

Telecom, Media & Entertainment

UNDER THE SPOTLIGHT



Deloitte.

From the Great Resignation
to the Great Reimagination

Sector overview and 2022 outlook

It is common knowledge that the pandemic influenced every industry to re-think its proposition to customers and redefine its commitment to workers.

On one hand, the media and entertainment industry was challenged with driving innovation and changing business models to break generational norms of entertainment experience from the traditional outdoor to an in-person digital home set-up. On the other hand, the telecom industry continued to make progress in augmenting its network capacity with additional fiber and wireless deployments to meet the constant demand for higher-speed networks in 2021.

Looking ahead, in 2022, we can expect to see a new set of opportunities and potential challenges presented. This is against a backdrop of a dynamic technological, regulatory, and competitive environment, as well as changing customer behaviors that may impact the sector's progress.

Key trends we have started to see impact TM&E in 2022 and beyond, include:

THE MEDIA AND ENTERTAINMENT (M&E) INDUSTRY—RIDING A WAVE OF OPPORTUNITY

Maturing of video streaming industry: We will see the streaming video industry mature as metrics move beyond subscriber counts to lifetime customer value, and existing business models evolve to find greater profitability amid global competition. At the same time, in-person entertainment as well as the businesses and venues that rely on it, will face greater pressure to go beyond simply bringing people out of their pandemic cocoons by evolving and differentiating itself from the living room.

Non-Fungible Tokens (NFTs)

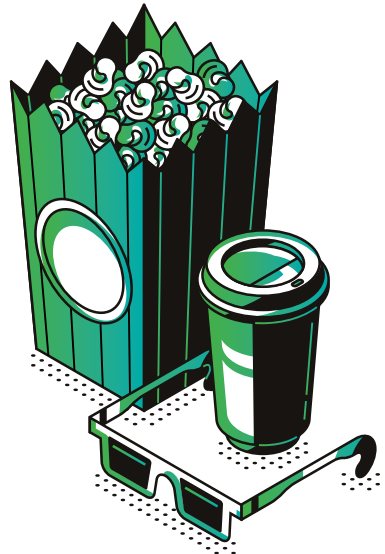
offer product innovation: The sudden rise of NFTs bring scarcity and exclusivity to digital goods and will drive new models of customer loyalty. They'll also lead to more digital product innovation, greater empowerment for their creators, and a fuller realization of the grand ambitions for blockchain, cryptocurrency, and the decentralized web.

The metaverse opens up new frontiers and horizons in workplace transformation:

Each of these trends is slowly marching humanity closer toward the metaverse (or metaverses), where people will spend more of their time in immersive, social, digital worlds, and the digital world will be drawn across the physical one. As organizations look to take advantage of virtual worlds and the opportunities for metaverses, next generation strategies, tools, and technologies such as Deloitte's unlimited reality offering are emerging to help educate, inspire, accelerate and execute on organization's goals for metaverse. This in turn provides an innovation space where organizations can develop and test break-through capabilities that leverage virtual worlds powered by enabling technologies (e.g., AI, blockchain, IOT, AR/VR, 5G).

Shift in business models:

Changes in consumer behavior have driven powerful shifts in business models. Foremost among these, is the way the streaming boom of 2020 has been the most flourishing growth trajectory. In the first nine months of 2021, the main global M&E companies grew by 13 per cent, compared to the same period in 2020, leading to 25 per cent revenue increase. To tap into this growing need, M&E players are diversifying the value creation architecture to better match today's changed environment. The increasing fluidity of companies across sectors is reshaping the landscape, as content producers enter direct-to-consumer (D2C) distribution, multichannel video programming distributors (MVPDs) acquire content producers and cable networks and publishers become information services providers.



THE TELECOM INDUSTRY—KEEPING UP WITH NEW NETWORKS, SERVICES AND APPLICATIONS

The potential for more competitive broadband markets:

Faster mobile and fixed wireless connections create more viable alternatives to wired connections and new opportunities for bundled service offerings and business models for service providers. With ever-expanding options for high-quality communication and internet services from telecom, cable, wireless, and satellite internet providers, consumers will enjoy enhanced flexibility in purchasing and consuming services, which lead to a more competitive environment for the players.

The need to reassess cybersecurity and risk management in the 5G era:

While the widespread adoption of 5G offers many benefits, it also creates new security concerns. As operators have taken steps to evaluate and minimize threats arising from 5G and software-centric networks in their own organizations, they are in a unique position to offer 5G security services to enterprises seeking to deploy their own advanced wireless networks.

