce and Advertising

A common theme in this report is commercialisation in media and the blurring of the lines between media and commerce. Marketeers increasingly want to tie advertising investment to purchases. As a result, media owners have looked to include the ability to buy/shop on their platforms. Basically, it's on-site conversion. For example, NBCUniversal has developed NBCU Checkout, which allows viewers to purchase products without leaving its video player. The future is ads aimed at lead generation and shop ads that direct users to a brand's digital storefront directly from the platform—media that provides shoppable ads.

The blurring of lines now includes whether people are visiting media to be entertained or for shopping, making viewing completely shoppable.

WPP, one of the world's biggest advertising networks, has launched an e-commerce platform for its clients, while Walmart announced it received $2 billion in ad revenue from its media assets in 2021. In the old world, physical retail was not media, and a CPG company could not sell direct from the factory to the consumer. But now, all those boundaries break down. Amazon and Walmart are selling advertisements on their platforms, growing into truly large advertising businesses in their own right. Amazon's advertising revenue in 2021 rose to $31 billion.

Some of the largest e-commerce platforms are becoming major players in advertising and their media platforms (e.g. Amazon Prime) are tools in driving acquisition and loyalty of their members. Prime members spend on average $1,400 dollars a year on the platform, compared to $600 for non-Prime members. The Amazon platform leads ad equity rankings, seen by global consumers to be relevant and useful.[27] Investment in the 'e-commerce' channel as a whole saw 57% growth in budget allocation (with 59% growth anticipated for 2023).

Imagine watching content or being part of an online conversation about dream kitchens and seamlessly entering a world that lets you design and visualise your own kitchen without leaving the digital platform. The lines between media and commerce are blurring, with the future even more integrated, immersive and dynamic.

Retail Owners Creating Media Networks

Traditional brick-and-mortar retailers are now looking at their store footprints and assets to add new digital media opportunities. Retailers with large store networks and a large footfall are introducing strategically placed screens to their aisles and offering suppliers the chance to advertise their products in store. It's another example of boundaries breaking down.

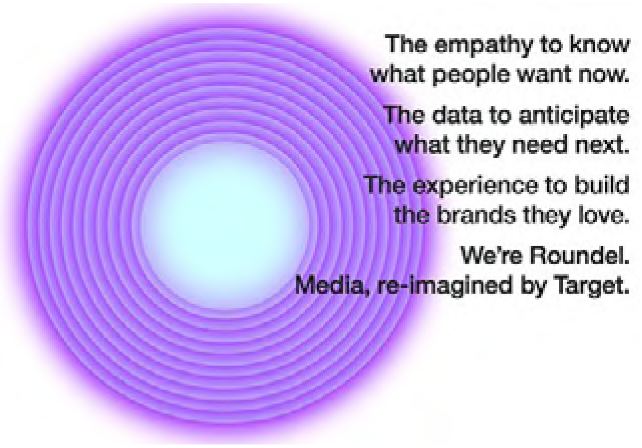
27 Kantar Media Reactions Report and Survey 2022

Intent-Driven Media

US retail giant Target has also shown it is willing to build out its own media capabilities, driven by a mission to keep spending more to meet customers where they are—in digital spaces. With over 150 million customers (or 'guests', as Target calls them), the company has looked to reimagine media; it's committed to 'changing media for good'. Target leverages its huge customer base and shopper insights to create personalised ad campaigns that can run on Target.com, or elsewhere across 150 brands and 1,000 partners.

Target established Roundel with a clear mission: "We're a modern media company that proves an age-old truth: People love a brand that knows what they like." Roundel looks to help advertisers and media agencies execute the campaigns and measurements they've always wanted but never thought possible, based on intent-driven media, which it promotes as "better for customers. And that's better for advertising."

Roundel's reporting platform, Kiosk, provides a near-real time view of its audience's actions, tying media spend with actual sales. Roundel anonymises IDs, reducing its reliance on third-party cookies. The core promises are to use everything it knows about people to anticipate what they'll need—and to delight them with it, by:



- Offering people the right messages in the right places at the right times—in ways that prioritise their privacy, intelligence and values.
- Putting brands—and their products—in the best position to grow business, gain trust and build lasting relationships.
- Giving agencies a clear picture of where their clients' ads run, who they reach and why.

Roundel believes media works best when it works in everyone's best interests. More than two-thirds (72%) of Target shoppers say ads on Target platforms remind them of a product they need or prompt them to purchase something they want.[28]

28 Successful Target ads

Actionable Audio Media

Radio and audio streaming is having a renaissance driven by working from home habits. According to a 2021 survey by RAJA, 89% of the UK population tune into radio every week and 50% of those who tune into digital audio every week do so via smart speakers. 72% of households who have a smart speaker use it daily.

In a bid to engage with this growing audience more effectively, brands are channelling media spend into 'actionable' audio advertising. This form of advertising directs listeners to respond via voice assistants, like Alexa, to engage with the brand, request more information, be sent an offer or make purchases on the spot. The advantage of actionable advertising is that the consumer's call to action can take place instantly using the power of their voice; it does not require them to log on to another device or go to a shop – unlike traditional broadcast adverts. They simply respond to the voice assistant. Real time data showing the actionable audio advert's engagement rate also means that the campaign can be fine-tuned while it is live. Brands can therefore make their actionable adverts as targeted and tailored to the audience as possible – without having to wait for the campaign to finish, bringing this channel in line with other forms of digital advertising.

It is a burgeoning industry, with analysts predicting that the growing use of voice assistants will drive the value of smart home payments to $164 billion[29] in 2025. The London adtech Say It Now, currently approaching its next funding round, is leading the design and delivery of actionable audio adverts for big name brands such Pizza Hut, Specsavers and Disney. The company was recently selected as the voice partner of choice for Group M, the world's leading media investment company, who is responsible for more than $60bn in annual media investment through WPP agencies such as Mindshare, MediaCom, Wavemaker, Essence and m/SIX. It is set to expand into actionable TV advertising next year.

Microsoft
NUANCE

It's one example industry that is of interest to Microsoft (alongisde work and care) when they purchased Nuance, the company that built Apple's Siri voice recognition and makers of Dragon speech-to-text tools. Microsoft paid $16bn for Nuance, completing the acquisition in March 2022.[30] Voice-powered interaction is a crucial part of consumer call to actions (potential sales) from and with audio media.

29 The value of smart home payments
30 Microsofts aquisition of Nuaunce

LTC Spotlight on: The future is rewards for listening and sharing your favourite music, by Muzos Managing Director Manon Dave

The music industry has evolved over the past few decades, with streaming becoming the dominant form of music consumption. The market is saturated with streaming services and affinity to any particular one is often dependent on factors outside of the music consumption experience. However, it's very common for us to find that some of our favourite artists and songs are not available on the music streaming platform we love the most. Muzos aims to aggregate music and playlists from all streaming services and unite music lovers in one platform where they are rewarded for listening and sharing their favourite music. We aim to leverage blockchain technology and web3 concepts to create a new way of connecting with your favourite music, artists, and other fans.

About Muzos

Muzos is a fan-centric platform. All fans will be identified by their Cans, which are NFT headphones that can evolve and be customised based on a fan's listening habits. Once Cans are purchased, users are rewarded with MUZO tokens for listening to music, sharing songs and engaging with their favourite artists. The MUZO token can then be used on the platform to either upgrade and customise your Cans or to unlock special offers like VIP access, meet-and-greets, tickets, merchandise and more from the artist or brands directly.

At Muzos we believe in a vision where Artists and Fans can build communities together to create the music that they love and the music they feel should be more popular. For Artists, this is a chance to directly interact with fans who are engaged primarily with your music, without label intervention or endorsement deals. For Fans, this is an opportunity to get rewarded for being committed supporters of your favourite artists.

www.Muzos.xyz

03 The Future For Content Creators

"In more dynamic media environments, whoever can first create the virtuous circle of content creation and user growth will exert significant gravitational pull."

Technology has enabled a shift in media that content isn't just for passive consumption—conversations now form part of the content/entertainment. Consumers can create their own content (of increasing quality) and distribute it globally in an instant. Both brands and the layperson also now have the tools to be involved in the conversation and cultural movements.

In an economy where everyone clamours for attention, brands must be visible where their audiences spend their time, where they have conversations and make connections, where they are exposed to relevant content from diverse communities and creators. What has changed is that the ability to create and disseminate content has never been easier with digital tools and media platforms, with many built to facilitate user-generated content.

Everyone—including brands—are now welcome to participate and co-create.

> *The choice for brands in the future is clear: embrace a warm welcome from the creator community excited to share in your story... or get left behind.*

As we've seen in Section Two of this report, the lines have been blurred ruling who should own a media company and provide media consulting, and media, retail and commerce are converging. Similarly, the lines are blurring between content creation, consumers and brands.

Owned Media Houses

Global drinks brand Red Bull placed content at the heart of its strategy early on in its growth. The company formed Red Bull Media House in 2007. By 2018, it had a presence in over 170 countries. Each year, Red Bull's media arm produces 1,250+ sports and culture events, with over 700 athlete ambassadors. Part beverage brand, part media company, part event operator, part sports team owner, part marketing agency, part rights distributor—it is, in many ways, an entire ecosystem unto itself.

