



Supply Trends Report

January 2020

About this Report

The IABM Supply Trends Report biannually tracks trends in the media technology sector. The purpose of this report is to enable IABM member companies to benchmark their own performance within the industry and track emerging trends in the supply side of media technology. The information analyzed in this report is derived from both quantitative and qualitative research carried out by IABM.

The primary source used in this report is survey evidence on sector trends and issues gathered and analyzed by IABM. We use this survey evidence as well as variety of secondary sources - including interviews, news, announcements, earnings calls, technology material etc. to provide users with a comprehensive account of the status of the media technology market.



Table of Contents

If you have any feedback please [contact us](#).



Executive Summary



Investment



Business Sentiment



Skills



Demand & Revenues



Analysis



Prices & Costs



Appendix



Executive Summary

Industry Highlights



- IABM Confidence Ratio improves from 8.6 in last survey to 12
- Demand driven by multi-platform, automation and virtualization . Transition to IP matures
- Software revenues surpass hardware. Future investment focusing on subscriptions and on-demand
- Pricing and costing pressure eases
- Investment in R&D and trade shows rises
- Engineers with broadcast and IT skills remain the most sought after staff

These results show that the supply industry is still in flux, with changing business models and buyers' purchasing behavior having the major impact on its general performance and sentiment. The transition to new revenue models continues as software revenues surpass hardware for the first time. This coincides with trends such as workflow automation and virtualization becoming more important. The transition to IP has matured for the first time as suppliers report rising IP revenues. IP has therefore stabilized as a demand driver. Investment in the industry continues to be at record highs while the pressure from both prices and costs eases.

Despite all the changes in the industry, the sector remains very optimistic as the IABM Confidence Ratio significantly rises for most industry segments. From a content chain perspective, we continue to see increasing confidence (and investment) particularly in Monetize and Consume, the focus of the move to direct-to-consumer models.