Rising interest in multi-access edge computing and private cellular networks:

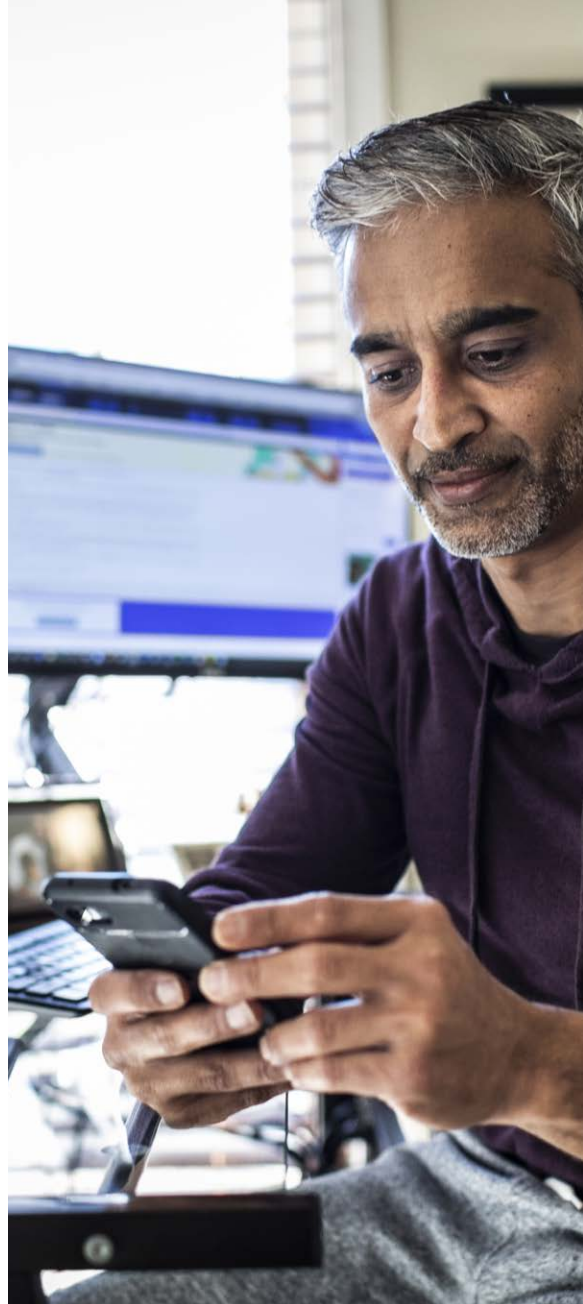
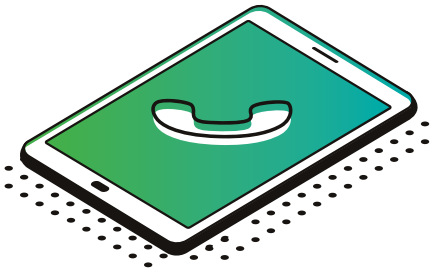
The enterprise market for private cellular networks and edge computing is gaining momentum. The market is still nascent but promises to be competitive, with many different players vying for their share. Network operators will have to compete against other players, who may prove key partners in delivering their solutions. Ecosystem players will likely begin to stake out and define their role in this emerging but rapidly evolving market in the coming year.

Chip shortage forcing companies to re-evaluate alternatives:

Telecom companies could be slowed by chip shortage, further exacerbated by the Ukraine invasion. The fact that 75% of the US has 5G coverage, but only 8% of mobile subscribers have a 5G phone³ could further widen this gap if manufacturers are forced to raise the price of new 5G capable phones. Telecom companies are simultaneously engaging in ongoing fiber broadband buildouts as well and exploring self-manufacture as a sustainable option to deal with the unpredictability of chip inventory and supply.

Shifts in business models altering the relationship dynamics:

In the telecommunication sector, continuing advances in technology and in the delivery and distribution of content are creating new tensions and altering the complex dynamics and relationships between major players in the sector. For example, changes in customer relations happens when customers see connectivity as merely another utility, therefore, telecom players or are no longer in charge of network or the client. To grow and survive, telecom companies need to define for themselves, the role they want to play and the business model to best help to monetize this.



