

Now Playing

# A Growing Market for Diverse Content



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# Just as Paramount explores the sale of BET, spend on content with diverse casts is expected to outpace overall growth in spend across streaming, film and TV

From big screen to small, from cinema to couch, content providers of all stripes are facing a variety of headwinds this year. Increasing competition for subscribers among streamers, higher interest rates, cord-cutting, and cash flow challenges are all buffeting the industry.<sup>1,2</sup> Investors are reacting by shifting to value content providers for profit generation rather than revenue growth alone.<sup>3,4</sup>

The upshot is an environment ripe for reconsideration. After many years of a “content arms race” in which providers spent aggressively on production across legacy and direct-to-consumer (“DTC”) offerings, they

are now taking a fresh look at their budgets and how resources are deployed.<sup>5</sup> As they do, the stronger business opportunities tend to center on subsectors of enduring growth — typically those in which share of spend shifts from one category to another.

One example is content that focuses on stories and casts that feature a more diverse demographic. This opportunity may be particularly timely now in light of reports that Paramount Global is interested in selling Black Entertainment Television (“BET”).<sup>6</sup>

## Evolving Demographics

Ethnic diversity within the United States is expanding as the population of people of color continues to rise. By 2050, people of color are expected to represent more than 50% of the total populace, driven primarily by growth among Hispanics and African Americans, who currently make up about 43% of all U.S. inhabitants.<sup>7</sup> Young people lead this expansion, with Generation Z (those born between 1995 and 2012) representing the most diverse cohort in the nation’s history.<sup>8</sup>

America’s expanding diversity is gradually becoming reflected in the content-production landscape as the

number of titles across film and episodic content with a person of color in a lead role has steadily increased (see chart, “Titles with POC Casting Leads by Content Type”). In 2021, for example, people of color accounted for 39% of all leads in theatrical and digital film, a significant increase from 11% in 2011.<sup>9</sup> Television saw a similar rise in 2021, although the percentage of titles with people of color in lead roles differed notably by endpoint, with basic cable (40%)<sup>10</sup> and digital (38%)<sup>11</sup> far ahead of broadcast (27%).<sup>12</sup>

<sup>1</sup> John Koblin and Nicole Sperling. “Netflix’s Stumble Could Be a Warning Sign for Streaming Industry.” The New York Times. (April 20, 2022). <https://www.nytimes.com/2022/04/20/business/media/netflix-streaming-subscription-model.html>

<sup>2</sup> Caitlin Huston. “Pay TV and Cable Providers Lost 5.8M Subscribers in 2022.” The Hollywood Reporter. (March 3, 2022). <https://www.hollywoodreporter.com/business/business-news/cord-cutting-2022-cable-pay-subscriber-losses-1235340253/>

<sup>3</sup> Georg Szalai and Etan Vlessing. “Hollywood Stocks Fall Sharply in 2022 Amid Ad Challenges, Focus on Streaming Profits.” The Hollywood Reporter. (December 29, 2022). <https://www.hollywoodreporter.com/business/business-news/hollywood-stocks-take-big-hits-in-2022-1235285948/>

<sup>4</sup> Alex Sherman. “Netflix’s Message to Shareholders: Focus on Revenue and Profit, Not Subscriber Adds.” CNBC (October 18, 2022). <https://www.cnbc.com/2022/10/18/netflix-message-to-shareholders-focus-on-revenue-profit-not-subscriber-adds.html>

<sup>5</sup> Tyler Aquilina. “How Hollywood’s Horrible 2022 Impacted Content Spending.” Variety. (February 13, 2023). <https://variety.com/vip/how-hollywoods-horrible-2022-impacted-content-spending-1235518847/>

<sup>6</sup> Alex Weprin. “Tyler Perry, Byron Allen Eye BET Majority Stake as Paramount Explores Sale.” The Hollywood Reporter. (March 6, 2023). <https://www.hollywoodreporter.com/tv/tv-news/bet-up-for-sale-paramount-global-vh1-1235341981/>