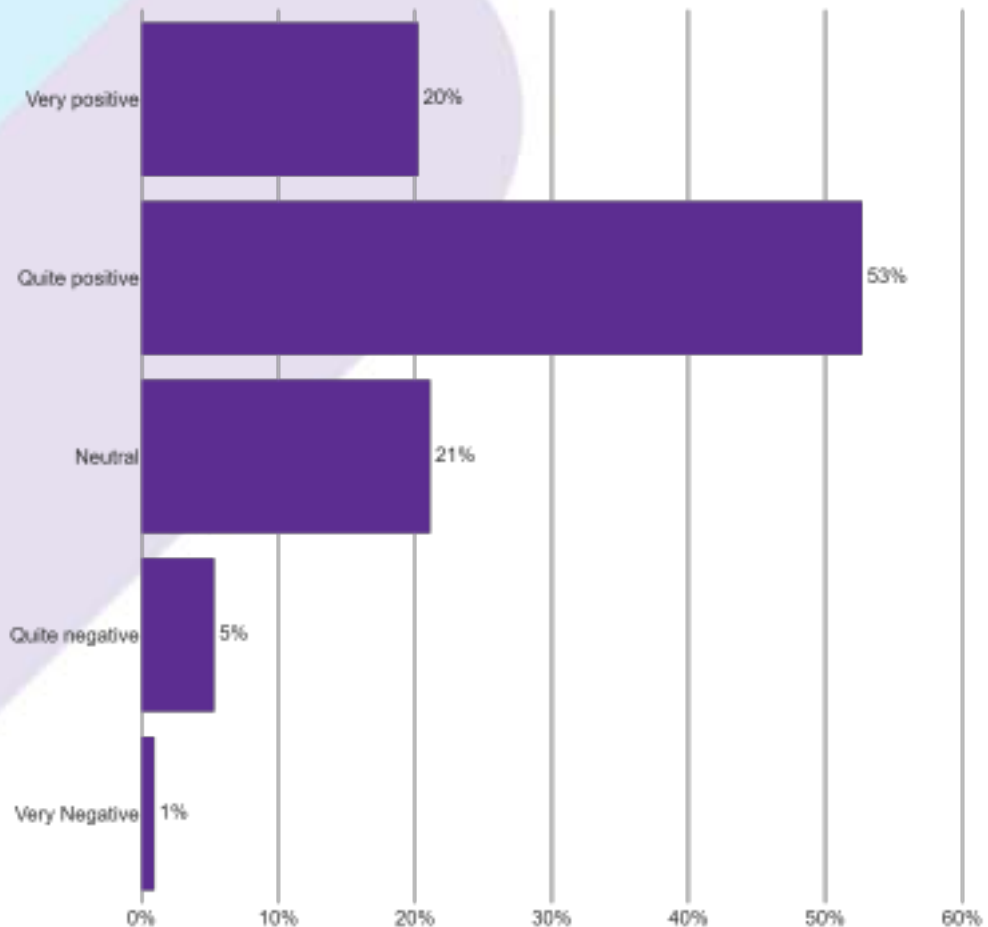


Business Sentiment

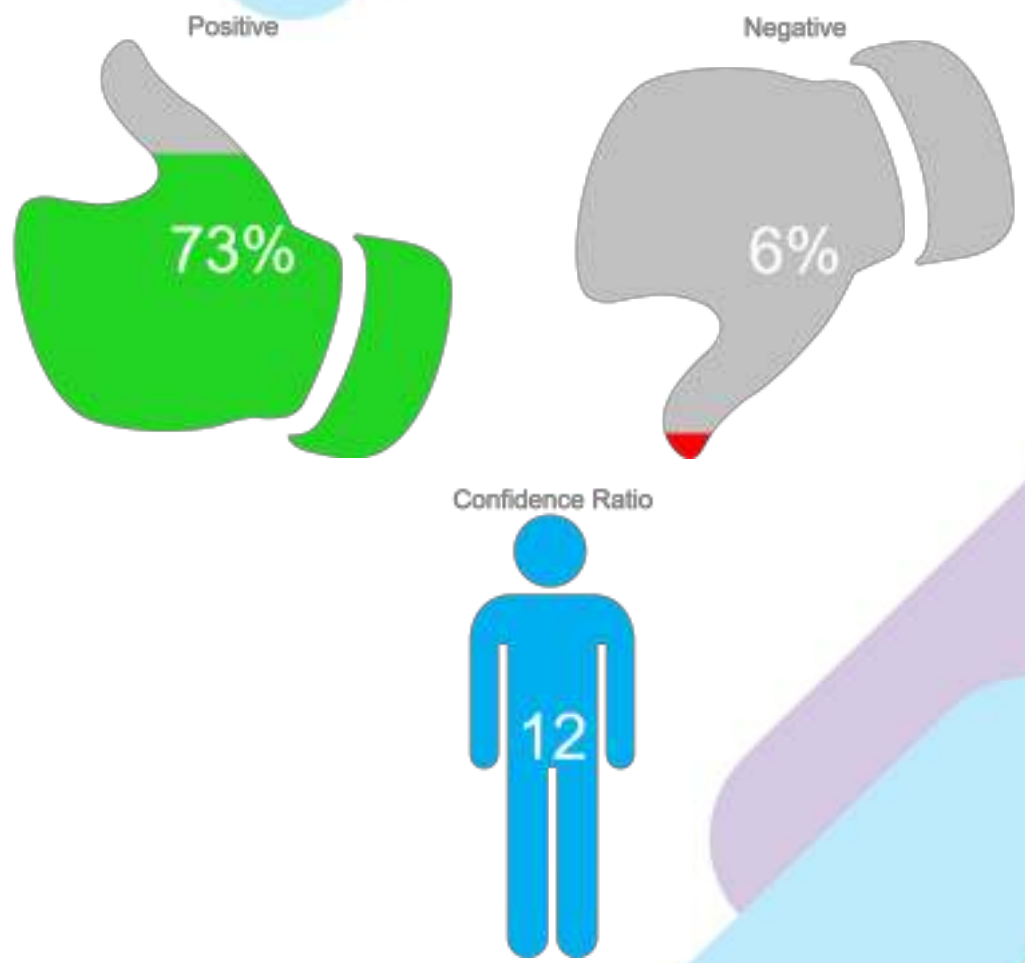
Business Sentiment



Business Sentiment



Confidence Stats

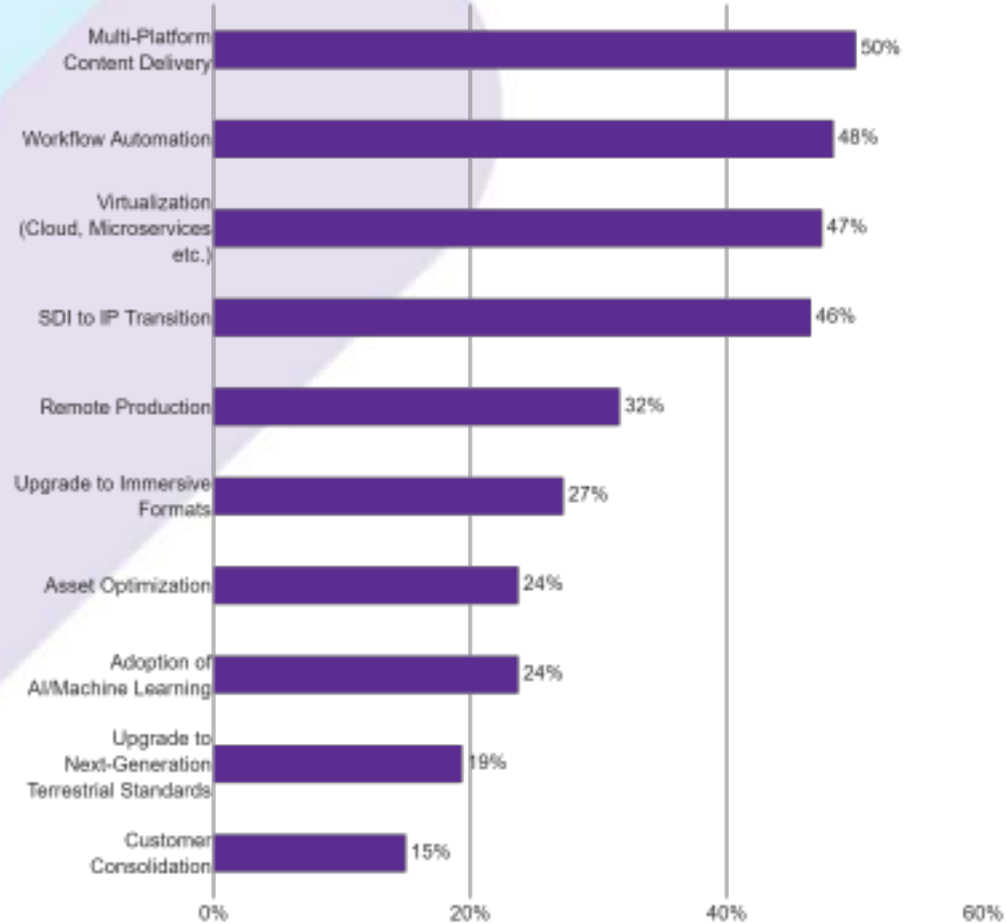




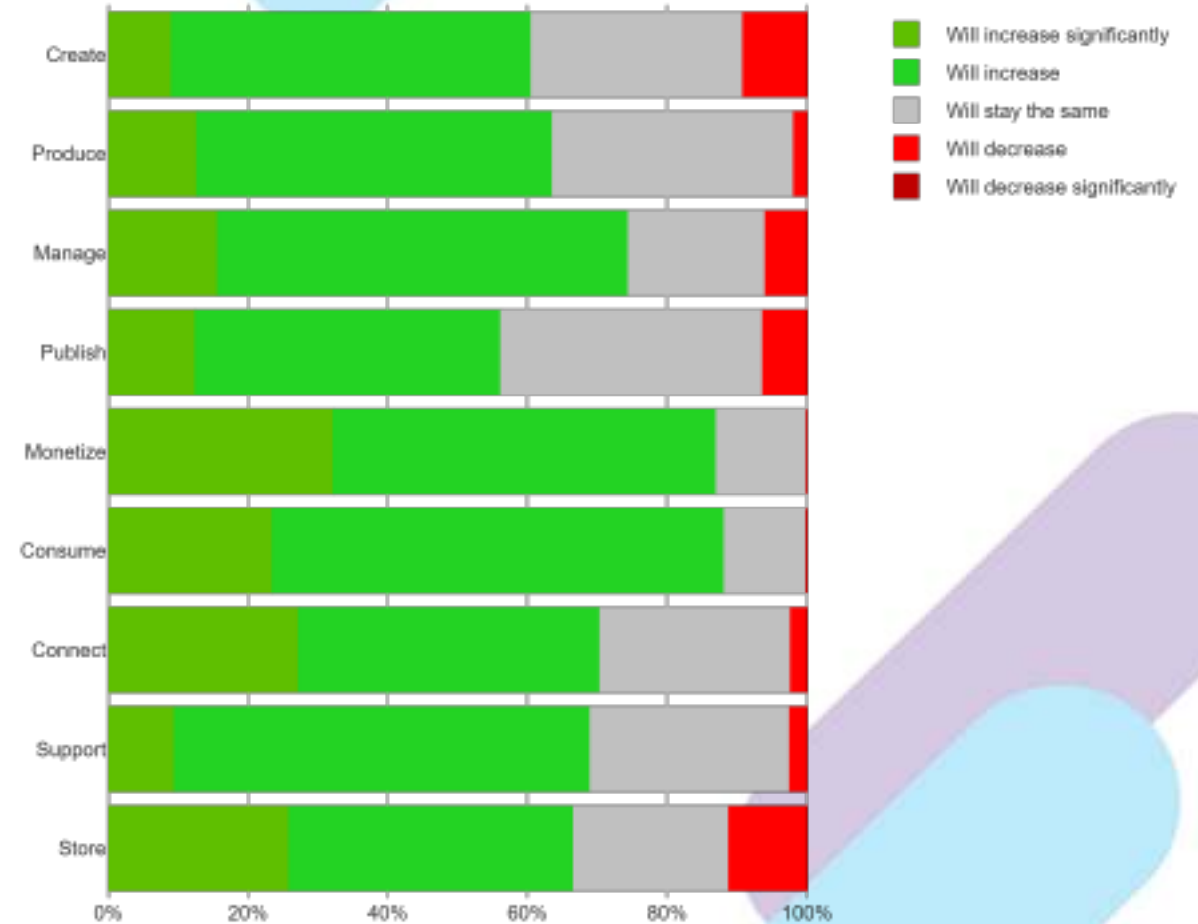
Demand & Revenues

Top Demand Drivers & Content Chain Outlook

Demand Drivers (Top 10)



Demand Outlook by Content Chain Block



Content Chain Investment Heat Map

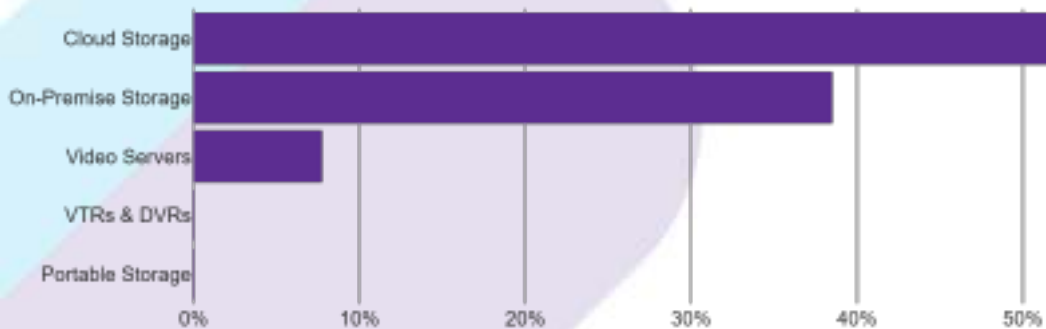
Demand Drivers by Content Chain Block - Heat Map