Red Bull's media house spans TV, mobile, digital, audio and print. Beyond operating its own website and Red Bull TV, its over-the-top (OTT) service, Red Bull Media House encompasses Austrian TV network ServusTV, The Red Bulletin print magazine, the production company Terra Mater Factual Studios and a content library for third-party media organisations known as Red Bull Content Pool.

It's long offered a blueprint for others to follow, but Red Bull has also learned to shift its focus from owned media channels alone to being audience-led. According to former CEO and Managing Director, Red Bull Media House Gerrit Meier:

> *"We recognise that audiences live where they live, and some audiences don't want to move from where they live. It's very clear, for example, that people who live on YouTube, a lot of them will consume your content on YouTube as long as they can stay on YouTube... For us, going where the audiences are is super important. If there is somewhere where the audience can be found, and we can contribute with great content, then that's where we want to be.*
>
> *There is going to be a lot of fallout, a lot of consolidation, money will flow, the money will always follow where the audiences are. That's the question: where will they end up? And with whom? And who has the stronghold?"[31]*

The future is other brands, both B2C and B2B, looking at creating their own media platforms and content.

In 2021, Salesforce launched a creative studio and its own free streaming service called Salesforce+. Serving as a customer acquisition and engagement tool, the media arm is co-producing a new branded docuseries for CNBC's linear channel as a part of a broader television deal that Salesforce and CNBC parent NBCUniversal struck in 2021 around the Olympics.[32] Salesforce president and chief marketing officer Sarah Franklin said that 5 million people engaged with the service in its first year. The service features original content produced by Salesforce, including video streams of its live events, as well as content from its clients. Salesforce aims to double the content output of Salesforce+ year on year.[33]

31 Who has the stronghold?
32 Salesforce Olympics
33 Salesforce doubling down
34 Meta's giant advertising

Creator Economy Growth

Social media has grown over the past decade and now soaks up the attention of nearly 3 billion consumers. A winner, to date, of the attention economy has been Meta, the "half-trillion-dollar business where advertising generates 98% of its revenue."[34]

The creator economy is defined as the growing class of businesses built by over 50 million independent content creators, curators and community builders, including social media influencers, bloggers and videographers—plus the software and finance tools designed to help them with growth and monetisation.

Celebrity status has also been redefined during this connected age with the likes of Instagram, TikTok and YouTube creating new influential personalities, channels and cultural movements.

The Forbes Top 50 social media creators have amassed a combined 1.9 billion followers across Instagram, TikTok and YouTube. In aggregate, they made $570 million in 2021. Their average age is 31.

This has played into the hands of YouTube and the creators on its platform. 95% of teens in the US use the platform on a daily or weekly basis, compared to the one-third who use Facebook and the two-thirds who use TikTok. In 2019, more than 500 hours of footage was uploaded to YouTube every minute and the platform generated over $29 billion in advertising revenue, rivalling Netflix's total revenue.

© 2022 London Technology Club. All rights reserved.
London Technology Club has exercised reasonable care in the collecting, processing and reporting of this information but has not independently audited the data to verify its accuracy or completeness. London Technology Club gives no express guarantee for a particular purpose and shall not be liable to any entity or person using the document, nor have any liability with respect to this document. This report is for general purposes only, and is not intended to be a solicitation, offer or recommendation to acquire or dispose of any investment, engage in any transaction or to provide any investment advice or service. Publication release date October 2022.

Mr. Beast, one of the most subscribed followers on YouTube, spent $3.5 million to create one video, which had over 300 million viewers. But the monetisation didn't stop there, he has moved from URL to IRL (in real life) ventures, such as a cloud kitchen business and a burger chain.

Tech companies have seen the opportunity to better connect creators to monetisation.
It's no surprise then that YouTube and Shopify launched a partnership that gave eligible YouTube

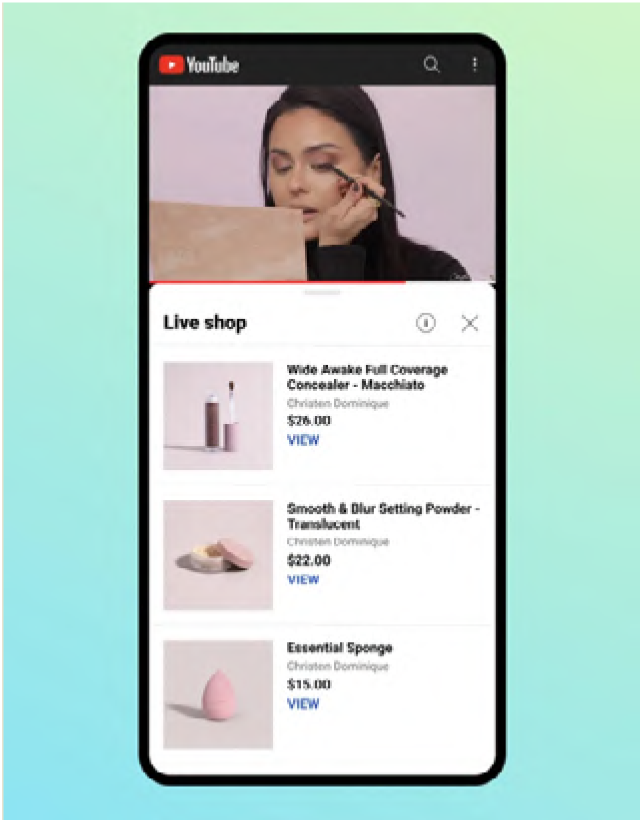
The Next Generation Of Merchants

creators access to live shopping tools. Allowing the viewer to shop directly from YouTube makes shopping seamless and easy. YouTube Studio's 'Shopping' tab allows creators to easily manage how their products are tagged and appear across their channels.[35] It is considered by many to be the next phase of creator economy growth.

Shopify allows creators and merchants to easily feature their products across their YouTube channels and content. Eligible creators can link their Shopify store to their YouTube channel in just a few steps.[36]

> *"Shopify is the commerce infrastructure of the internet, powering millions of independent businesses all over the world. We believe creators are the next generation of merchants, and YouTube has been a longtime leader in powering this new cohort of entrepreneurs. We're excited to partner with YouTube, and help scale the creator economy into its next phase of growth."* Kaz Nejatian, VP of Product at Shopify

For example, when influencers are showcasing their newest merchandise or favourite items and leveraging the viewers' trust in their opinion on what to buy, the next step is one click away and fully attributable to the platform from which it has been seen and clicked through from.



This won't be just for influencers. Live events, broadcast on YouTube or other online video streaming services, will also be connecting what viewers see on screen to related purchasing opportunities, becoming 'shoppable'. Live events such as Brazil's biggest soccer tournament, Paulistao, to YouTube's second annual Beauty Festival to Coachella are now completely 'shoppable' for viewers.
There is a new industry also developing around YouTube creators being funded. Spotter is an LA-based startup that invests in a creator for the rights to ad revenue from the creator's past content, allowing them to invest into infrastructure and future projects (and the star being able to retain the rights to the IP of their future content). Spotter has already purchased a library of more than 400+ YouTube creator partnerships, delivering to 2.1 billion+ subscribers.[37] The company has already pumped more than $350 million into the influencer economy and plans to invest another $650 million over the next two years.

> *The future is 'shop now' banners increasingly being part of content, taking you right to a product, along with shoppable ads in streaming services and shoppable content baked into the entertainment itself.*

Digital Content & Web3

With a future of increased digital consumerism, platforms will become more immersive. The more time people spend on them, the more platforms grow away from their single-purpose origins, leading to self-contained economies. Two very popular terms currently are 'Web3' and 'metaverse'. Web3 is a framework, an evolution of the world wide web that incorporates decentralisation, blockchain and token-

based economies. One of Web3's major promises is the possibility of giving content creators control over how to use, distribute and monetise their content online. NFTs, for example, are one way in which Web3 can be content-driven. NFTs are creating an abundance of intellectual properties that are essential for winning in the post-modern creator future. See here for more analysis on how NFTs might affect in certain industries.

The metaverse is an environment—a multi-purpose digital space. Though the term is still evolving, it is the convergence of physical and digital worlds. It creates a grey area about what media is in relation to the metaverse. If the metaverse is the culmination of digitisation—a way for virtual life to become a more persistent, autonomous accompaniment to the analogue world, where shared experiences and creativity can flourish uninhibited by physical structure—then, as in more dynamic media environments, whoever can first create the virtuous circle of content creation and user growth will exert significant gravitational pull.

> *According to PwC's 'Demystifying the metaverse' report, "In the not-too-distant future, the metaverse could be a stunningly realistic world where individuals and organisations sell goods and services, sign and enforce contracts, recruit and train workers, and interact with customers and communities".*[38]

That is to say, the ultimate media.