<sup>7</sup> Dr. Darnell Hunt and Dr. Ana-Christina Ramon. “Hollywood Diversity Report 2022: A New, Post-Pandemic Normal? Part 1: Film.” UCLA Institute for Research on Labor & Employment (last accessed March 14, 2022). <https://socialsciences.ucla.edu/>

<sup>8</sup> “On the Cusp of Adulthood and Facing an Uncertain Future: What We Know About Gen Z So Far.” Pew Research Center. (May 14, 2020). <https://www.pewresearch.org/social-trends/2020/05/14/on-the-cusp-of-adulthood-and-facing-an-uncertain-future-what-we-know-about-gen-z-so-far-2/>

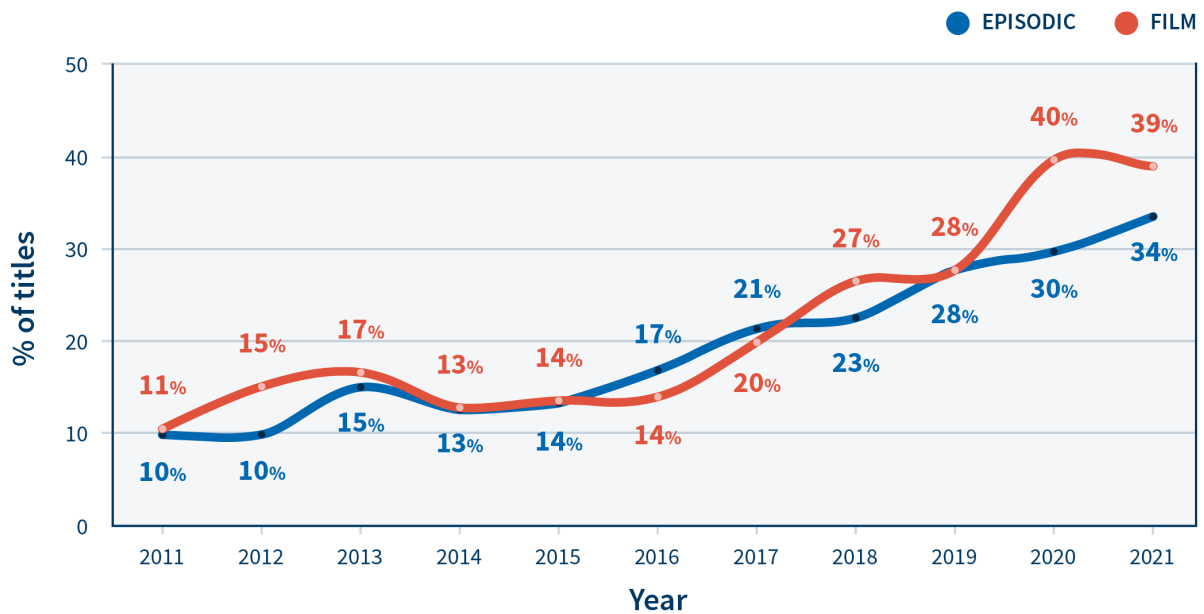
<sup>9</sup> “Hollywood Diversity Report 2022, Part 1: Film.” page 12

<sup>10</sup> “Dr. Ana-Christina Ramon, Michael Tran, and Dr. Darnell Hunt. “Hollywood Diversity Report 2022: A New, Post-Pandemic Normal? Part 2: Television.” page 22. UCLA Institute for Research on Labor & Employment (last accessed March 14, 2022). <https://socialsciences.ucla.edu/wp-content/uploads/2022/10/UCLA-Hollywood-Diversity-Report-2022-Television-10-27-2022.pdf>

<sup>11</sup> Ibid. page 23

<sup>12</sup> Ibid. page 21





Note: Episodic is the weighted average of the percentage of leads across broadcast, cable and digital  
 Source: Hollywood Diversity Report 2022 (UCLA). Part 1: Film; Part 2: Television

## Titles with POC Casting Leads by Content Type

Charlie Echeverry, founder and Managing Director of Black//Brown, an advisory firm and FTI Consulting partner specializing in diversity strategies for content providers and other industries,\* says of the improvements, “There remains work to be done, but studios and streaming platforms have begun to recognize that the importance of diverse leads and casts is more than a question of altruism.”