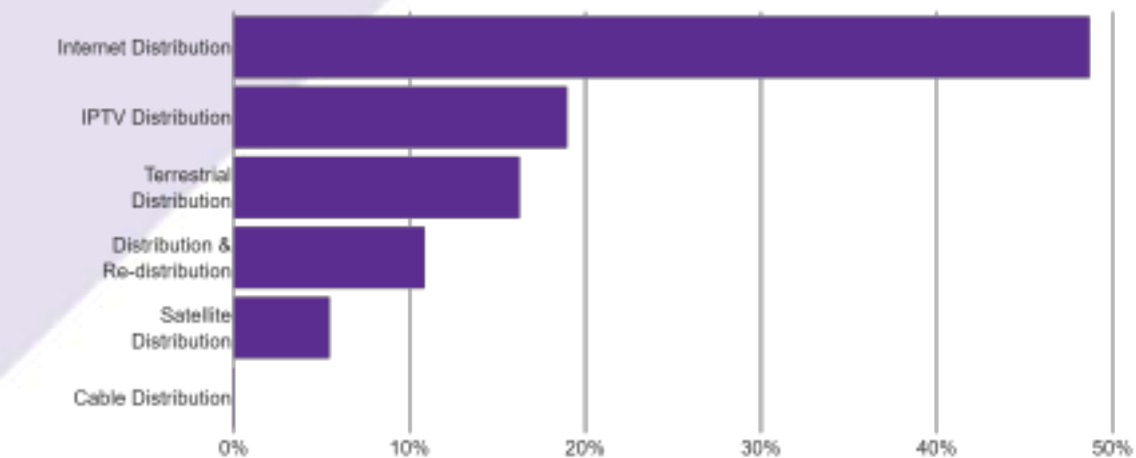
Content Chain Investment Trends



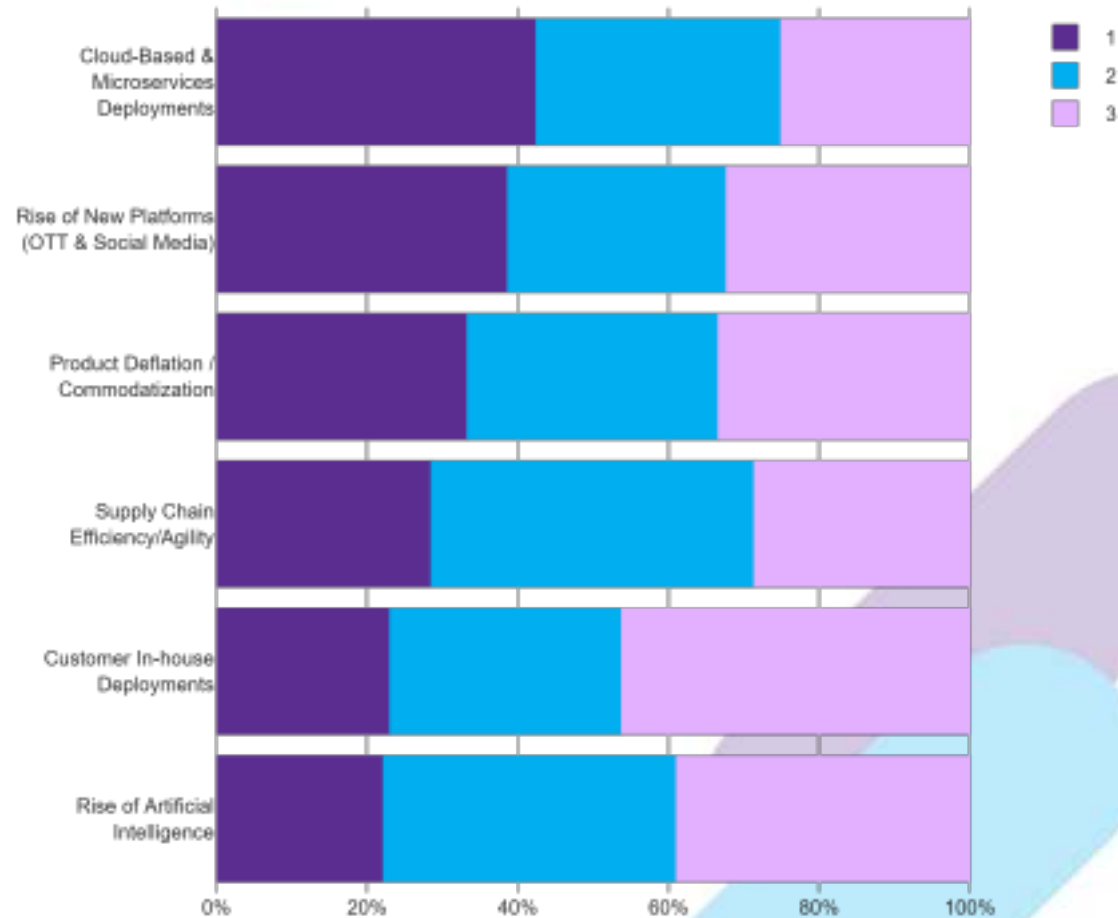
Investment in Store



Investment in Publish

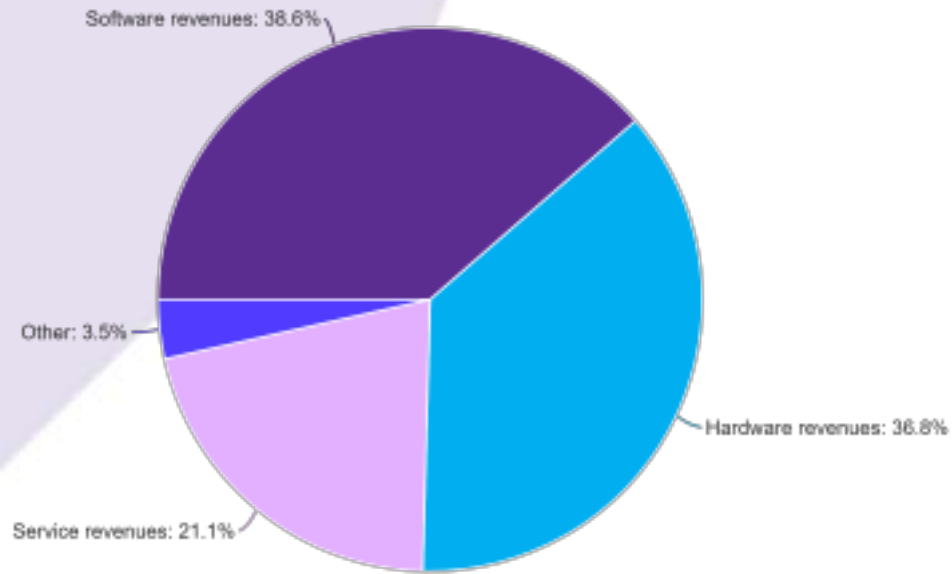


Most Important Trends in Manage

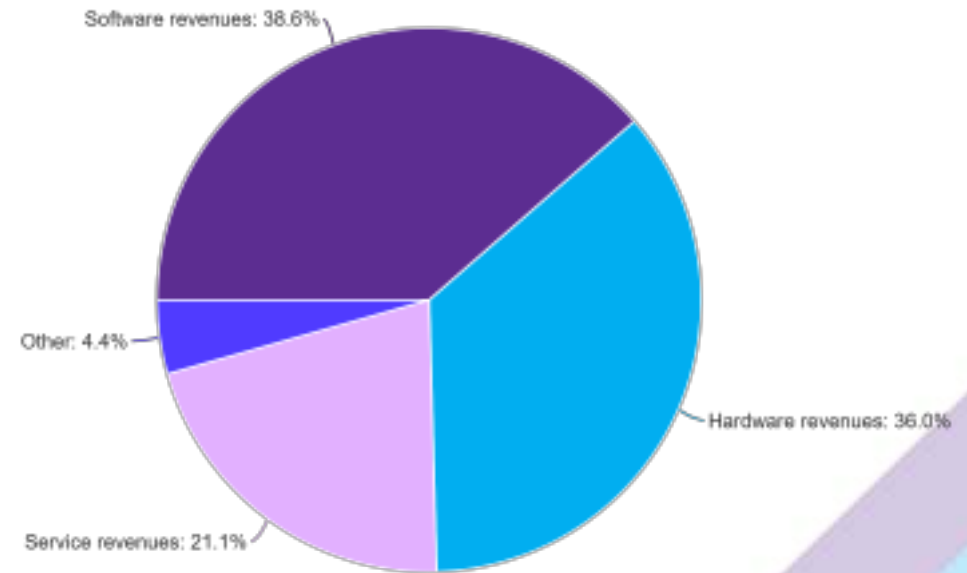


Primary Revenue & Profit Models

Primary Source of Revenue



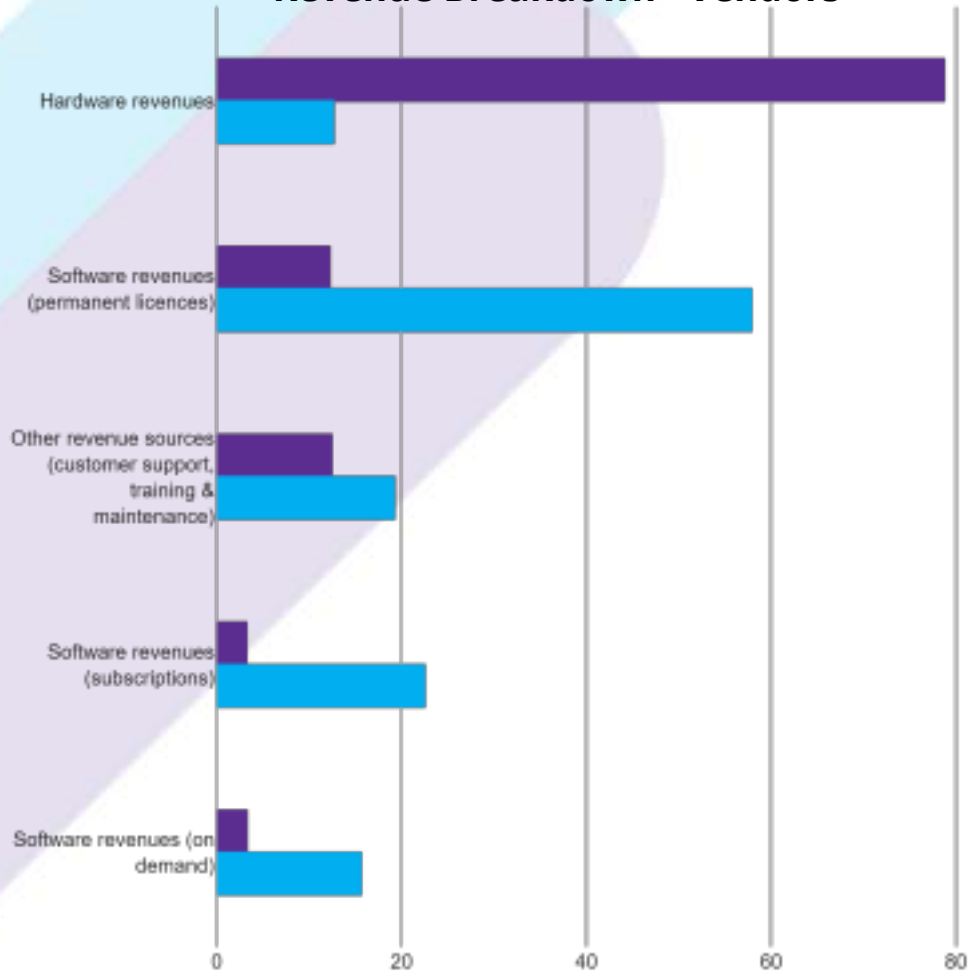
Primary Source of Profit



Revenue Breakdown

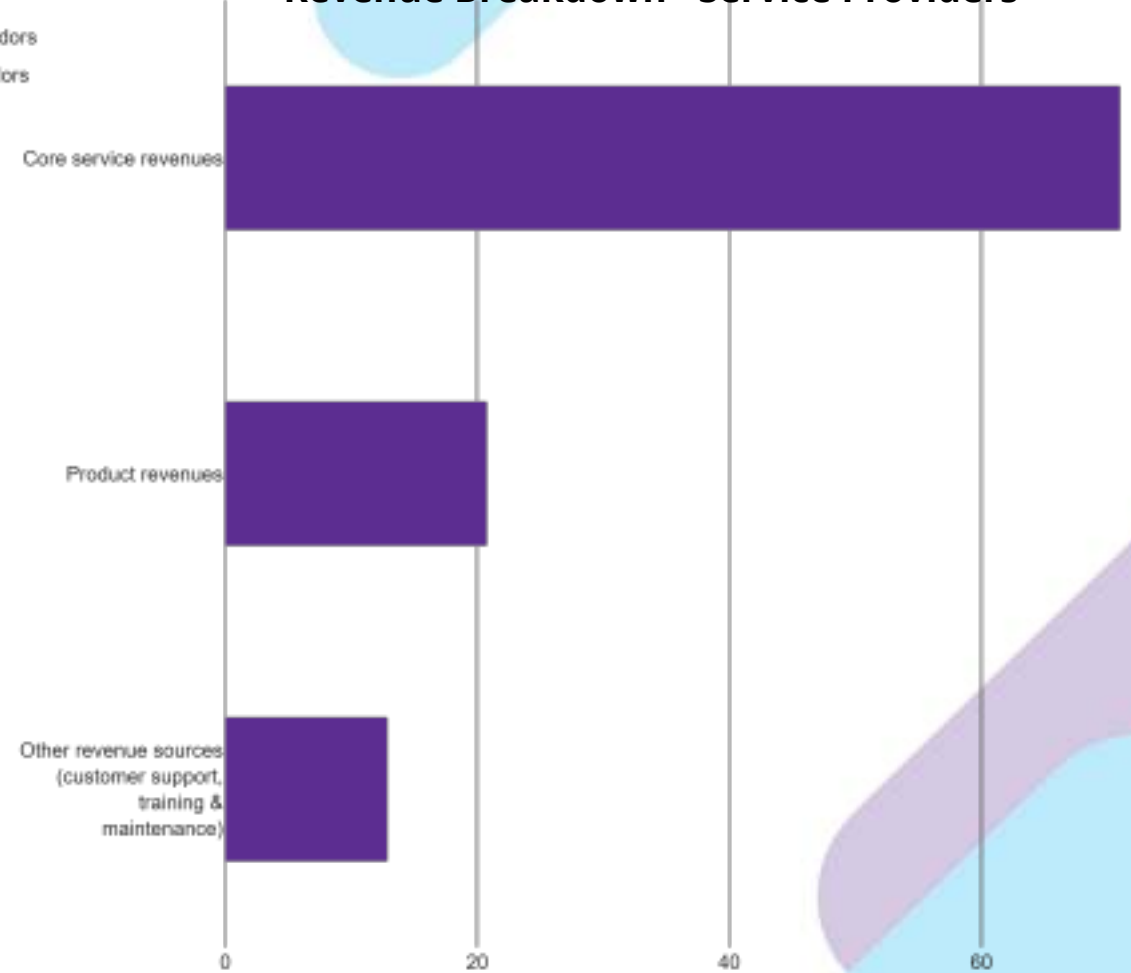


Revenue Breakdown - Vendors