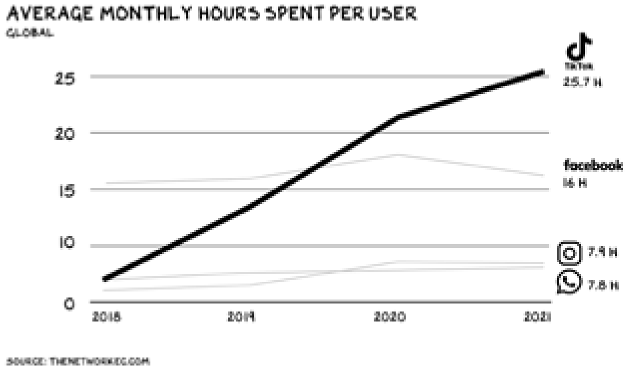
35 YouTubes shopping tab
36 Linking shopify stores to Youtube
37 Spotter subscribers
38 What the Metaverse could be

The Big Bet: Immersive Virtual Worlds

As mentioned in the description of streaming challenges in Section 2 of this report, the juggernaut platforms are starting to see the limits of their growth. They face competition in their efforts to attract and retain the attention of people in a world of rapidly evolving consumer preferences, not to mention shrinking attention spans.

TikTok's meteoric rise is enabled by its addictive scrolling function and ever-improving algorithm to serve up hyper-personalised content.

TikTok has amassed over 3 billion downloads and reached one-third of all social media users on the planet in less than four short years. It took Facebook and Instagram almost a decade to get a user base of that size. The average time spent on TikTok per day is a staggering 52 minutes worldwide.[39] In 2021, it was 9 hours ahead of Facebook in terms of average monthly hours spent per user.



But, once again, there is a shift—teenagers are now looking to spend more time in immersive virtual gaming worlds like Roblox and Fortnite than they are on TikTok. If we moved from traditional to digital, the next shift, according to Meta, is from digital to dynamic virtual worlds.

Since its rebrand in 2021[40], Facebook parent Meta has staked its future on the metaverse—a term that encompasses virtual and augmented reality technology—with the aim of having people working and playing in digital worlds in the near future. Mark Zuckerberg has said that Meta is 'all in' on the metaverse. Meta's Reality Labs division—which makes virtual-reality goggles, smart glasses and other yet-to-be-released products—lost more than $10 billion in 2021 as it built the business.[41]

In 2022, Meta acquired more companies with virtual reality expertise, including Lofelt. Lofelt specialises in haptic technology,[42] which can replicate the experience of touch in a virtual setting through forces or vibrations in a hardware device, such as a smartphone or videogame console controller. With haptic technology, Meta could build devices that give users a more immersive experience of being 'in' the metaverse, an immersive virtual platform in which users can interact with one another. Meta is also teaming up with Qualcomm to make custom VR chips for metaverse applications.[43] The two US technology giants have signed a multi-year agreement "to collaborate on a new era of spatial computing" using Qualcomm's extended reality Snapdragon technology. In the smartphone field, companies ranging from Apple to Samsung have designed their own custom processors to differentiate from competitors and create better products than they might have produced using off-the-shelf chips. A focus on custom chips by Meta makes sense as it looks to differentiate its headsets and possibly create unique experiences for users.

39 TikToks average daily usership
40 Facebooks re-brand
41 Meta's Reality Labs loss
42 Lofelts haptic technology
43 Customised VR chips for the metaverse

> *"Unlike mobile phones, building virtual reality brings novel, multi-dimensional challenges in spatial computing, cost and form factor," Zuckerberg said.*

Meta is expected to launch its new VR headset, the Meta Quest Pro, by the end of 2022. The device will have a high-resolution colour screen, internal sensors for eye tracking and sophisticated pass-through augmented reality.

Buoyed by the success of Meta's Quest VR system in particular, global spending on VR rose by 36.5% in 2021 to $2.6 billion and is projected to increase at a compound annual growth rate of 24.1% between 2021 and 2026 to reach $7.6 billion. The global active installed base of stand-alone and tethered VR headsets is projected to grow from $21.6 million in 2021 to $65.9 million in 2026.

With $63 billion expected to be spent on advertising on social media platforms in 2022 by US companies alone, there is a big prize to be won for whoever builds the globally adopted next-gen immersive social platform.

Immersive Others: Qualcomm, Google

Qualcomm, Google and competitors are looking to stay at the forefront of digital innovation. The leading semiconductor design and wireless technology firm Qualcomm has signalled its intent for extended reality via Qualcomm Ventures—backing over 80 companies, including 10 acquisitions, such as AR-focused Wikitude, and also announcing a $100 million Snapdragon Metaverse Fund.[44]

These moves are ultimately aimed at advancing Qualcomm's strategic critical technologies such as 5G, AI and XR—and at laying the foundation for the immersive online experiences of the future.[45]

Google has developed Immersive Stream for eXtended Reality (XR). The service uses Google Cloud's GPUs and streams to millions of mobile devices around the world. Google XR already has case studies that include immersive virtual shopping journeys with KDDI, next-gen home improvement experiences with Lowe's and tourism with the Singapore Tourism Board. The prototyping provides next-generation travel planning experiences using Immersive Stream for XR, enabling users to enjoy a cinematic discovery of Singapore from wherever they are.

This year, Sony and Kirkbi (the Lego Group holding company) invested a combined $2 billion in Fortnite developer Epic Games, aimed at funding Epic's building of a gaming metaverse. The Swiss startup collectID raised $3.5 million to build up its metaverse platform, allowing users to take their clothes and accessories into the metaverse. The Dubai Virtual Assets Regulatory Authority has even set up a metaverse-based headquarters.

44 Snapdragon Metaverse Fund
45 Online experiences of the future

LTC Spotlight on: What the Metaverse and new tech means for the future of influence, by Edward East, CEO and founder, Billion Dollar Boy Group

Social media platform capabilities, inextricably linked to the evolution of the infrastructure of the internet, have revolutionised advertising at large. Social media has enabled the sharing of rich content, experiences and self-expression and the accrual of audiences engaged in that content.

Where influencers were once hobbyists who fell into influencing, creators as we know them today grew up with this notion and have advanced the space considerably. What is now known as the 'creator economy' has grown from $1.7 billion in 2016 to $16.4 billion in 2022.[46] That's a staggering 860% increase in just six years.

The rise of the creator economy was driven forwards by technological advancements. Just as creator marketing started to feel like a familiar space for brands and consumers, enter the metaverse. Today, the world's biggest tech companies, brands and game developers are all competing for a slice of the virtual pie.

What is the Metaverse?

A term first coined by author Neal Stephenson in the 1992 science-fiction novel Snow Crash, the metaverse is a concept brought to life by the new era of the web. And at the helm are creators, who understand the space better than anyone else.

Although the word 'metaverse' has officially entered the cultural lexicon, there is not yet an agreed-upon definition. Currently, this is how we define it:

"The collective term for a current and future immersive form of the internet. An expansive network of digital spaces, which create a shared virtual environment for its users. It has been considered an evolved iteration of the internet—enabled by augmented, virtual and mixed realities, where users can traverse interconnected worlds and share experiences between real and virtual worlds."

Metaverse technologies

The metaverse presents us all with new means of connection and experience—some of which we've already seen come to life. Online gaming, virtual shopping experiences, exclusive brand drops, virtual events, NFTs and virtual avatars are a few obvious examples, but future possibilities are limitless, thanks to ever-evolving technological advancements.

To give an idea of its potential scale: Citi predicts the metaverse economy could be worth a staggering $13 trillion by 2030[47], with the potential to generate $8.3 trillion total consumer expenditure in the US alone, according to Morgan Stanley.[48]

These are impressive figures, given that the metaverse is still being built. It forms part of the next iteration of internet evolution and is unfamiliar territory for the majority of brands, consumers and platforms. The metaverse is more immersive than its predecessors and, in a world where community is key, we argue that creators are the best individuals to help navigate this new virtual terrain.

Historically, before user-generated content came into play, marketing focused on product and promotion, then shifted to emotion and engagement. The metaverse elevates those concepts, with a focus on experience and connection. As the intricacies of how the metaverse comes to life are still being worked out, what does creator marketing look like in the metaverse?[49] How will these new technologies advance the creator economy?

When the pandemic hit and professional shoots were cancelled, creators stepped up and proved themselves by creating quality content from the comfort of their own homes. Brands began to centralise the role of creators and trust was fostered—marketers must rely upon that trust as we move into this new era of the web.

Whenever a new space appears, those who spend the most time exploring and experimenting understand its power best and go on to share their expertise more widely. Creators at the core of the metaverse co-creation process and those who are working within it understand the space better than any of us, having spent time honing their skills and building loyal communities.
However, as with any new space, Web3 and the metaverse aren't without challenges. There has recently been criticism around platforms unfairly compensating creators. The fundamental essence of the metaverse is a proposed egalitarian space with shared and transparent ownership.

Activating in the Metaverse

Ultimately, activating within the metaverse today involves applying already-existing marketing tactics to new technologies. At the foundation of brand campaigns should be a mapped-out strategy with a focus on education.

Many of the brand activations we've seen so far have been big budget and typically bespoke. However, brands should consider using elements of the metaverse at all stages of the marketing funnel. This champions the inclusivity embodied by the principles of the metaverse and could be considered a more accessible approach to consumer outreach.

One route that brands could take is to create an experience or activation that takes place within the metaverse, which could be signposted through pre-existing mainstream channels. Brands might decide to collaborate with makers who are familiar with virtual worlds to co-create virtual experiences within the likes of Decentraland, Sandbox, DXSH or Roblox, which could then be promoted through a creator's more traditional social channels.