Current labor situation

THE GROWING BUSINESS HAS HAD TO ENDURE LABOR SHORTAGES AND HIRING CHALLENGES:

The TM&E industry has been experiencing exponential growth in the last two years, which can be directly attributed to the demands from the pandemic. For instance, the need to cater to increased demand for communication solutions for remote workers was a key factor driving telecom services market growth for companies like Verizon and Comcast, whereas providing the then quarantined viewers with interesting video content to stream from home, amplified the growth of the media & entertainment companies like Netflix and Disney.^{4,5}

In fact, between May 2020 and Feb 2022, the TM&E sector saw an increase of 170% in monthly job postings. At the same time, it took an average of approximately 54 days to fill an open position for this sector.⁶ The unforeseen situation in the gap between the soaring demand and lagging supply caused (and is causing) limitations to business growth and forcing employers to tackle this as a priority.

AT THE SAME TIME, WORKERS FEEL UNDERPAID:

The last year has changed the way workers view and approach work. Data from Economic Policy Institute show that today, roughly 45% of telecom workers have a four-year college degree, an increase from 8.3% in the 1970s; However, the median telecom worker wage increased just 0.4% annually, compared with the 1.8% annual productivity growth during this time period.⁷ This is similar with the trends in media and entertainment industry as well. In other words, the industry has not been keeping up in wages and in job packages to match its workers' growth in skillsets and qualifications, leading to evident frustrations which are only becoming more severe.

RESULTING IN WORKERS FEELING EXTREME BURNOUT AND FACTORING PERSONAL WELLBEING AS A PRIORITY:

As a result of labor shortage in filling jobs, workers are overworked and underpaid, leading to workforce disengagement, stress and extreme burnout.

The World Health Organization⁸ defines burnout as resulting from “chronic workplace stress that has not been managed successfully.” As a result, many workers have taken the matter into their own hands, prioritizing their mental and physical health and factoring well-being resources and benefits into their decisions as they consider job packages.

With burnout serving as a precursor to mental health issues such as depression and anxiety, and workers placing increased focus on personal work-life balance, C-suite leaders are starting to prioritize healthy workplace behaviors and resources to retain their talent.

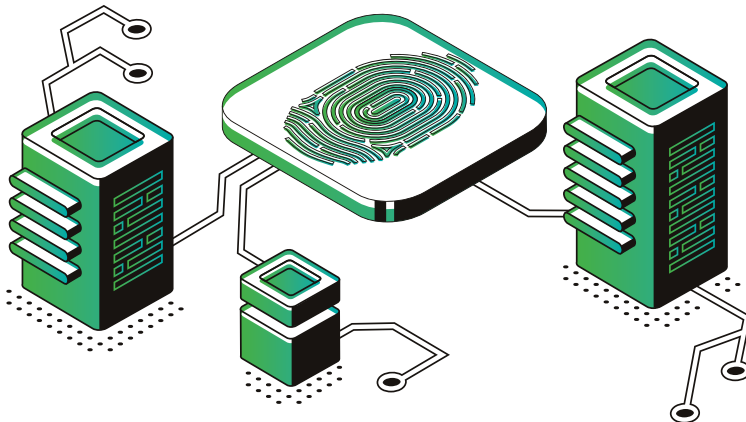


Drivers of staffing challenges

NEED FOR SPECIALIZED WORKERS ON THE RISE:

As traditional value pools have gradually eroded and new growth horizons have proven subtle, the TM&E industry has been facing increasing demands for specialized workers to take advantage of new opportunities. For telecom, to win the race to 5G, the U.S. is expected to create 850,000 more new direct broadband and 5G jobs through 2025⁹ and already faces a huge shortfall of skilled workers needed to deploy broadband across the country.

Similarly, with the likes of Disney and Epic Games announcing plans to enter the foray of the metaverse, Virtual Reality (VR), Augmented Reality (AR) and Extended Reality (XR) skills are in strong demand.¹⁰ According to one study, 67% of businesses are already unable to keep pace with the evolving specialized skills needs and this is only expected to be exacerbated.¹¹



NEED FOR NEW WORKFORCE REQUIREMENTS AND TALENT POOL EXPANSION:

The TM&E sector is experiencing unprecedented talent shortages, one reason contributing to this is that narrow type of talent pool that the industry has traditionally hired, as TM&E clients reportedly hire from applicants who live in a certain area and have received highly specialized degrees.