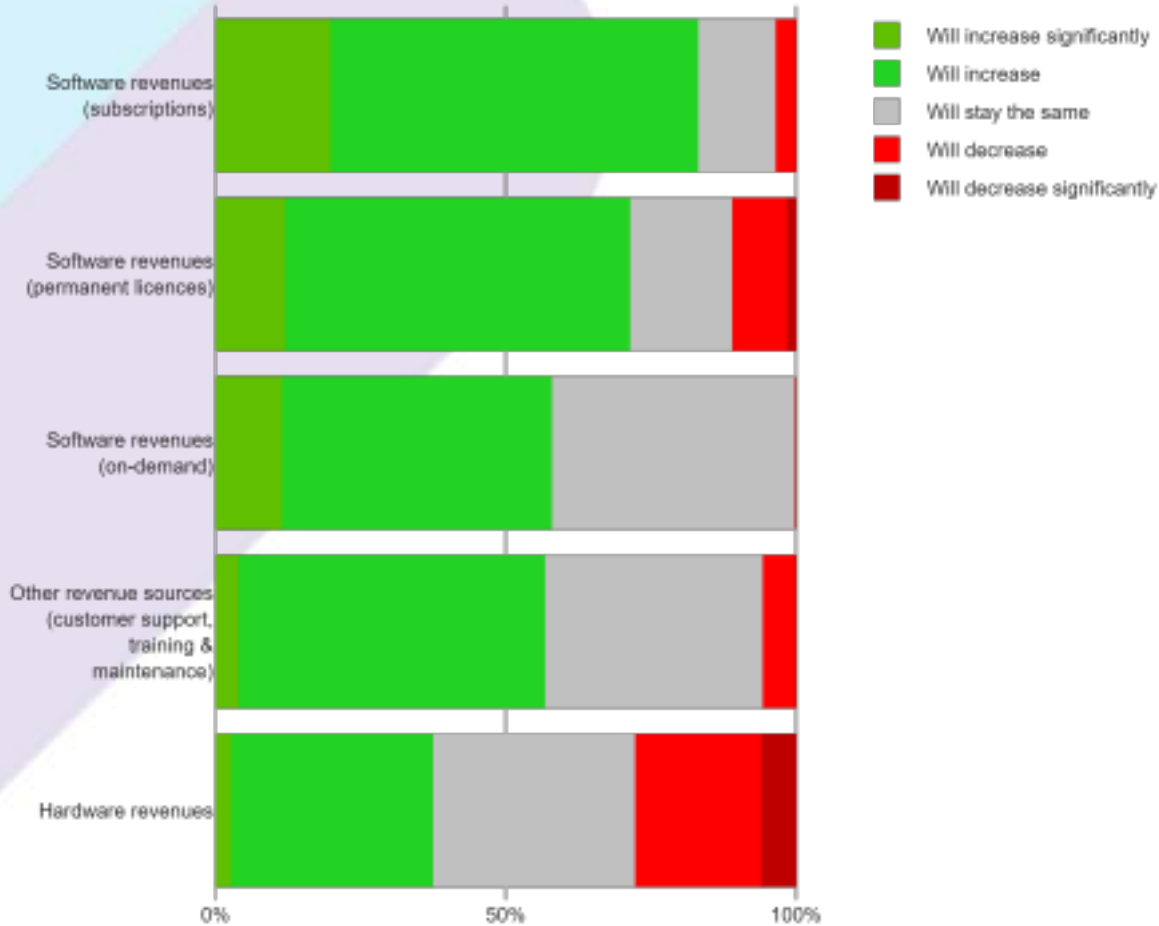
Revenue Breakdown - Service Providers

- Hardware vendors
- Software vendors

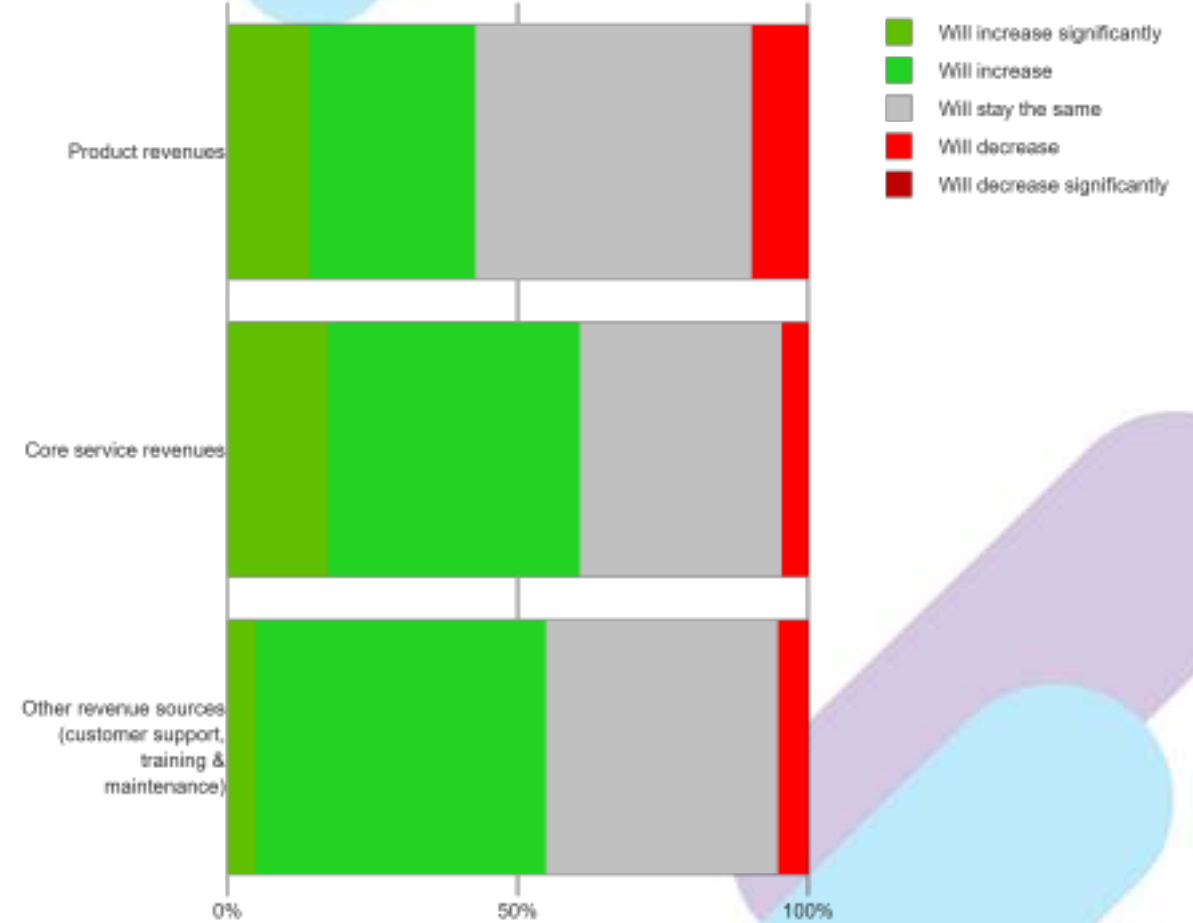


Revenue Outlook

Revenue Outlook - Vendors

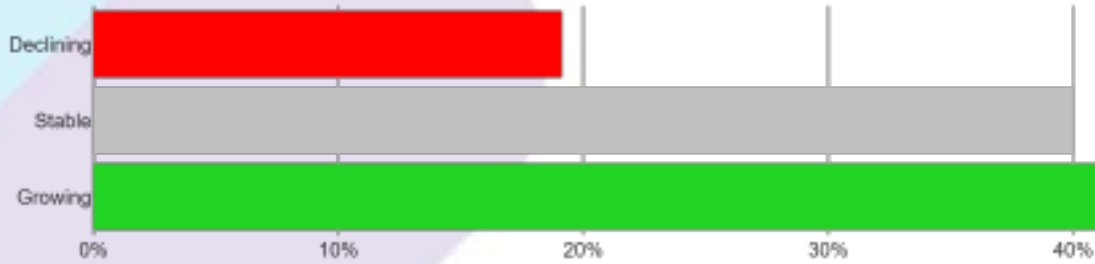


Revenue Outlook - Service Providers



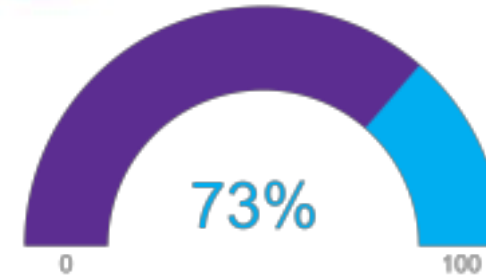
Segment Revenue

Revenue Outlook - Broadcast & Media

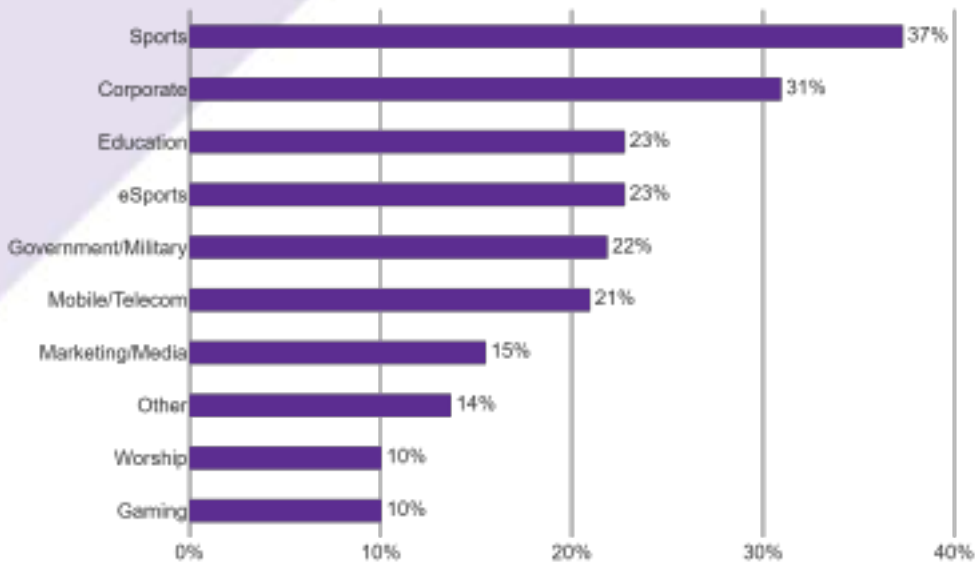


Revenue from Broadcast & Media

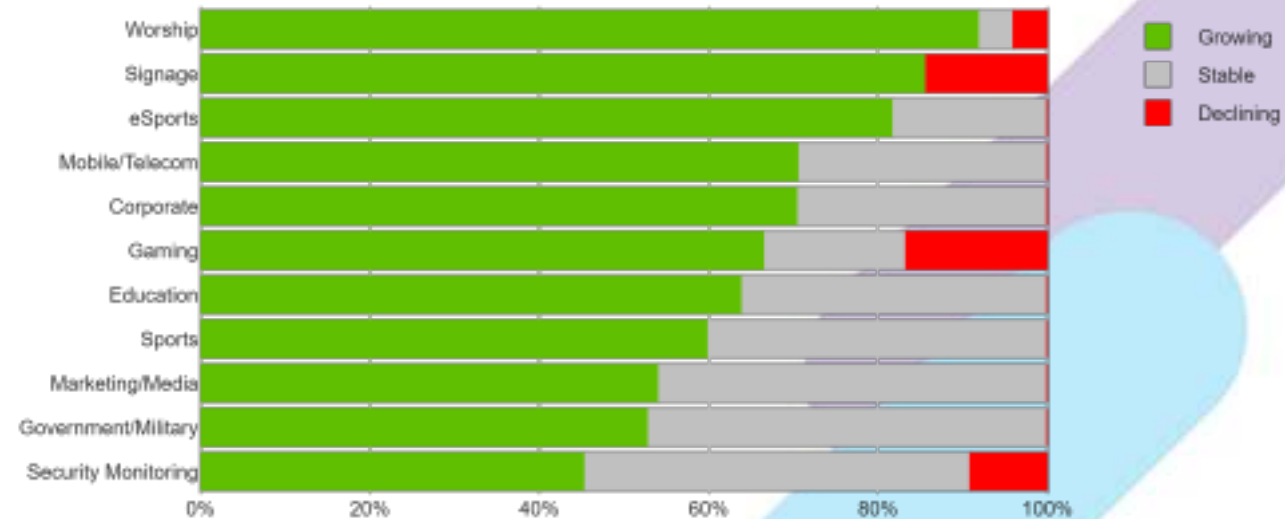
Percentage of Revenue from Broadcast & Media