46 The creator economy
47 The predicted worth of the metaverse by 2030
48 Potential US consumer expenditure
49 The creator market in the metaverse

Engaging with communities in the metaverse can also be used to promote real-world experiences. For example, brands might choose to work with a creator on an exclusive, real-world brand launch, but have the creator's avatar wear virtual clothing in the metaverse.

Another way brands can elevate consumer experiences is by implementing metaverse technology[50] to create immersion, rather than something purely screen-centric. Google has taken advantage of technological developments successfully as the web has evolved to improve its services—specifically, Google Maps.

The metaverse provides the opportunity to blend physical and virtual worlds, and where the two collide is the sweet spot of community building and shared encounters. Advice for creators is the same as for brands: use this time to figure out what your intentions are and learn how these new technologies can work for you to create meaningful, immersive experiences for you and your communities.

We believe the creator landscape is set to shift with this new technology—it's likely some will thrive, while others might struggle to find their feet straight away.

About Billion Dollar Boy

Billion Dollar Boy is a next-generation creative agency harnessing the collective power of thousands of vetted global influencers and content creators. It partners with the world's leading companies and premium brands (such as Shiseido, Meta, Heineken, Bose, Zalando, Coty, Samsung and BMW) to create elevated content and deliver results.

https://www.billiondollarboy.com/

04 Tools For Media Empires

"Technology has now provided the tools allowing anyone the potential to create and unlock large value and even create their own media empire..."

In the past, content was curated and controlled by a small number of traditional media players. Content moved from central hubs to the periphery. Today, consumer creation has flipped the flow. With that has come threats as well as opportunities. Firstly, governments and consumers began to become more concerned for their privacy. Secondly, conversations online became divisive and extractive. In the future, the most valuable tools and platforms will give users flexibility and control.

Technology has now provided the tools allowing anyone the potential to unlock large value and even create their own media empire…

Healthy Conversations

The common belief is that news media has become extremely divisive. Some newsrooms across the country play into fear, sensationalism and partisan politics. Digital news only makes this worse, using algorithms designed to keep a person's eyes on the page longer, pushing stories with narratives that a person shows interest in and often taking audiences down a rabbit hole of fringe information—sometimes towards the extremes.

The internet we were exposed to in the '90s now seems like a much healthier one than we have today. But there are many efforts to create a safer internet—ex-Googler Tristan Harris' Center for Humane Technology, for example. It believes that social media's race for attention is destabilising society and asks the question, 'How do you ethically steer the thoughts and actions of two billion people's minds every day?' Tristan studies how today's major technology platforms have increasingly become the social fabric in which we live and think, wielding dangerous power over our ability to make sense of the world.

> *Whilst this was an argument based on concern for the wellbeing of consumers, a new business case is also emerging: the realisation that bad conversations are starting to turn people off media.*

Online conversations now occur in forums, comment sections and, of course, on social media platforms. When cloaked in anonymity, they easily—too easily—bring out the worst in people.

OpenWeb was founded in 2012 by Nadav Shoval and Roee Goldberg. The company makes the case that when the conversation is good, people stay and talk. Better, safer conversations lead to 35% more time on-site and 200% more pages viewed by active users.

OpenWeb sees its work as critical because the conversations we are having online are shaping real societal outcomes. The technology enables debates online to be conducted in a healthy way for a safer internet. The proprietary tech uses AI and ML to moderate comments sections. The company moderates conversations for 100 million internet users, primarily in the US for more than 1,000 top-tier publishers including Hearst, Yahoo!, Penske Media Corporation and News Corp. OpenWeb allows publishers to gain independence from traditional social media by fuelling millions of high-quality conversations. Its website states, "We are not the ones who determine what is good or bad, we should be the tech company that builds the technology that will execute the decisions of people smarter than me that spend day and night determining what is racism, what is hate speech, and where is the line between censorship and moderation."

This year, OpenWeb made its first acquisition, deploying funds from its 2021 $150 million Series E round (the company is valued at $1.1 billion): for $60 million, it purchased Hive Media Group, a US digital and engagement platform.[51] The hope is to help content creators and editorial teams with new products such as blogging, AMAs, polls, reactions and other tools. The E round saw the company's first strategic investors, including The New York Times Company, Dentsu and Samsung Next.

The technology empowers publishers with tools to build first-party data relationships with their audiences. OpenWeb analyses and aggregates first-party data from leading content and news publishers and allows publishers to create quality conversations on their websites and apps, giving them the option of moving away from social networks controlled by the platform provider. The platform encourages content consumers to become registered users through context-driven registration and monetisation routes, whilst simultaneously using AI/ML to drive a deeper understanding of the registered user base across platforms.

51 The aquisition of Hive Media Group

Respecting Privacy

Worries about privacy and stricter data laws have pushed technology companies to give consumers better control over how their personal information is collected, stored and shared. These steps are gradually leading to the disappearance of device identifiers and tracking cookies that help marketers to determine whether they're reaching the right consumers with advertising. The likes of Apple have increased privacy controls, limiting the tracking capabilities of digital advertisers and enabling iPhone users to opt out of data sharing. Apple launched the App Tracking Transparency (ATT) framework in April 2021; it mandates that iOS users opt in before their identifier for advertisers (IDFA) can be accessed.

Following Apple with increased privacy controls and feeling increased pressure around privacy from both governments and consumers, Google is set to phase out third-party cookies from its Chrome Web browser in H2 2023. Its Privacy Sandbox initiative is pushing marketers to find new ways to reach their target consumers whilst respecting their privacy.

The result is an increase in the value of first-party data and therefore a media market race—especially, for example, for data bases of emails that have opted in or logins providing clear, identifiable audiences.

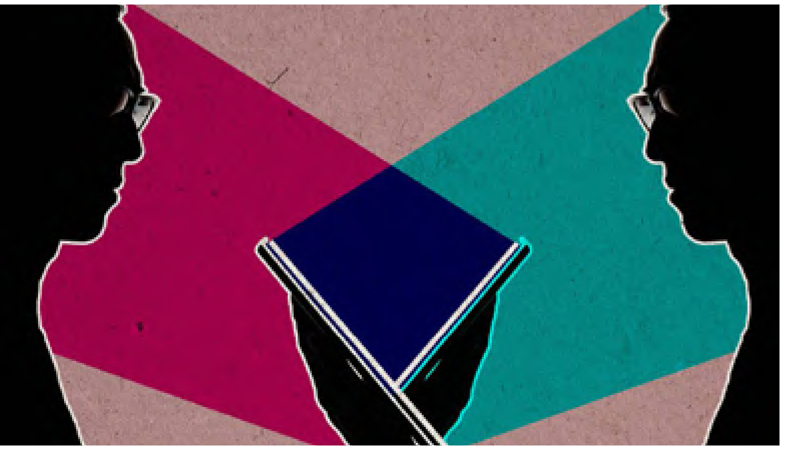
Since Google's announcement about privacy in 2020, the publishing industry has seen a flurry of acquisitions for newsletter-based or subscriber-only platforms; for example, Axios bought Cox Enterprises, Industry Dive acquired Informa, Politico was acquired by Axel Springer, The Athletic was purchased by The New York Times, Morning Brew was bought by Insider and, as mentioned earlier, The Hustle was acquired by HubSpot.

"Five years ago, people thought this was a 'mom-and-pop'-type business," says Tim Huelskamp, a former venture capitalist and co-founder of 1440, a daily newsletter company with a staff of nine. "Now you're starting to see pretty big exits like Industry Dive."

The business model is compelling:

1) Tech updates: Email doesn't require you to take on all the expenses of keeping of your website up to date.

2) Zero platform risk: Email is not likely to get disrupted anytime soon. It's a resilient communications platform that everyone still uses, unlike the social channels that can quickly fizzle out (think Clubhouse).



Training AI Recommendation Algorithms

The secret to much of the success of what are considered digital media giants—the likes of TikTok, Spotify and Netflix—is the recommendation algorithm. The more a platform is used, in theory, the better the algorithms should get (while also providing a defendable moat against competitors). AI will take this to the next level, with features like mood-matched recommendations that are not just right for you—they're right for you right now. It's about content that has increased situational relevancy. The future, then, is about training your algorithms—having to consciously think about what you click and dwell on knowing you are more likely to get served up similar

Building Your Own Media Empire

content and ads.
The creator economy is growing and evolving rapidly, with new platforms and content types continuously emerging. Content creators (such as influencers or podcasters) and the platforms where they build their followings represent a significant portion of consumers' online behaviour, impacting who they listen to when it comes to buying decisions and, increasingly, where they are making direct purchases.

The future of the creator economy will depend on depth rather than breadth of reach to followers. The playing field is shifting in favour of smaller, more niche content creators, with new ways to monetise, like

tokenised content and branded merchandise.
TikTok, the short video social media platform owned by China-based ByteDance, is one of the top platforms for content creators today, with more than 3.5 billion all-time downloads worldwide.[52]

Direct to audience and 'DIY' global media

The rise of independent writers and podcasters has been due to technology that enables them to publish directly to their audience and get paid through subscriptions. Podcasting is a high-growth, low barrier-to-entry opportunity for newcomers to harvest attention and, for some, to monetise.

There are platforms enabling creators to do it all themselves: create, publish, manage and promote their own content and build their own media empire.