As people of color representation has improved on-screen, content featuring casts that are at least 30% diverse

has performed better than non-diverse content across endpoints at the box office and on television. Films lead the way in this shift, accounting for 8 of the top 10 highest-grossing theatrical releases and 7 of the top 10 most-viewed digital releases in 2021.<sup>13</sup> Among episodic content viewed by audiences ages 18-49, 6 of the top 10 digital shows and 8 of the top 10 broadcast shows had casts of at least 30% people of color (see chart, “Top 10 Performing Titles 2020-2021”).<sup>14, 15</sup>

13: “Hollywood Diversity Report 2022, Part 1: Film.” page 41

14: “Hollywood Diversity Report 2022, Part 2: Television.” page 58

15: Ibid. page 52



# Top 10 Performing Titles 2020-2021

“Diverse content is a fuller reflection of consumers’ lived experience, and the data has begun to show the correlation at the box office,” says Echeverry. “Earlier approaches were intentional but narrow. Content was primarily produced and delivered to a given diverse audience. Now increasingly diverse content is flowing through communities of color to a general audience, and the results are quantifiable.”

The strong performance of content featuring casts at least 30% diverse is being driven by all races. But people of color represent an economically significant market that punches above its weight in consuming content, particularly for theatrical and streaming films. In 2021, people of color households were overrepresented in box office share of 9 of the top 10 grossing films released (see chart, “Top 10 Theatrical Films and POC Box Office Share 2021”).<sup>16</sup>

● CAST ≥ 30% PEOPLE OF COLOR

EPISODIC						FILM			
BROADCAST SCRIPTED		CABLE SCRIPTED		DIGITAL SCRIPTED		THEATRICAL		DIGITAL	
Title	Network	Title	Network	Title	Network	Title	Distributor	Title	Platform
#1	Saturday Night Live (NBC)	When Calls the Heart (Hallmark)	The Queen's Gambit (Netflix)	Spider-Man: No Way Home (SONY)	Luca (Disney Plus)				
#2	This Is Us (NBC)	Animal Kingdom (TNT)	Loki (Disney Plus)	No Time to Die (MGN)	Raya and the Last Dragon (Disney Plus)				
#3	Grey's Anatomy (ABC)	Good Witch (Hallmark)	Bridgerton (Netflix)	F9: The Fast Sage (Universal)	Red Notice (Netflix)				
#4	The Equalizer (CBS)	Snowpiercer (TNT)	WandaVision (Disney Plus)	Venom: Let There be Carnage (SONY)	The Mitchells vs. The Machines (Netflix)				
#5	9-1-1 (FOX)	Motherland: Fort Salem (Freeform)	The Mandalorian (Disney Plus)	Godzilla vs. Kong (Warner Bros)	Vivo (Netflix)				
#6	Chicago P.D. (NBC)	Resident Allen (SYFY)	The Falcon and the Winter Soldier (Disney Plus)	Shang-Chi (Disney)	Coming 2 America (Prime video)				
#7	Chicago Fire (NBC)	Sistas (BET)	Cobra Kai (Netflix)	Eternals (Disney)	Cruella (Disney Plus)				
#8	9-1-1: Lone Star (FOX)	Chesapeake Shores (Hallmark)	The Haunting [of Bly Manor] (Netflix)	Dune (Warner Bros)	The Tomorrow War (Prime video)				
#9	Law & Order: Organized Crime (NBC)	Snowfall (FX)	Sweet Tooth (Netflix)	Black Widow (Disney)	Black Widow (Disney Plus)				
#10	Law & Order: SVU (NBC)	The Bold Type (Freeform)	Ginny & Georgia (Netflix)	Free Guy (20th Century Fox)	Fatherhood (Netflix)				

Notes: Episodic lists use latest available data from the 2020-21 season; film lists are from 2021. Episodic data ranked by household rating for content released in U.S. during the 2020-21 season for adults 18-49. Film data is from top English-language releases in 2021 by global box office for theatrical and household ratings for digital.