Primary Other Segments



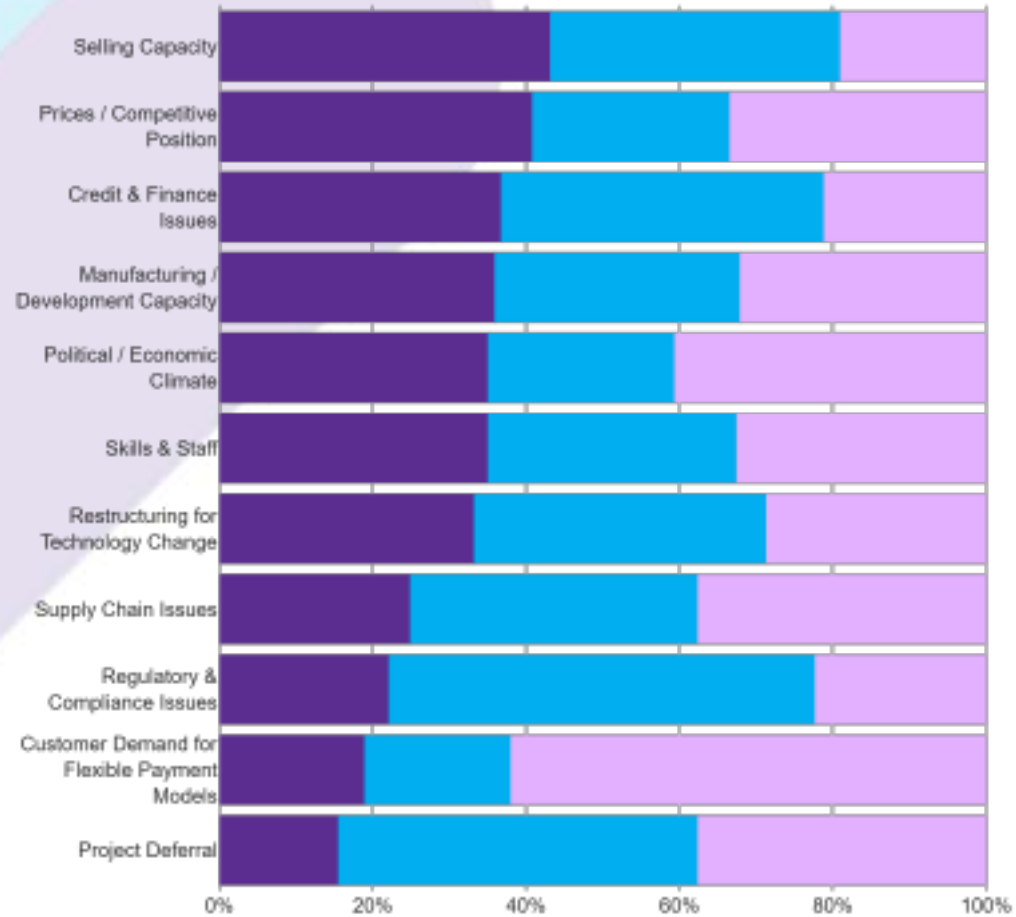
Revenue Outlook - Growth in Other Segments