Newsletter & subscriptions management: Substack

The likes of US online platform Substack are true enablers, providing publishing, payment, analytics and design infrastructure to support subscription newsletters. It allows writers to send digital newsletters directly to subscribers. Founded in 2017, Substack is headquartered in San Francisco, California.

Substack allows anyone to set up paid newsletters or publish articles promoting their written content for a subscription fee. Substack makes money by charging a 10% fee to creators on their monthly earnings through the site.

To entice journalists and writers to use the platform and publish regularly, Substack started making deals with select writers that offered some of the protections of traditional newsrooms. The most straightforward was a guaranteed income, often much more than what they could make at media outlets. Other perks included a dedicated editor, healthcare benefits and legal support. The program was labelled Substack Pro, and the company formally announced the deals in March of last year.[53]

Investors in Substack include A16Z and Y Combinator; they raised a total of $82.4 million in funding over four rounds. Substack has "more than half a

million people" paying for writers on its network. The likes of Facebook and Twitter are building out their own newsletter efforts but have lost ground to other rival startups. Twitter acquired Revue, a service that makes it free and easy for anyone to start and publish editorial newsletters. The various tech companies competing in the space are each wagering that the long tail for paid writing is indeed long, and that individuals of many profile sizes will be able to attract and hold a paid audience.

Open source journalism: Ghost

Ghost is a Singapore-based non-profit player in the market building open-source technology for journalism. It was founded in 2013, after a very successful Kickstarter campaign to create a new platform focused solely on professional publishing.[54] Its USP is that it allows anyone on the internet to

52 TikToks worldwide downloads
53 Substack Pro
54 Professional publishing

install and run its software for free. It has no owners and cannot be acquired. It comes with modern tools to build a website, publish content, send newsletters and offer paid subscriptions to members.

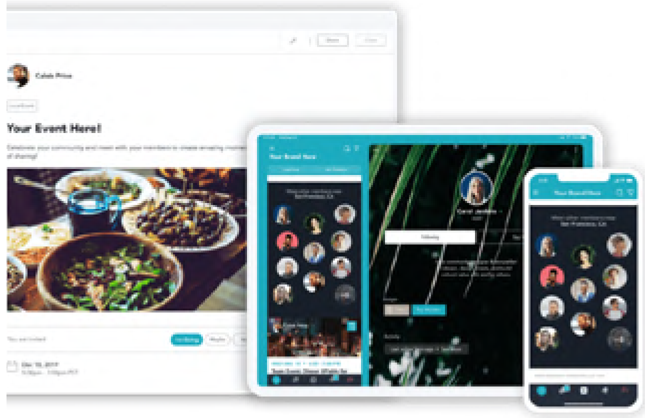
> *"Our mission is to create the best open-source tools for independent journalists and writers across the world, and have a real impact on the future of online media. We call this Sustainable Open Source."*

The non-profit generates revenue by offering annually paid website hosting ranging from $9 per month for a Starter account to $199 per month for a Business account. To date, publishers using Ghost have earned $12 million in revenue with 0% payment fees. The platform has had over 3 million installs to date and is signing up over 10,000 new publications a week.

Community management: Mighty Network

Mighty Networks, headquartered in Palo Alto, was founded in 2017 and is an online platform for creators and brands to build communities. The SaaS platform serves creators with the purpose of selling experiences, relationships and expertise to members via community, content, online courses and subscription commerce—all offered in one place under the creator's brand, on every platform.

Mighty Networks connects members to each other so



that, with every new person who joins, the creators' brand becomes more valuable for every member. The platform focuses on helping create communities, sell memberships and grow the creator's course sales. Mighty Networks has raised a total of $66 million in funding over 5 rounds. Its latest funding was raised in 2021 from a Series B round. Investors include Intel Capital, Reid Hoffman and LionTree.

Creators with fans: Patreon

Patreon is a membership platform that provides business tools for content creators to run a subscription service. It helps creators and artists earn a monthly income by providing rewards and perks to their subscribers' 3 million monthly active patrons. The platform allows creators to foster a direct subscriber base and is popular among creators like podcasters, writers and artists and their fans. Site users, or 'patrons', can sign up for one-time and recurring payments to makers that allow them to support their favourites in exchange for exclusive content or other rewards.

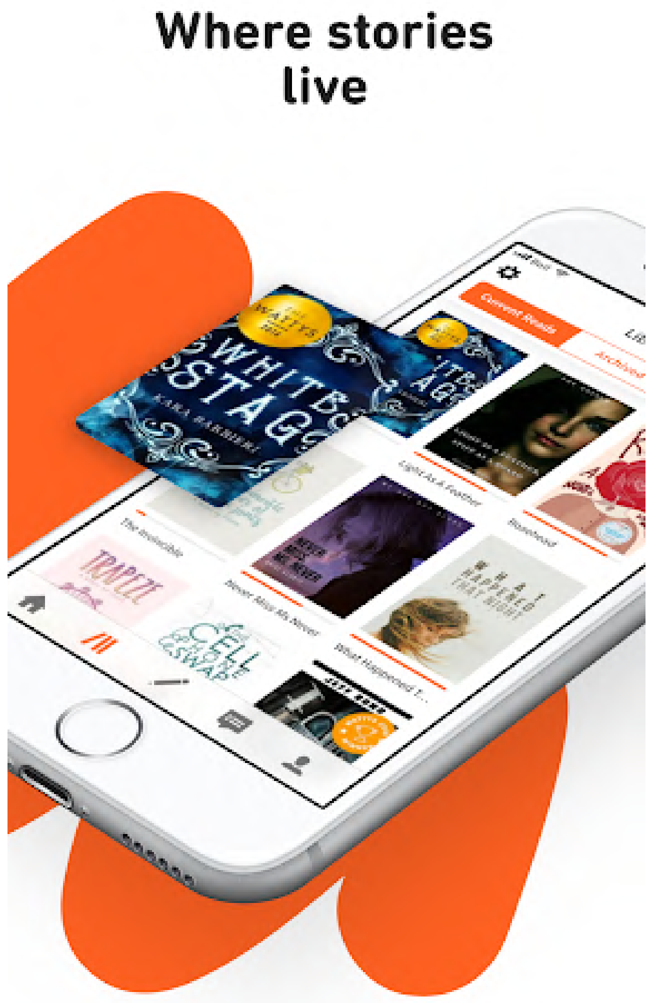
Founded in 2013, the platform began 2022 with about 400 employees but is looking to double in size by 2023.

Software Platforms For Content Creation

After you have your brand, audience, communities, memberships and courses to sell, you need regular content. There is now no shortage of software platforms that help creators create, including:

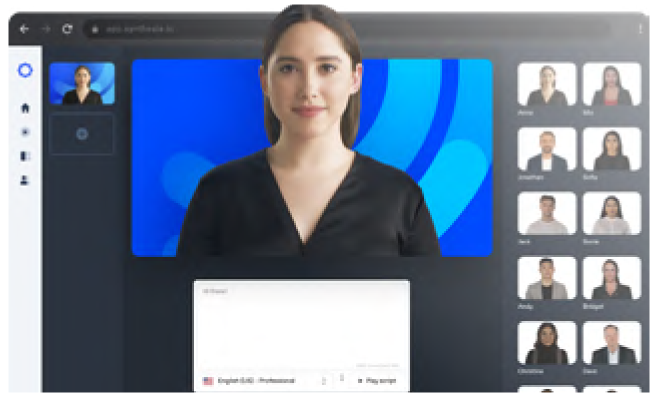
Storytelling platform: Wattpad

Wattpad is a social storytelling platform with over 90 million readers and writers connected through the power of story.



Copy assistant: Jasper

Jasper is an AI assistant that helps you write copy and create unique images for business. The content is designed to rank for SEO while being keyword-rich and plagiarism-free. Jasper can write blog articles, social media posts and sales emails.



AI video software: Synthesia

Using AI, Synthesia is radically changing the process of video creation. Founded in 2017 with its HQ in London, Synthesia creates professional videos in over 60 languages. It's video content without cameras—no studio, actor or camera required. The web-based platform uses AI avatars and voices. Just type your messaging onto the platform and, two minutes later, it can send you a video file of a talking-heads piece with your company branding in the background. Synthesia allows anyone to turn text or a slide deck presentation into a video, complete with a talking avatar. As early pioneers of video synthesis technology, the company says it is excited about the possibilities that synthetic media will bring to visual content creation.

> *Generative AI will reduce the cost, skill and language barriers to creating and distributing visual content.*

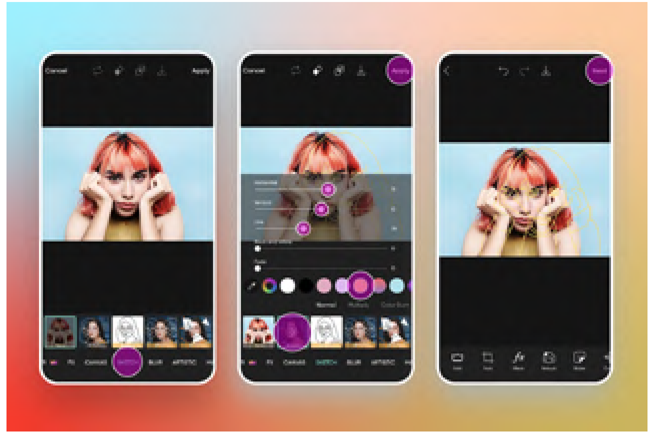
Synthesia has raised a total of $66.6 million in funding over 4 rounds. Its latest funding was raised in a Series B round in 2021 by Seedcamp, GV, LDV Capital, Firstmark, MMC Ventures and Kleiner Perkins.