One way to overcome specialized talent pool shortage would be for companies to expand sights beyond the traditional talent pool to gain access to under-utilized talent in a tight job market. For example, setting up operations in smaller towns outside of the traditional TM&E hubs such as California can help companies expand their footprint at lower costs than in bigger cities.

Other strategies include government funding aimed at enabling minority groups to enter the telecom workforce, expanding the talent pool while addressing inequity and underrepresentation.

The telecom industry is uniquely positioned to address another central cause of their labor shortage

One way to overcome specialized talent pool shortage would be for companies to expand sights beyond the traditional talent pool.

People don't want to work somewhere that has unreliable internet access; an issue faced by 42 million Americans in mostly rural areas.¹²

UNIONIZATION TAKING ON A NEW LIFE:

Over the years, worker unions have fared differently across industry sectors. For the telecom industry, the popularity of unions has been on the decline. Data¹³ shows that, in the 1970s, the majority (roughly 60%) of telecommunications workers were represented by a union; that share has fallen to about 16% today. However, for the media and entertainment industry, unionization has been on the rise the last few years; the recent addition being the Alphabet Workers union that began at Google, culminating in the formation of international coalition of unions called Alpha Global.

The new age unionism in media and entertainment industry is acting more as an outlet for workers to sound their voice and influence their business decisions.

While telecom worker unions were established to primarily demonstrate collective bargaining power over wage issues and labor hours, the new age unionism in media and entertainment industry is acting more as an outlet for workers to sound their voice over company practices and influence their business decisions.

WORKER ACTIVISM BECOMING MORE PRONOUNCED:

Recent walkouts and demonstrations at companies such as Activision Blizzard, and Google, herald a new age of worker activism. This is beyond wages and working conditions, but around workers understanding the impact corporations have on society. The other powerful force acting as a spur to this, is the workers growing societal awareness, manifesting itself in rising demand for values and concepts such as social justice, content moderation, safe digital spaces, gender equality, human rights, and even climate change.

They expect their employers to be good corporate citizens, and employers who fail to recognize this could see lower employee morale. In fact, according to a report from LinkedIn, 71% of professionals would take a pay cut for a company with a mission they believed in and shared values. Also, 39% would quit if their employer asked them to do something they believed to be unethical, indicating that increasingly, workers want to work for companies that align with their own moral compass.¹⁴





It's time to take action

Worker related attitudes and expectations have likely permanently changed. This, in combination with fierce competition for skilled and technical talent, are challenging companies' long-term strategies. It is important for leaders to be cognizant of the evolving trends and reimagine the path forward.



Let's look at the six potential actions:

#1 SHIFTING FROM TRADITIONAL EMPLOYEE SYSTEM TO WORKFORCE ECOSYSTEM:

With the lines between services increasingly blurring, we see workers experimenting beyond the traditional, such as publishers venturing into information services and ad agencies tapping into content production.

Therefore, companies must rethink their workforce strategy and ecosystem to explore untapped talent internally and externally.

Implementing a skills-based organization, wherein workers can flex their skills and be assigned to projects based on needs and priorities, rather than be confined to a specific reporting line or job description, can open opportunities with an expanded internal talent pool.

Companies must rethink their workforce strategy and ecosystem to explore untapped talent.

Companies such as Verizon have implemented Skill Forward¹⁵ programs to help develop and meet the growing need for digital and technical skillsets in the broadband market.

Moreover, with over one-third of U.S. workers today participating in the gig economy¹⁶, organizations should also consider the opportunities that exist in the fluid and contingent workforce.

This trend especially holds true for advertising, TV and film companies, where freelancers have long been a mainstay for talent source. Developing a solid strategy to access and enhance the talent experiences for these workers can be pivotal to mitigating the effects of the Great Resignation.

#2 RE-THINKING ENTRY QUALIFICATIONS AND INVESTING IN CAPABILITY DEVELOPMENT:

Organizations must proactively identify and eliminate traditional entry qualifications and job descriptions that merely check a box. Bringing AI into the talent acquisition process is a way of enhancing the hiring process to focus on expected skills rather than hiring for somebody who's done the job before. By expanding and diversifying skillsets and replacing "must have skills" to "preferable skills," there is an opportunity to bring training into the mix and address labor shortages. This is especially true for specialized skills like 5G, where educational programs and apprenticeship projects to train new networking technicians is the need of the hour to develop a workforce properly trained with the skills to deploy next generation wired and wireless networks.