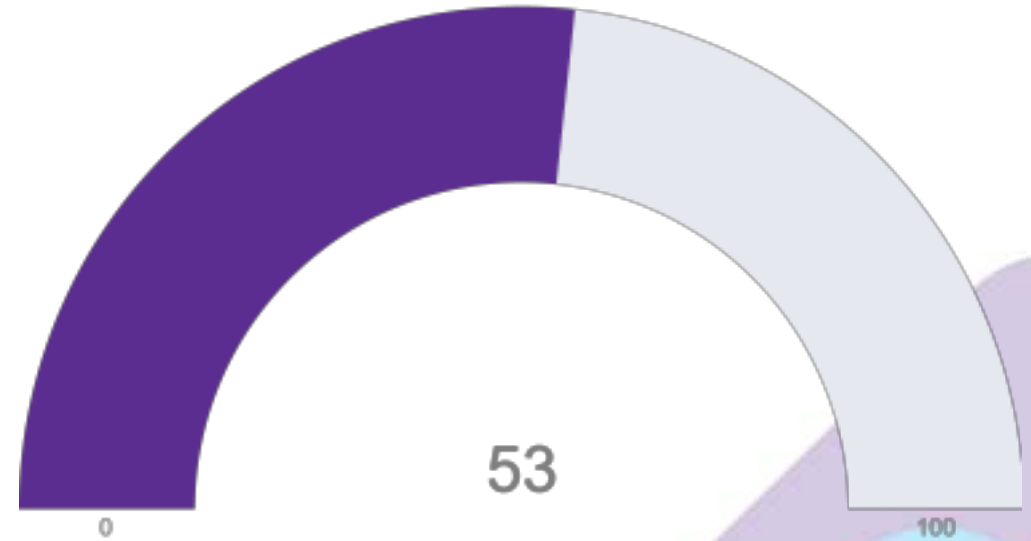
Growth Challenges & IP Revenues



Growth Challenges



% of IP Revenues



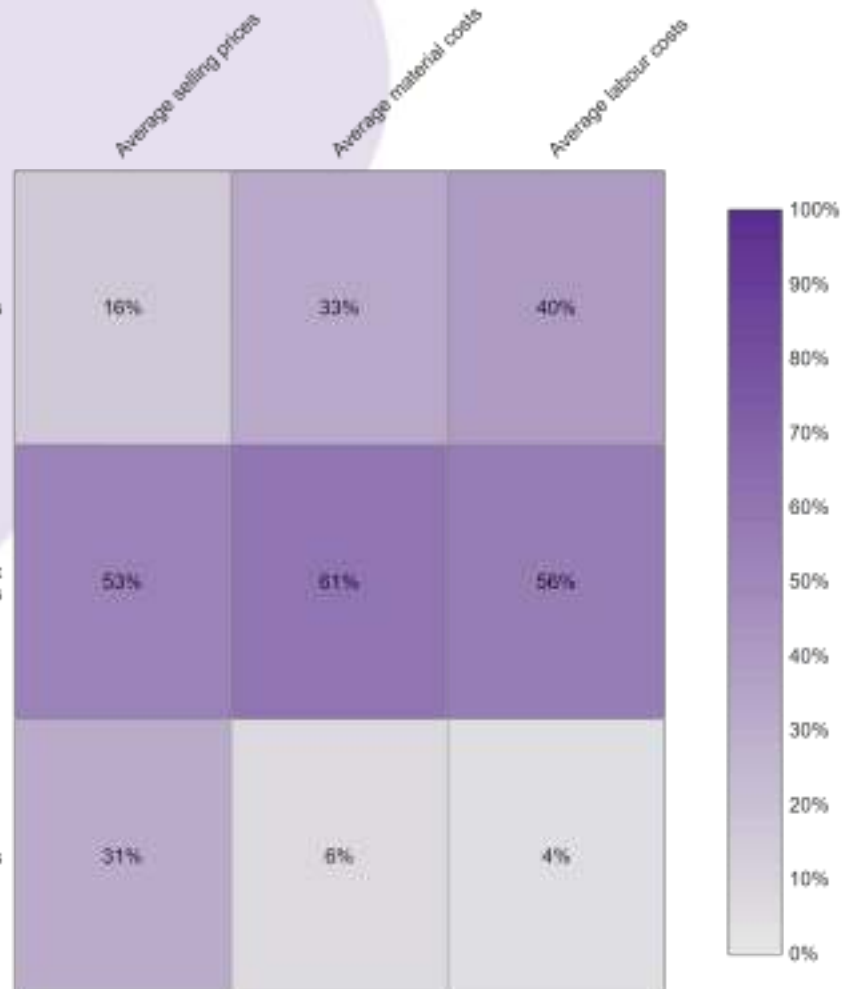


Prices & Costs

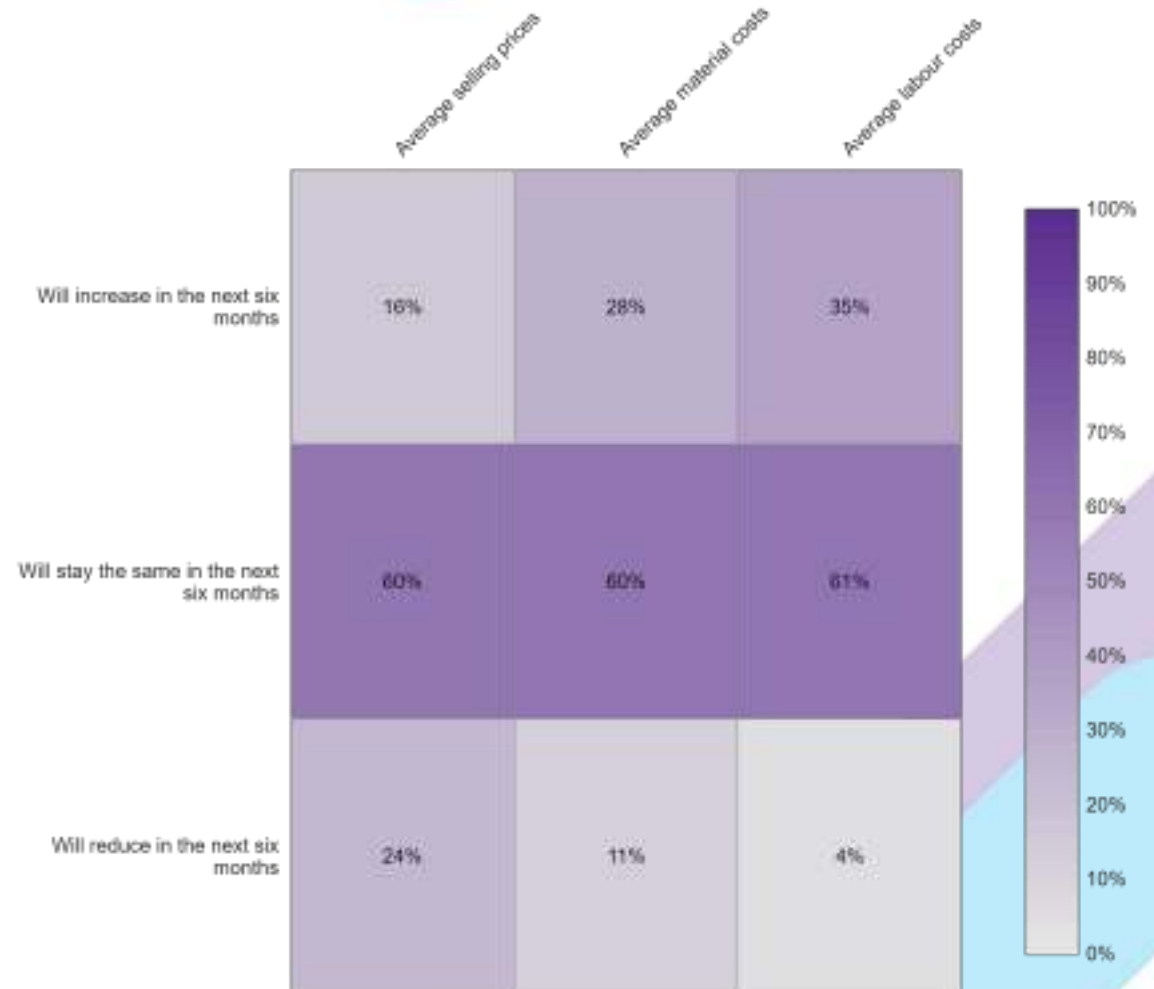
Selling Prices & Costs



Prices & Costs - Last 6 Months



Prices & Costs - Next 6 Months

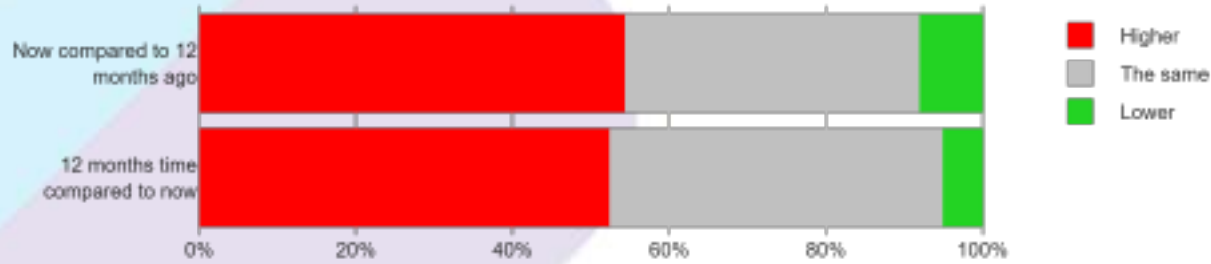




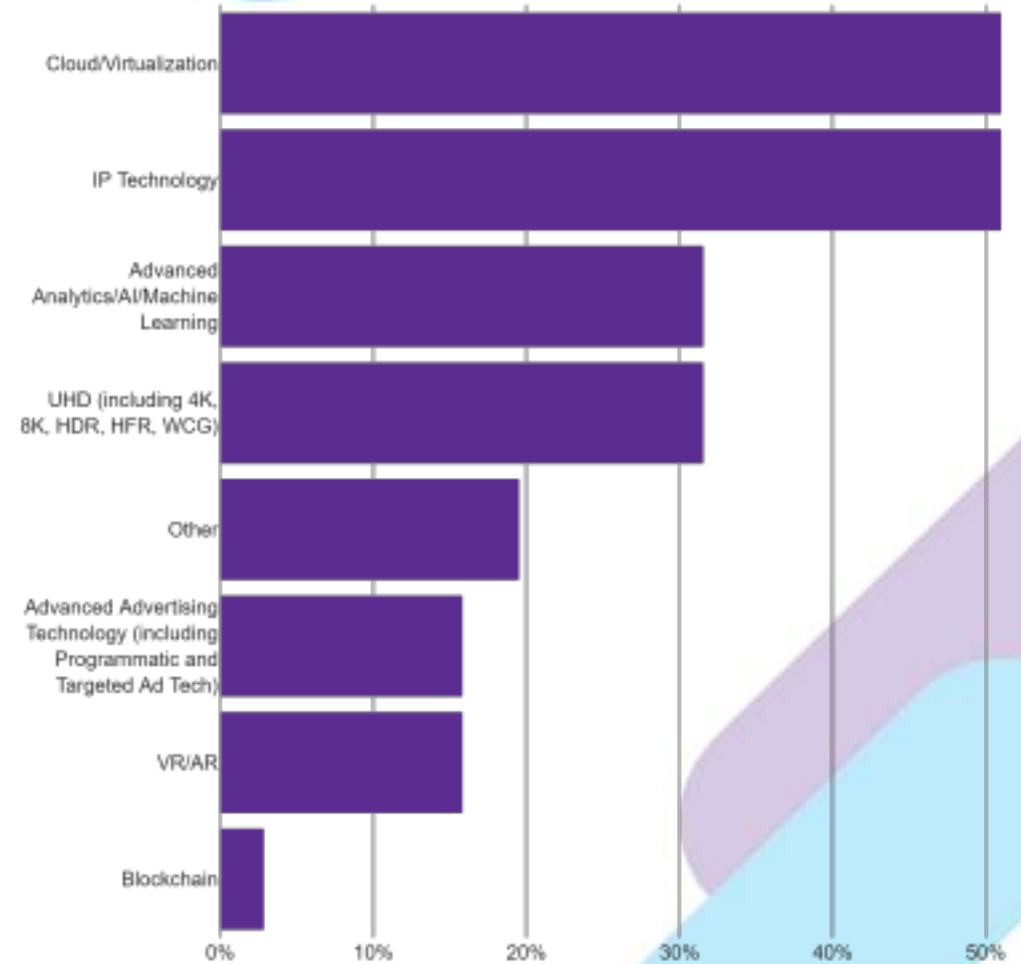
Investment

R&D Investment

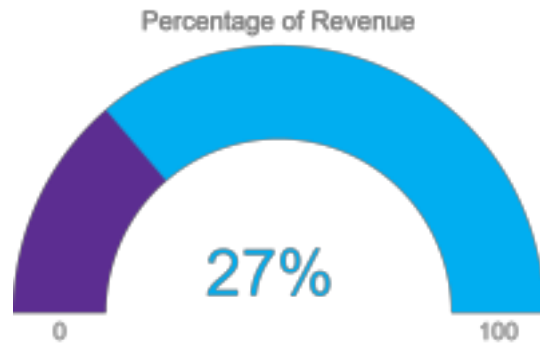
R&D Investment Trends



R&D Investment Focus

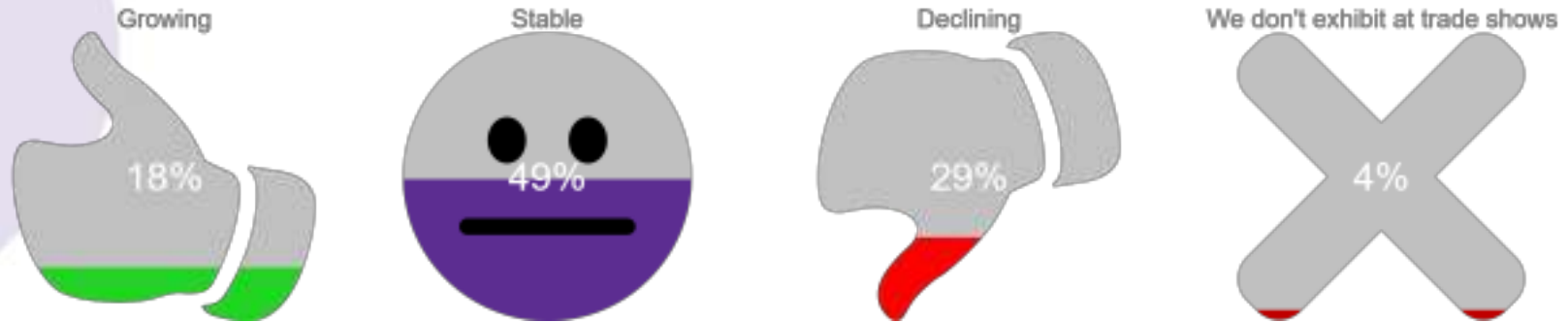


Investment in R&D

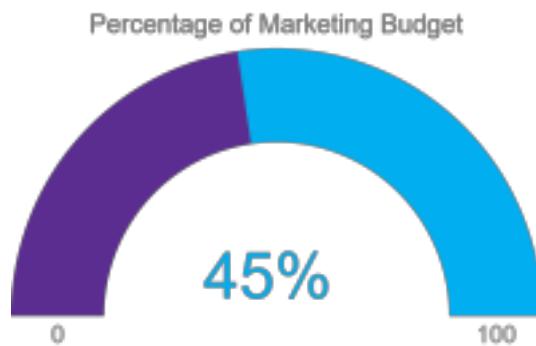


Trade Shows & Personnel Investment

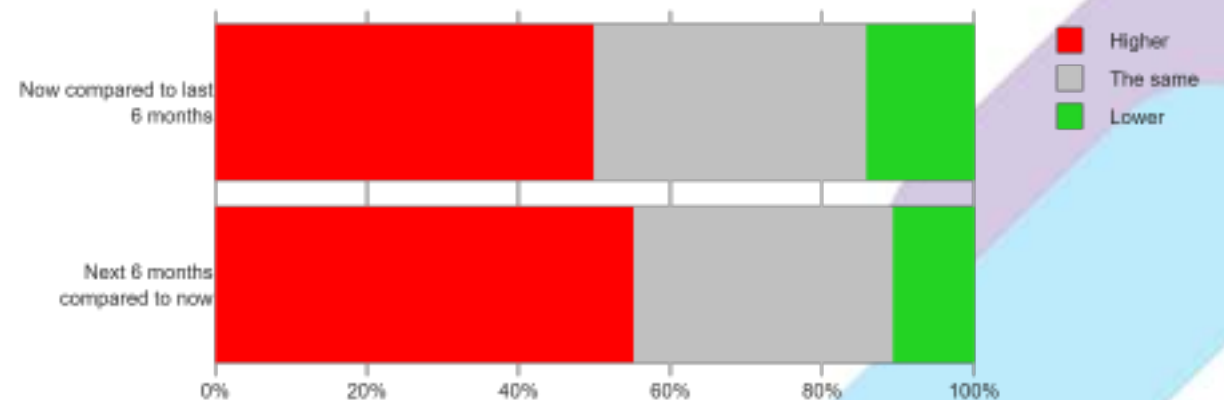
Budget for Trade Shows



Investment in Trade Shows



Investment in Personnel



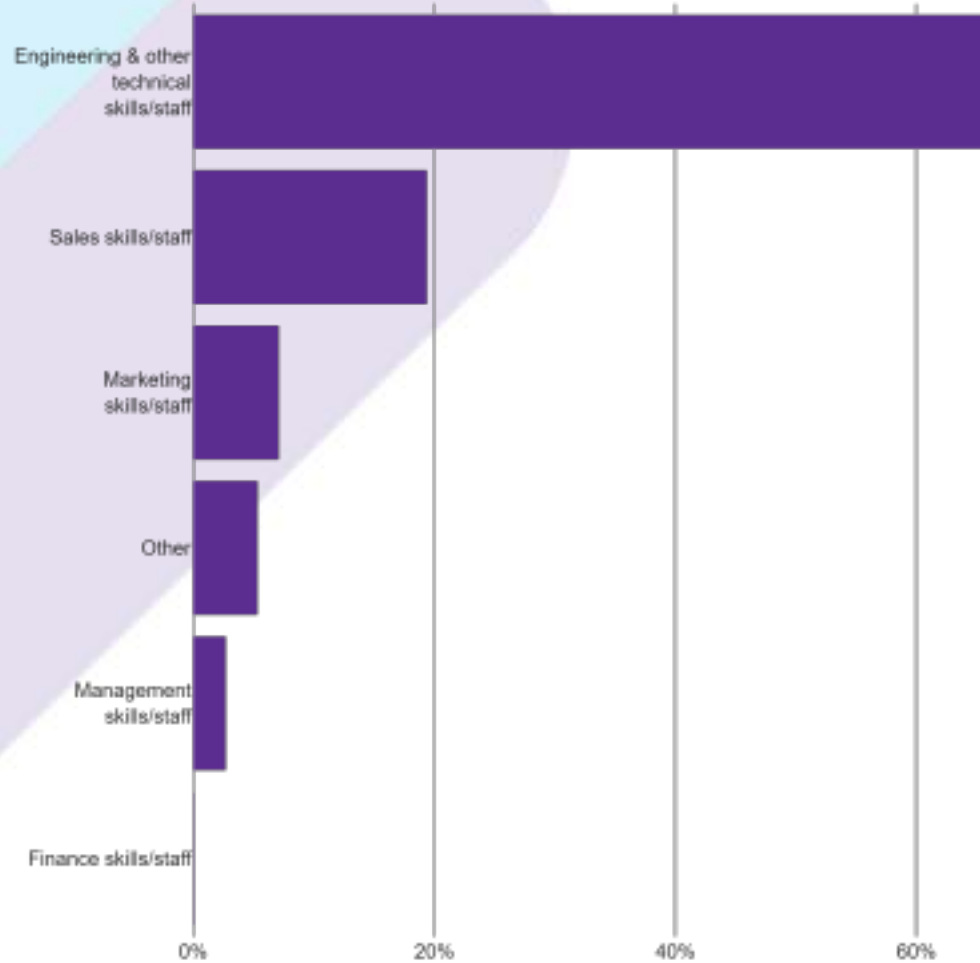


Skills

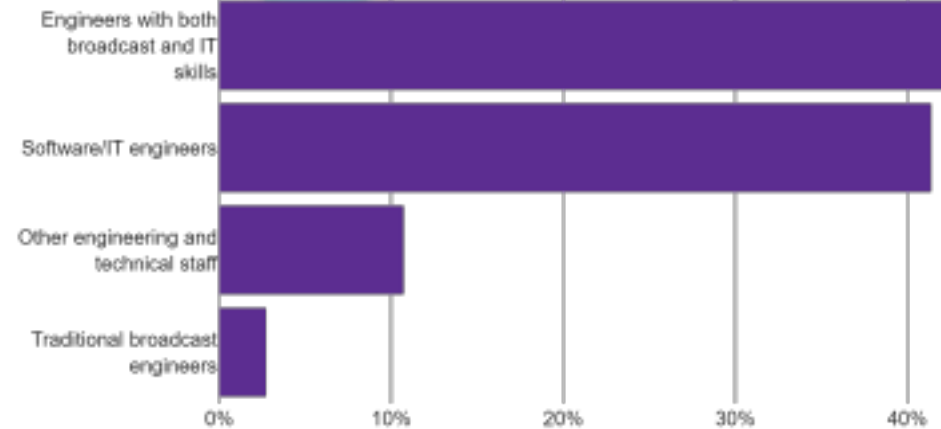
Most Difficult Skills to Recruit/Train



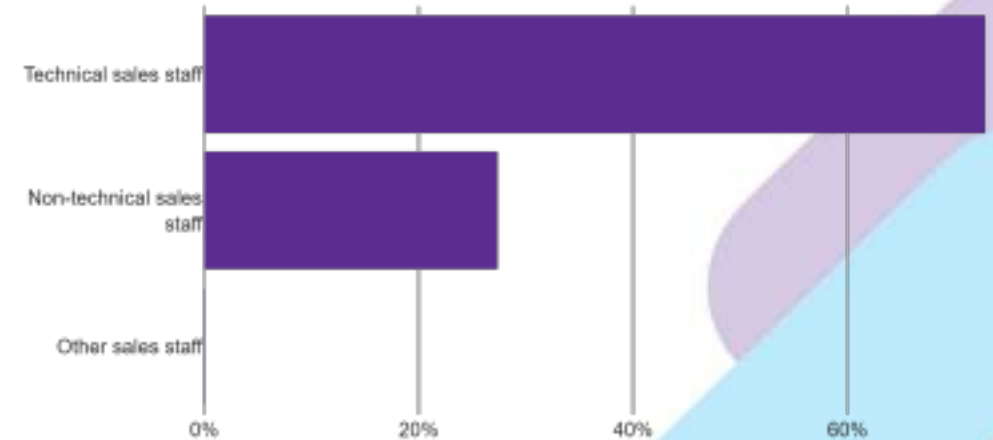
Most Difficult Skills to Recruit/Train