Source: Hollywood Diversity Report 2022 (UCLA). Part 1: Film; Part 2: Television

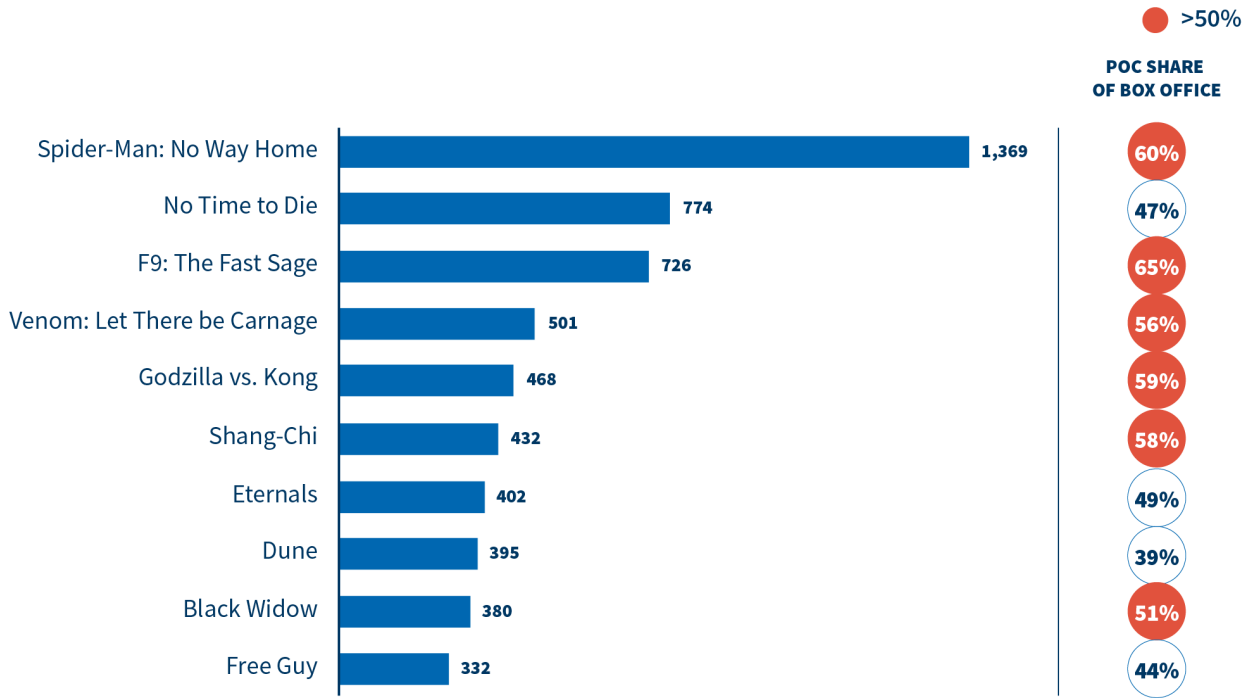
16: “Hollywood Diversity Report 2022, Part 1: Film.” page 39

## Top 10 Theatrical Films and POC Box Office Share (2021)

\$ millions

The same holds true among households streaming the top 10 films released on subscription video on demand

platforms (“SVOD”) (see chart, “Top 10 Streaming Films and POC Household Share 2021”).<sup>17</sup>