Design & editing: Picsart

Picsart is an all-in-one app and social network for photo and video editing and design tools, with over 150 million monthly active users. The Picsart app has been downloaded more than 1 billion times across 180 countries. Picsart has reached the status of the top downloaded app on the UK iOS store and the seventh most downloaded in the US; it was the nineteenth most downloaded app worldwide in 2021. Picsart gives users access to a vast open-source collection of content, including free-to-edit photos and videos, and enables users to share their images with the Picsart community and on other social networks like Facebook and Instagram. Every month, Picsart processes nearly 1 billion images, amassing one of the largest open-source collections of content in the world, including free-to-edit photos, stickers and more. Picsart is available for free in 30 languages and as a subscription on all major platforms.

Picsart reached unicorn status in 2021 with a $130 million Series C funding round at a valuation of over $1.2 billion, led by SoftBank and with participation from new investors G Squared and Tribe Capital, as well as existing investors such as Sequoia Capital. The company has raised a total of $195 million in capital since its founding in 2012. Since then, Picsart's team has grown to 850 employees in hubs around the world. In 2021, Picsart's annual revenue run rate grew by 40% year on year, reaching $115 million, and it's on the path to reaching $200 million in 2023. The company is positioning itself as a professional platform (Picsart for business) for video and image editing.

India holds a large opportunity for Picsart, with one of the platform's highest levels of engagement. Picsart acquired the AI R&D company DeepCraft, whose computer vision and machine learning will enhance Picsart's in-house AI research and development arm (PAIR) and help the company better support the



recent growth of video creation on its service. The app has been adopted by social media creators and e-commerce shops that use video editing. Picsart is outpacing its competitors on market share and metrics—these include VSCO, Snapseed, Adobe Photoshop and Adobe Lightroom, Prisma, Pixlr, Facetune and Afterlight.

Adobe is now getting in on the act, with the California software company recently announcing it was buying online design disruptor Figma for $20 billion.[55]

Music videos and sharing: Triller

Triller is an American video-sharing social networking service. Founded in 2015, Triller is an app for making professional-looking music videos. The service allows users to create and share short-form videos, including videos set or automatically synchronised to music using artificial intelligence technology. The company has raised money from entertainment executives and celebrities, including Snoop Dogg, 21 Savage and Migos, and it has brought on a roster of high-profile users, among them the Weeknd, Marshmello, Lil Wayne, Young Thug, Kendrick Lamar, Tyga, T.I. and Jake Paul.

Triller is looking at live events as a potential major revenue stream with TrillerPass, a monthly subscription service providing live footage from concerts, rap battles, basketball, boxing and more.

Freelancer marketplace: Fiverr

Micha Kaufman is the co-founder and CEO of Fiverr, a global online marketplace for freelancers. Let's say you're a designer. You can list your services and display your portfolio, and then companies that want assets or websites designed can find you and hire you to do the work.

It's called Fiverr because, at the beginning, all the tasks cost 5 dollars. Though the pricing has changed, the name has stayed, and the platform is currently

55 Adobe buying Figma

used by 4.2 million customers in 160 countries worldwide. The company launched in 2010, but Kaufman was committed to growing it organically, so spent nothing on marketing for the first several years.

That is even more incredible when you think that Fiverr, which went public in 2019, has a current market cap of just under $1.4 billion and revenue of over $160 million so far in 2022. Kaufman says it's three times larger than it was when it floated. During the pandemic, the company skyrocketed to a market cap of $11 billion.

AI-Generated art: Nightcafe creator

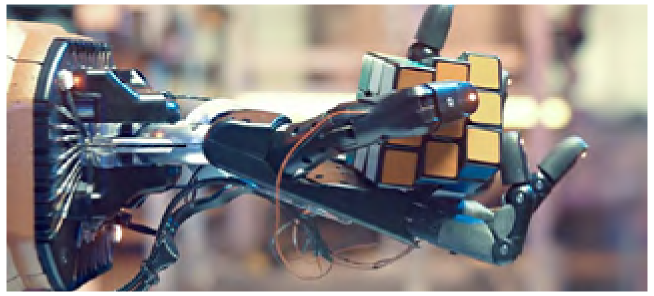
Machine learning in art creation is exploding. NightCafe Creator is at the forefront of bringing these new technologies—once available only to specialised users—to anyone with an internet connection. NightCafe Creator was founded by Angus Russell in November 2019 from the spare bedroom of his tiny house in Sydney. Fast forward to 2022, and over 5 million AI-generated artworks have been created on the platform. According to NightCafe Creator:

> *Contrary to what many believe, AI in the art world is not here to make artists redundant. It's here to make art creation accessible to the masses.*

The company began life as a neural-style transfer app—launched on Reddit in November 2019, and Russell has been working on it ever since. In late 2020,

Future Technology in Media Artwork created on NightCafe using AI to generate this image.

Russell's fiancée Elle joined the founding team as Chief Operating Officer.



OpenAI

OpenAI reached the mainstream in 2022 with its text-to-image program called DALL-E. Using this, people can convert words into images via AI models. The AI models come from Google's Imagen software, as well as from OpenAI.

The startup—backed by the likes of Microsoft, Reid Hoffman's charitable foundation and Khosla Ventures—has now developed DALL-E 2, a "new AI system that can create realistic images and art from a description in natural language."

DALL-E 2 has learned the relationship between images and the text used to describe them. Its process, called diffusion, starts with a pattern of dots, gradually altering the pattern towards an image that it then recognises.

More than 1.5 million users are now actively creating over 2 million images a day with the platform—from artists and creative directors to authors and architects.[56] The DALL-E community on Discord (more about that company later) is now over 100,000 users strong, all sharing their creations and feedback on the platform.

Stable Diffusion is considered to represent the next stage of the text-to-image platform, with a model that creates stunning AI-powered design and illustration in a fraction of the time of previous models.

56 DALL-E usership

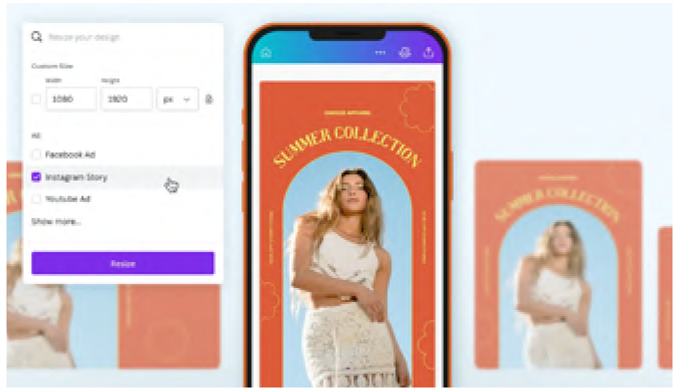
© 2022 London Technology Club. All rights reserved.
London Technology Club has exercised reasonable care in the collecting, processing and reporting of this information but has not independently audited the data to verify its accuracy or completeness. London Technology Club gives no express guarantee for a particular purpose and shall not be liable to any entity or person using the document, nor have any liability with respect to this document. This report is for general purposes only, and is not intended to be a solicitation, offer or recommendation to acquire or dispose of any investment, engage in any transaction or to provide any investment advice or service. Publication release date October 2022.

Visual communications: Canva

Launched in 2013, Canva is a free online visual communications and collaboration platform with a mission to empower everyone in the world to design. The platform provides a range of templates ranging from presentations, social media graphics, posters and apparel to videos, plus a huge library of fonts, stock photography, illustrations, video footage and audio clips.

Canva has more than 60 million monthly active users in 190 countries. As both usage and global adoption climb, the company continues to experience supercharged growth. A recent fresh round of funding will be used to accelerate this continued growth, including expanding Canva's team of more than 2,000 employees, which the company expects to double in the year ahead.

The number of designs created by the Canva community exceeds 7 billion, with 120 new designs created every second. It has over 800,000 templates and over 100 million design elements, including photos, videos, stickers, audio tracks and illustrations.[57]



AI-Generated media & marketing

All of the next gen tools we have described are leading to a future that will enable content creators and brands to generate, optimise and adjust/ react in real time campaigns. The next gen of agencies are also offering AI generated advertising campaigns. The likes of agency SoMin.AI co-founded by Professor Aleks Farseev based in Singapore, London and Istanbul, provides a SaaS deep learning solutions for marketing. Whilst Aleks was finishing his PhD on AI at the National University of Singapore, he realised there was a large gap in the marketing industry. Plugging the gap between marketers capabilities to act upon actionable insights and the tools available to them. To combat ad fatigue and poor advertising performance the company undertakes landscape mapping, content analysis, psychographic clustering and automated ad executions. The SoMin platform performs rapid tests on the clusters by automating thousands of campaign cells using different targeting strategies.