Most Difficult Tech Skills to Recruit/Train



Most Difficult Sales Skills to Recruit/Train





Analysis

Sentiment



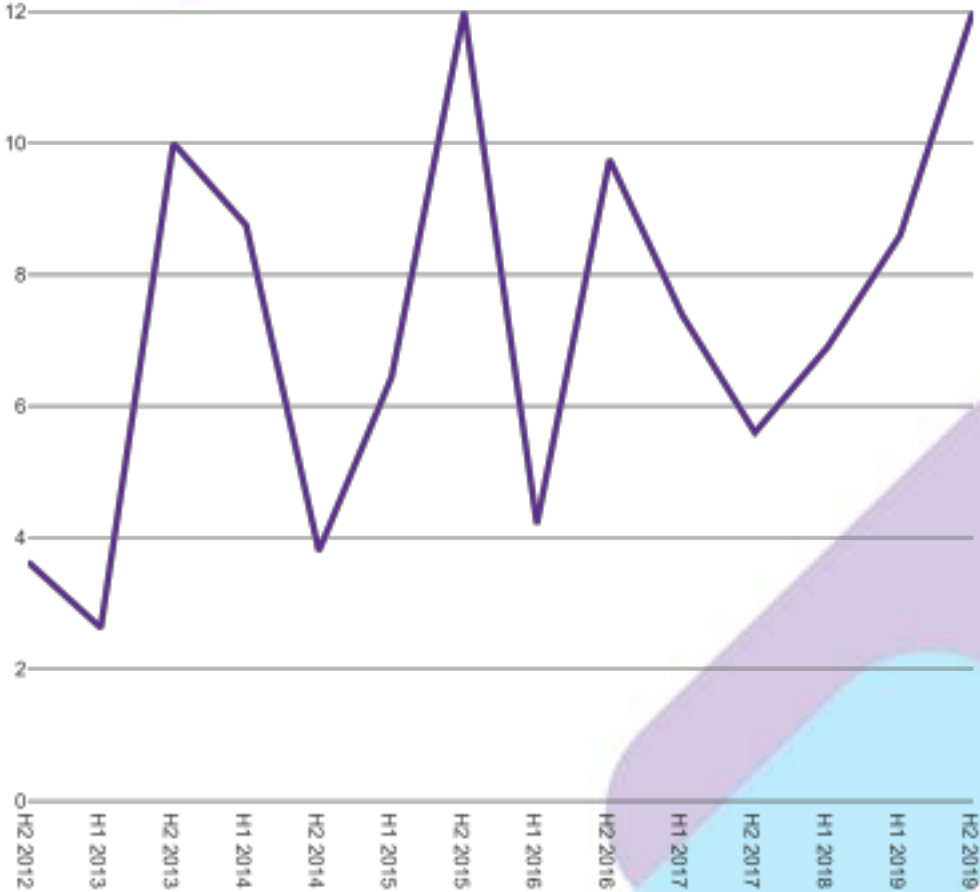
The analysis of business sentiment shows that confidence is at a record high throughout the industry despite all the change affecting the media technology sector. The IABM Confidence Ratio is at 12, up from 8.6 in H1 2019.

Looking at confidence in different industry segments shows that hardware suppliers and respondents from North America are more confident about the future of the sector. This is surprising as these two segments are going through a lot of change - from a demand and geographical perspective respectively.

It is also interesting to note that respondents such as CEOs and sales and marketing staff are significantly more confident in the future of the industry compared to engineering staff, who report quite a negative outlook.

From a content chain perspective, Support, Monetize and Manage continue have the most optimistic outlook - see next page.