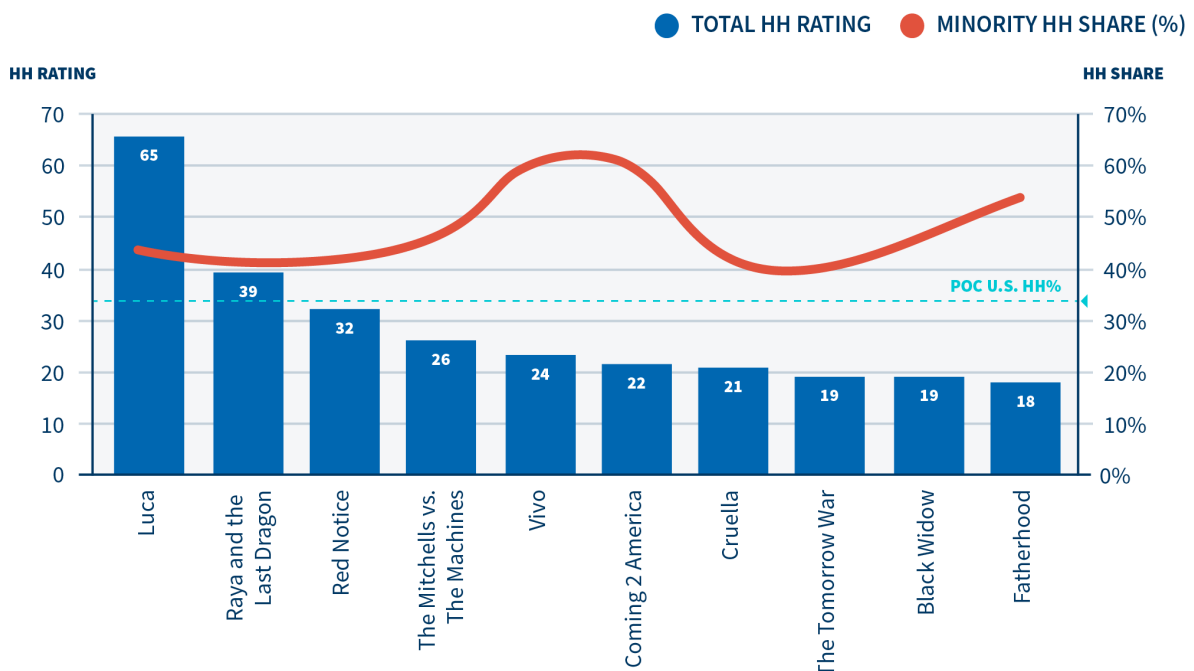


Source: Hollywood Diversity Report 2022 (UCLA). Part 1: Film

## Top 10 Streaming Films and POC Household Share (2021)

“Driven by their relative youth, digital proficiency and multi-generational viewing environments, communities of color — especially Latino and Black — over-index

in the behaviors that drive engagement and revenue performance across various modes of content consumption,” says Echeverry.



17: Ibid.

Source: Hollywood Diversity Report: 2022 (UCLA). Part 1: Film



## Investing in Diverse Content

These upward trends make a compelling case for content acquirers, distributors and producers to continue prioritizing content featuring diverse leads, even against industry headwinds.

Using FTI Consulting’s proprietary production forecast model, we anticipate that the market for diverse content (defined here as content featuring at least one lead who is a person of color) across all film and episodic titles in the United States will grow faster than the underlying total production market.† Our forecast predicts diverse content growth of 7.5% per year from 2023-2026, and overall production market growth of only 3.5% during the same period. By 2026, we expect content with at least one person of color in a lead role will make up 47% of total content spend versus 40% today.

This content growth is forecast to come primarily from digital and theatrical categories, as content spend continues to fall across broadcast and cable due to the acceleration of cord-cutting and declining multichannel video programming distributor (“MVPD”) subscriptions.

Most of the growth will be driven by diverse content. On faster-growing digital endpoints, we expect spending for diverse content to outpace overall digital content spend over the next three years.

The FTI Consulting forecast shows digital diverse content spend rising by 13.5% per year from 2023 to 2026, while

overall spend on digital during the same period will grow approximately 9% annually.

The market for diverse theatrical films is expected to rise at a rate of 2.8% per year from 2023 to 2026. Overall spend on theatrical films is forecast to increase only 2.0% in the same period.

“Based on what we’ve studied, our lived experience and reliable modeling, I have confidence that the forecast, particularly as it relates to tentpole theatrical properties, will be realized,” says Echeverry.

He adds, “The importance of diverse leads and casts will continue to become a business imperative in addition to an objective good.”

Note: Charlie Echeverry, founder and Managing Director of strategic advisory firm Black//Brown, contributed to the preparation of this article.

\* Black//Brown partners with FTI Consulting on certain engagements.

† All projected figures from FTI Consulting’s forecast model are as of November 2022.



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