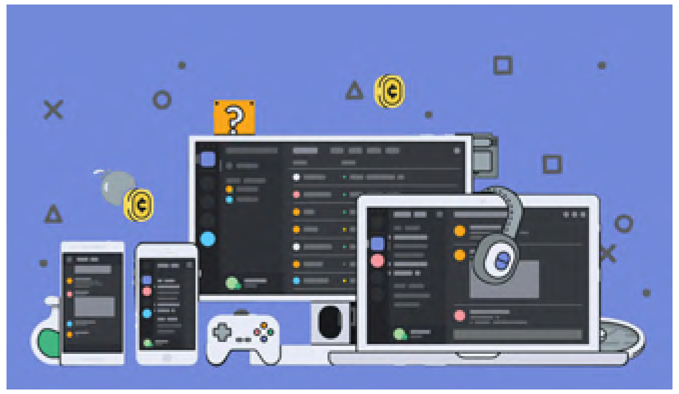
It balances objectives such as spend, quality reach and total conversion to find the optimum performance of the campaign. The platform helps advertisers and marketers target people better with AI. It can generate content recommendations. If this is already happening in advertising and campaign management, the same could be applied to media and content management in the future....

From monetising gaming to mainstream media

Once widely characterised as an industry for kids and geeks, gaming is proving to be an accelerator into the future for media. Gaming continues to embrace new technologies, break down silos and act as the breeding ground for industry-defining new technology platforms. Video games have met a large consumer need for increasingly sophisticated, cutting-edge technologies, like facial and voice recognition, high-definition displays, virtual reality, augmented reality and wearables, all integrated into a single platform to create an experience for players.

> *With a community of over 3 billion global gamers and the focus of everyone in tech (from big tech to VCs) who is working out the potential of Web3 and the metaverse, gaming is set to have the biggest influence on future immersive media.*

Then there's Discord, founded in 2015 to let friends around the world communicate whilst playing games online and hopping from text to voice to video to talk. In 7 years, the platform has grown to over 150 million monthly active users, with 19 million active servers managed per week and 4 billion server conversation minutes daily. In 2021, the company was valued at $15 billion, with Tencent and others investing over $500 million into the platform. Discord has built a space that, according to David Pierce writing for Protocol, "feels unlike any other on the internet. It's not quite group chat, it's not quite forums, it's not quite conference calling. It's all of those things and none of them."[58] It is thought of as the future of real-time communities. In 2021, the company rejected an acquisition offer from Microsoft for $12 billion. Discord is in demand due to the platform enabling the growth of a community on a branded channel that helps influencers and companies interact with their communities—a new form of social media. Discord is seen as creating a new subscription model called CaaS: Community as a Subscription.



AudioMob, led by founder Christian Facey, has created in-game audio advertising. Its technology allows mobile gamers to listen to audio ads and be monetised without blocking gameplay. Brand advertisers see a 1000%+ increase in click-through engagement, whilst developers see a 600% increase in ad banner revenues. The company raised $14 million in November 2021 from Makers Fund, LightSpeed Ventures, Google and numerous other influential angels in the gaming space.

AudioMob has integrations with Voodoo (which has the most downloaded games globally) and Crazy Labs (the with top 3 most downloads globally), with numerous other larger studio integrations in the pipeline.

57 Canva creations

58 Defining Discord

Beyond Digital To Dynamic And Immersive

Unreal Engine

The desire to create games that are as realistic as possible has led to one of the most powerful, open and advanced creation tools: Unreal Engine. The $30+ billion-valued, Epic Games-owned gaming engine is a tool for creating photo-realistic 3D models and environments. The adoption of Unreal Engine has given creators the freedom and control to deliver cutting-edge entertainment, compelling visualisations and immersive virtual worlds in real time, with no rendering time and hardly any production costs. It's changing the game not just for game designers but for content creators as well. A famous recent example can be seen in the Disney+ series The Mandalorian, which uses Unreal Engine to generate dynamic digital sets on giant LED screens.

Major studios are clamouring to use the technology, which is set to become the norm. Brands such as BMW are already integrating the technology into their design processes and collaborations across time zones. The brand is exploring Unreal Engine's potential across its entire business, from revolutionising its marketing department to product planning and even sales functions.

Unreal Engine is set to be applied to media and advertising.[59] Creatives can deliver cutting-edge advertising, compelling visualisations and immersive virtual worlds in real time. The key? No rendering

time and hardly any production costs. It's about to revolutionise global TV campaigns, which can be adapted and localised in real time.

Real-time photorealism, where VR will enable exploration and the building of believable environments, is the future aim. A music track, for example, won't have just a video. Instead, entire 3D worlds that interact with and respond to the music will be created and experienced. A future with the likes of Unreal Engine will see brands creating ecosystems and universal assets that can be used across any medium.

> *"Unreal is such a powerful and flexible tool. It's more than that too, it's a creative mindset. Our 3D artists and engineers can create and change new worlds, in real time,"* says Tim Dillon, SVP of growth and real-time innovation at Media.Monks.

Unreal Engine is poised to create the most immersive, playable spaces and rich experiences, places we will want to inhabit and spend time within.

Once again, we think about the dance between platforms where people will be and how brands will want to be a part of them—for their advertising, immersive experiences and commerce. Game engines like Unreal Engine are the foundation of future interactive spaces that people will be in, that industries think of as the metaverse; the media industry will have to be there.

59 How unreal engine will transform advertising

05 The Importance Of A Thriving Media Industry

"Some of the most competive cities in the world understand the economic value of creative industries"

Launching An Orange Economy Future

Governments increasingly understand the importance of media and creativity and are asking the question, 'How do we ensure that creative entrepreneurships can flourish in the future?' They are looking to facilitate the exchange of ideas and encounters between cultures within their regions to accelerate prosperity.

Although the US still leads the media market, it is Asia that's demonstrating how increasing prosperity creates great demand for knowledge, culture, media and entertainment.

Studies such as *Cultural times*, prepared by EY,[60] suggest that in a few years creativity will be a condition for competing in the globalised economy.

Savvy and forward-thinking politicians and policy-makers are realising there are three key ingredients for creative and cultural industries: digitalisation, entrepreneurship and a thriving, accessible and trustworthy media. Some of the most competitive cities in the world understand the economic value of creative industries too: from Los Angeles to London to, more recently, Bilbao with its Biscay Startup Bay initiative.

In 2001, British writer John Howkins coined the term the 'orange economy'.[61] It refers to everything developed through people's creativity and inspiration that becomes a good or service. The orange economy brings together sectors of the economy "whose main purpose is the production or reproduction, promotion, dissemination and/or the marketing of goods, services and activities that have cultural, artistic or patrimonial content," according to UNESCO.

> *If the economy surrounding creativity were a product, it would have the fifth greatest volume of business in the world.*

The Inter-American Development Bank (IDB) asked The Failure Institute, based in Mexico, to identify creative entrepreneurs in Latin America and the Caribbean, then use those figures to publish the Launching an orange future report'.[62]

We are approaching a pivotal moment with cutting-edge technological tools and processes, such as artificial intelligence, machine learning and automation.

Media is part of the fabric that disseminates information and output from cultural goods and services. Talent and creativity will need to lead the inputs, but we need to make sure that the orange economy benefits the whole of society when contributing to wealth, value, job generation and impact creation. With the likes of generative AI, there could be the 'haves'—those with access to the tools that enable them to save time and generate more content efficiently—as well as the 'have nots' who aren't online and can't access or use these tools. This means the gap between the two could widen dramatically.

Behind all the futuristic tools is the creativity of a programmer who develops an algorithm that predicts human behaviour, a team of programmers who design a videogame or a creator who thinks of a textile interface for monitoring the health of humans through clothing—with a strong media that shares the output and provides access for everyone to understand and benefit from. Hovhannes Avoyan, founder and CEO of Picsart, says:

> *"I was a PhD student in AI many years back, and I was always bullish about the potential of generative AI. Even I am surprised at the progress made in the last few months.*
>
> *It's fascinating to think about what possibilities generative AI opens up for the future. What kind of things will machines be able to create that they couldn't before? And how will human creativity be affected?*
>
> *Generative AI has forever changed the way we create original content. It will change many industries, from social media to marketing to product design. And while AI might entirely replace some functions, others will benefit from a synergy between humans and AI. By automating the creation of original content and work, generative AI could increase creatives' productivity by as much as 95%, according to estimates.*
>
> *As computing gets cheaper, new techniques, like diffusion models, reduce the costs. The research community continues to develop better algorithms and larger models. More developers will have access to the open-source tools and resources they need to create applications that use these new techniques.*
>
> *A lot of research and development is taking place in many fields to improve the accuracy of large models. The most advanced domain is text. Code generation is likely to have a big impact on productivity in the near term. Images have gone viral, and speech synthesis is getting good. Video models are behind at the moment, but probably won't be for much longer.*
>
> *Many predict we're on the cusp of a new wave of generative AI applications, motivated by the current large models. Just as the inflection point of mobile created a market opening for a handful of killer apps a decade ago, expect to see similar opportunities arise in the generative AI space. With that in mind, it will be interesting to see which companies can seize these opportunities and create the next wave of successful applications."*

60 EY study
61 Howkins, John. 2001. The Creative Economy. Penguin.
62 Launching an orange future report

Media for everyone

India's entertainment and media industry is expected to reach INR 412,656 crore by 2025 at 10.75% CAGR.[63] India is bucking the trend of a declining newspaper business with its continued rise of newspapers. India is expected to rise to the fifth-biggest newspaper market in the world by 2026.[64] When it comes to TV advertising, India is the fourth-largest market globally after the US, China and Japan. Yet broadband penetration remains extremely low, at 7.3% of Indian households. Without access to such tools to receive, create and distribute content and access digital media, without a new wave of generative AI to impact productivity, many will be left behind.