#3 REPLACING OFFICE FOOSBALL TABLES TO MEDITATION APP SUBSCRIPTIONS INSTEAD:

Since the start of the pandemic, companies have fundamentally changed the perks they are offering to workers as many of the perks that helped attract talent before the pandemic no longer carry the same weight with workers, or even apply to a hybrid or remote workplace. 43% of HR managers said their company added new perks because of the pandemic. 1–40% of employers began offering additional paid family leave, while 37% started offering childcare assistance programs.¹⁷ 60% of companies have offered stipend or reimbursement for work-at-home office equipment, and about 49% are now offering wellness programs, which include fitness and mental health benefits.¹⁸ Meta¹⁹ is one among several companies that has ramped up its 401(k) benefits in an attempt to hire new workers and retain existing ones.





#4 REIMAGINING THE WORKPLACE FOR THE FUTURE OF PRODUCTIVITY:

As the industry navigates a new working normal, many media company offices will require thoughtful consideration of which tasks can be automated or done remotely, and exactly how much real estate is required to maintain operations.

Decisions are likely to be different by functions. While some essential personnel may need to be onsite, workers in areas such as post-production are able to complete their work remotely, while central teams such as finance, sales, and marketing can utilize remote technology services to stay connected.

While video meetings and collaboration apps are an integral part of virtual work, it is also crucial to recognize their downsides. According to Asana's Anatomy of Work Index for 2021, 60% of worker time was spent on work related to beginning the actual task, and 26% of deadlines are missed each week.²⁰ As a result, skills that were traditionally referred to as "soft" (e.g., empathy, resilience, collaboration, team building) are now vital to succeed in our hybrid world.²¹

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#5 EMPHASIZING TAKING ACTION AFTER ACTIVISM:

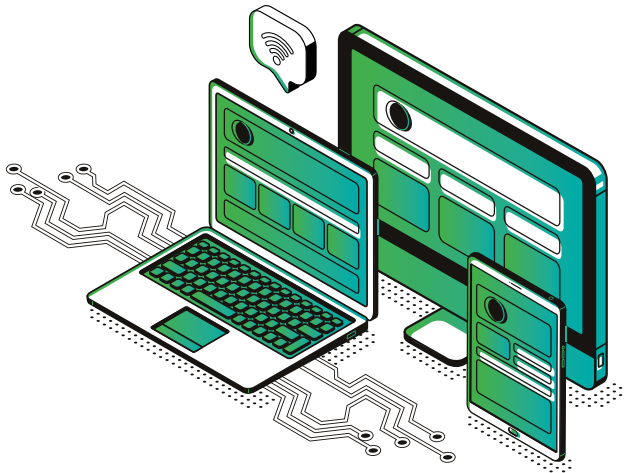
When it comes to managing both hot-button issues and addressing potential ones, companies need to pave the way for workers to speak up. Offering a fast and secure way for workers to voice their opinions can give leaders a clear understanding of the engagement of their people and insight into their views on particular issues.

Ongoing pulse surveys can be an effective platform for capturing worker input, especially via an anonymous and easy-to-use interface. While gathering worker insights is just the first step, leaders must respond thoughtfully, act meaningfully, and commit to actionable outcomes.

#6 REINFORCING WALKING THE WALK OVER THE TALKING THE TALK APPROACH:

Embracing Diversity, Equity and Inclusion (DE&I) isn't only about doing the right thing. Analysis shows that ethics and profits are two sides of the same coin. There's financial logic to making sure that content and those who create it are authentically and inclusively representative of today's society. For example, movies that lack authentic and inclusive representation underperform by around 20% of their budget at the opening weekend box office.²² A greater emphasis on DE&I not only lands well with consumers, but also increases the diversity of talent. Promoting strategies such as less gender and race- biased appraisals or other policies to support DEI goals, can lead to more representative storytelling.

READY TO REIMAGINE WHAT'S NEXT?



CONTACTS



DAVID WHITE
MANAGING DIRECTOR
davidbwhite@deloitte.com



LAURA SHACT
DC PRINCIPAL
shact@deloitte.com



GRACE CHENG
DC PRINCIPAL
grcheng@deloitte.com



NICOLE PATTERSON
PRINCIPAL
nipatterson@deloitte.com

CONTRIBUTORS AND ACKNOWLEDGEMENTS

IDA MOMTAHANI, DAVID MALLON, APARNA KHOBRADE,
DENA REZAEI, JANET ANNIKA, ANNIE WAN, JONAH KATZ

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20220119_THEAGENCY_05/22