Emerging countries

Emerging countries provide both opportunities and challenges issues for scaling media platforms. Whilst more digital platforms are focused on monetisation in just 23 developed countries, yet there is a huge opportunity in the emerging 170 countries with a combined today of over 6.7bn in population. These emerging countries represent 44% of global GDP and $162bn in global ad spend… It has led to specialist media tech platforms emerging to support the major media players such as Httpool by Aleph. The company's major clients include Meta, Google, Twitter, Snapchat and Spotify helping them with local dedicated sales, education, localised tech for billing & credit. Many media platforms when rapidly expanding need local emerging market complexities simplified – such as cross border payments. Httpool for example developed Wise.Blue for Twitter, an API solution to provide campaign setup, management and optimisation to maximise performance. Httpool is a 16 year old company now that received minority stake investments from CVC, Twitter and Snapchat. The company has helped Snapchat grow from 2 to 33 markets since 2021 and Tiktok from 1 in 2019 to 24 markets in 2021.

63 PwC's Global Entertainment & Media Outlook 2021-2025
64 PwC's Global Entertainment & Media Outlook 2021-2025

© 2022 London Technology Club. All rights reserved.
London Technology Club has exercised reasonable care in the collecting, processing and reporting of this information but has not independently audited the data to verify its accuracy or completeness. London Technology Club gives no express guarantee for a particular purpose and shall not be liable to any entity or person using the document, nor have any liability with respect to this document. This report is for general purposes only, and is not intended to be a solicitation, offer or recommendation to acquire or dispose of any investment, engage in any transaction or to provide any investment advice or service. Publication release date October 2022.

LTC Spotlight on ViewersLogic: The future of media planning & buying is truly consumer centric, by Andrew Carmody, CMO at Viewerslogic

The data wave

Back in the day, shopkeepers knew their customers: Mrs. Jones likes red hats and strong coffee, Mr. Peters likes the financial newspaper but doesn't like to talk.

The advertising and media industry evolved to scale such 'relationships', yet in the process the individuality of the consumer was lost.

Advertising needed a 'currency' to enable the fair pricing of media space. This started with how many people were watching a specific programme on TV and evolved to segmenting viewers into demographic groups such as gender, social class and age.

This approach was accepted by the media community, because it could be verified and standardised and provide consistency. There it stayed for decades, despite it being grossly simplistic and effectively wasting significant portions of a client's investment. For example, a beer brand might assume that it sells to men aged 18–35—but not all men 18–35 buy beer and not all beer consumers are men at all!

This numbers approach drove the development of data-driven media buying methodologies and

approaches. Slick user interfaces in media planning tools made it feel that media plans were highly targeted and minimised waste. In fact, the opposite was true. The consumer had been reduced to numbers in the quest for efficiency and convenience. The problem for the media agencies was that the promise of sophisticated targeting did not appear in the client's conversion to sales.

The rise of the consumer for single source data

For decades, marketers retained this view of targeting whilst the rest of the industrial sector moved to far more sophisticated ways to measure and optimise their businesses. As more publications and content platforms appeared, niche but substantial audiences emerged, not around their demographics but around their shared interests. What was started by the 'interest' magazine industry was refined and magnified by the social networks which, aided by the use of third-party cookies, enabled marketers to target groups of interests and behaviours rather than demographics.

However, these platforms represented only a small fraction of a person's time and interest. It was as though they were looking at an individual through a keyhole. They couldn't see what we watch on TV (the biggest chunk of content viewing) nor what we do in the real world and, critically, not what we actually buy. The seeds were sown that targeting purely by demographics was no longer fit for purpose.

Research and media companies acquired many disparate data sets relating to the behaviour of different but similar groups of people (TV watching, web use, purchasing, etc.) and endeavoured to use maths and the emerging disciplines of machine

learning and artificial intelligence to try and make sense of what real people actually did. However, as any data scientist would tell you, the more data sets you fuse together, the wider the correlations get and the weaker the insights. The result was yet more insights on consumer behaviour, presented as fact but at best based on probabilistic models. This was better than targeting with pure demographics but a long way off understanding what makes us buy in an ever-more fragmented and complex media environment.
A new solution was needed. The industry needed data on everything that an individual sees, searches and buys and not the fusion of data sets of different people. Only this held the potential to reveal consumers' real path to purchase.

Some important trends that is helping this become a reality:

1) Sensing Technology in everyone's back pocket: The mobile phone is now almost ubiquitous. It is an accurate proxy for the individual, because it can collect data on everything we do: the TV shows we watch, the websites we visit, the apps we use. It goes where we go and increasingly is our commerce/payment device.

2) Data protection: Data protection regulations have emerged to protect consumers from nefarious and unfair use of personal data. In short, the consumer—not the service provider—is now the owner of data created by using services. Consent is needed for a company to use personal data. This third-party data is harder to use legitimately, and first-party data is thin at best (e.g. email addresses from a warranty card).

3) **Consumer behaviour:** When the pandemic hit and everyone was in lockdown, we changed how we worked, enjoyed ourselves and shopped. Brands tried to find the answers in historic consumer data, but these data sets were irrelevant because our behaviour had changed so much.

4) Economics: The pandemic and current economic squeeze has put pressure on brands' margins and tolerance for risk. This has forced them to look for predictability in their marketing approaches and for ever greater efficiencies.

These trends have combined to put the consumer back at the centre of the marketer's focus. Only the individual has the legal right (through data protection regulations) and the technical means (their mobile device) to request and bring together all their data in one place. It is the marketer's job to get the consumer to share that data. This holy grail of data is called single-source data and it is fuelling a new era of relevant targeting and marketing effectiveness.

For the consumer, this has major benefits

- They receive marketing and offers for products and services that they actually want when they need them
- They will receive some form of value exchange in return for sharing their data with the brands and companies that they trust. This can be in the form of a service, convenience or reward

For brands, the era of single data has significant implications:

1) If they can access this data, brands can identify who actually buys what they sell and what the competition

is selling. They can understand consumers' behaviour on the way to a purchase, revealing how and when to apply the greatest influence.

2) The ability to understand the consumer's journey to purchase will enable brands to optimise the budget allocation across media platforms depending on the role and performance of each platform.

3) The intelligent use of this data in marketing and the alignment of this data with the rest of a company's internal and external supply chain will significantly add to the productivity and financial performance of a business.

Single-source data represents the most accurate version of the truth that we have ever seen. For the first time, brands (sales and marketing), their agencies (creative and media) and the media owners will be using the same data. Once again, understanding the consumer will be what drives the B2C industry.

When will this happen?

It is happening today. Single-source data providers such as ViewersLogic already have a representative paid consumer panel in the UK and, soon, in the US, with each panellist empowered to passively collect their cross-platform viewing, engagement and purchasing data. ViewersLogic is providing this data to major brands, media agencies and broadcasters.

About ViewersLogic

ViewersLogic is the leading consumer behaviour data company that enables brands, agencies and broadcasters to close the loop on their entire cross-media measurement, buying and optimisation process. Through its ground-breaking cross-media measurement platform, it uses unique single-source data to track the behaviour of the individual, not the media they consume, across TV, online and offline. Consumer exposure to an ad is closely monitored through to engagement with the brand, including sales, footfall, website visits, app installs and account openings.

ViewersLogic disrupts the traditional research model, which measures data from different channels and platforms in silos, then fuses it together to find probabilistic correlations. In contrast to the expensive, low-quality data produced by this method, ViewersLogic's single-source data provides brands with the true picture of the full consumer journey to purchase—a picture they need to optimise their campaign performance and minimise waste spend. Clients include Channel 4, ITV, MediaCom, Publicis, eToro, Hotel Chocolat, Direct Line and the7stars.

https://www.viewerslogic.com/

Acknowledgements

With special thanks to all our contributors/referrers for sharing their unique insights and referrals:

Konstantin Sidorov, London Technology Club
Maria Pavlinova, London Technology Club
Emily Sullivan, London Technology Club
Jeffe Mathew, London Technology Club
Lord Ed Vaizey of Didcot
Kirill Krobkov, Sound.Club
Dmitry Korobkov, Sound.Club
Dave Manon, Sound.Club
Andrew Carmody, Viewers Logic
Stephen Duval, Empowerment IP
Spike Hughes, Cohesion Investments
F. Jacob Cherian, Vistas Media Capital
Simon Terrington, DotVector
James Lindsay, LionTree LLC
Joele Forrester, Billion Dollar Boy
Edward East, Billion Dollar Boy
Dana Al Salem, Fan Factory
Aljosa Jenko, Httpool
Aleks Farseev, SoMin.AI

Simon Pavitt
s.pavitt@londontechnologyclub.com
68 Pall Mall, London, SW1Y 5ES
Tel +44 (0) 203 968 0942

For more information about London Technology Club please visit:
www.londontechnologyclub.com
To watch the LTC 'About Us' video click here