IABM Confidence Ratio



Content Chain Sentiment

Sentiment - Content Chain Analysis

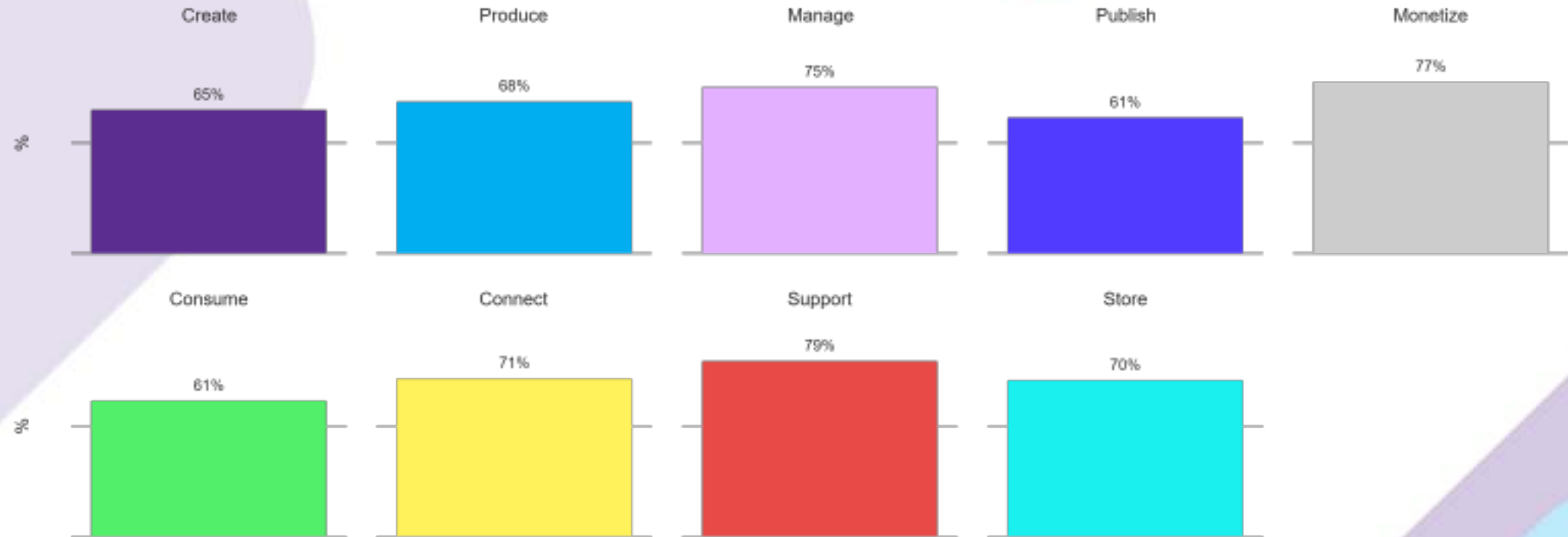


Chart shows % of positive respondents in each content chain block

Revenue Models

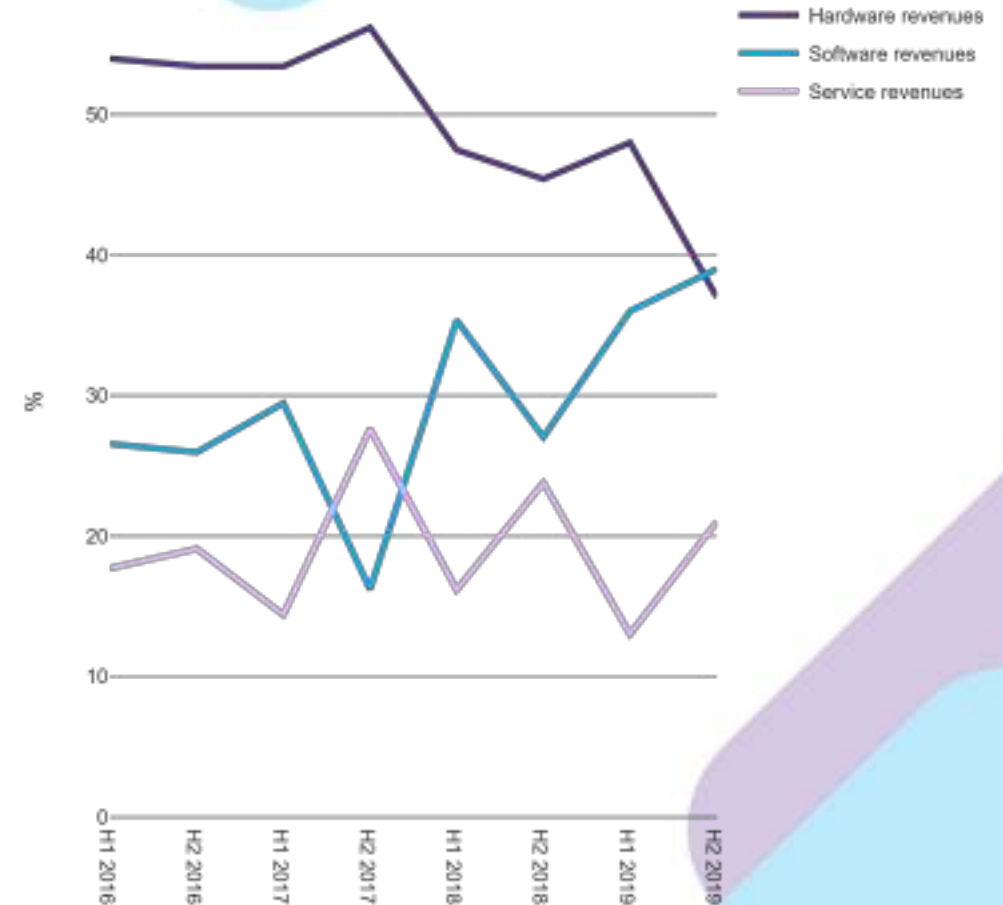
The industry has continued to move away from hardware towards software and service-based revenues. The results of the latest survey show that software revenues have overtaken hardware for the first time in H2 2019. In 2019, software revenues have grown significantly on the back of increased demand from buyers. Conversely, hardware revenues have historically been declining since the second half of 2017. Service revenues have been oscillating in the range of 15-30% in the period 2016-2019.

Software revenues surpassing hardware revenues for the first time is being driven by a variety of trends, including the move to cloud - see next pages.

From a profit perspective, the picture looks quite similar with software revenues driving most of the profits in the industry for the first time.

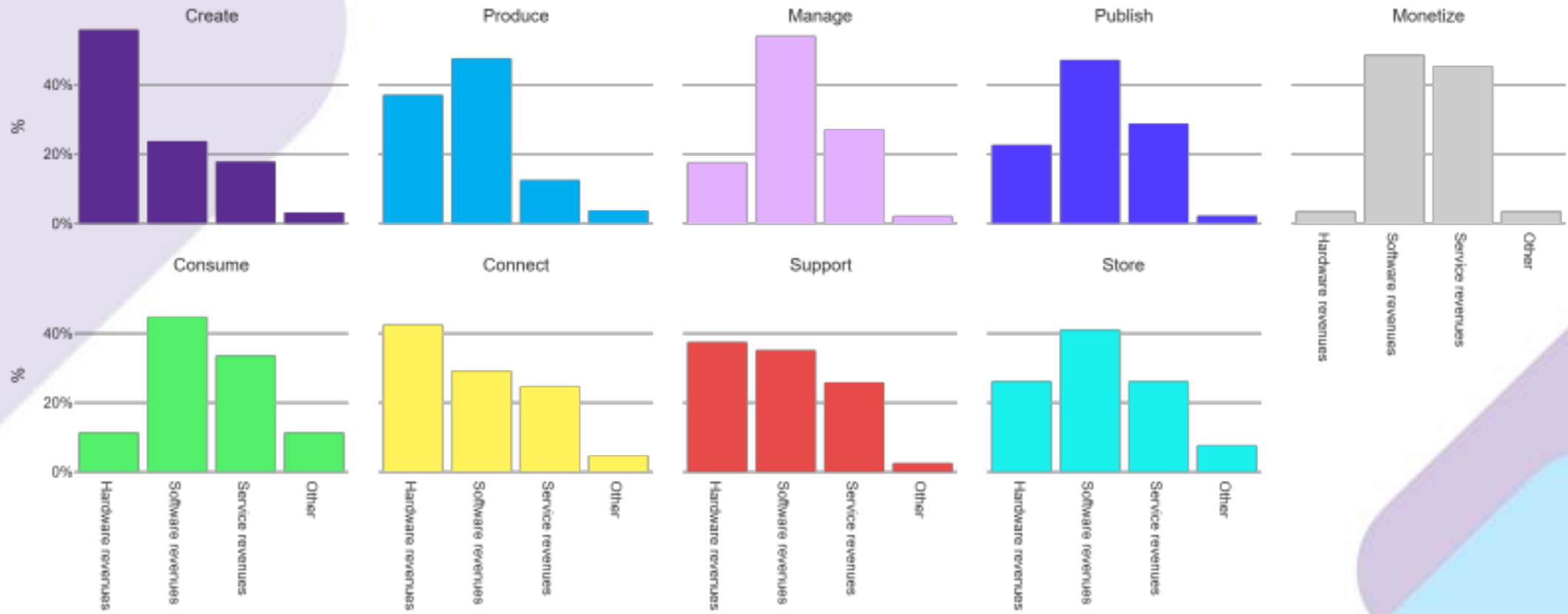
Looking at content chain segments - see next page - shows that most content chain blocks are now heavily reliant on software aside from Create, which is made up of product categories such as cameras and lighting systems.

Revenue Models - Historical Analysis



Content Chain Revenue Models

Revenue Models - Content Chain Analysis



Demand Drivers



As noted earlier, media technology demand is being driven by a variety of trends, of which the move to direct-to-consumer models, workflow automation, virtualization and IP continue to be the most important. From a historical perspective, trends such as workflow automation and virtualization have grown in importance, which is consistent with the search for operational efficiency as well as the increased adoption of cloud-based technology - see our [Buying Trends Report](#). The increasing importance of these demand drivers is arguably pushing media technology suppliers to move to software-based revenues, as evidenced earlier.

According to the results of this survey, the transition from SDI to IP remains very important though it has slightly lost momentum - this is also consistent with adoption in our [Buying Trends Report](#). It is also interesting to observe a significant drop in remote production in 2019 compared to 2018. The decreasing importance of both IP and remote production is consistent with the decline in hardware revenues evidenced earlier.

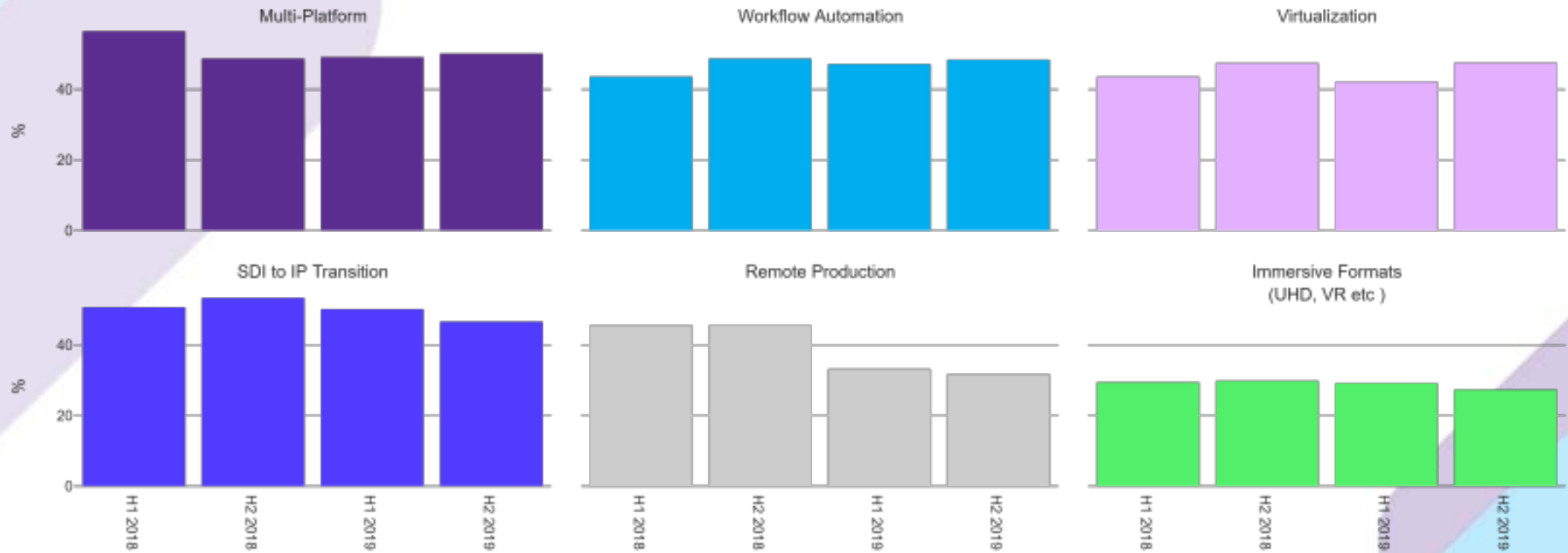
Other demand drivers have remained relatively static aside from the upgrade to next-generation terrestrial standards, whose importance has significantly grown compared to 2018. This can be particularly traced back to the deployment of ATSC 3.0 in the US.

Our Content Chain Investment Heat Map shows that hardware-related trends such as IP, immersive formats and remote production are particularly important at the start of the content chain while, from Manage to Consume, trends such as multi-platform delivery and automation are significantly more important. This is consistent with historical data.

When looking at specific content chain trends, Publish remains focused on its transition to internet distribution while investment in Store is focusing on moving to the cloud. A similar trend can be observed in Manage where cloud is topping the ranking of most important drivers.

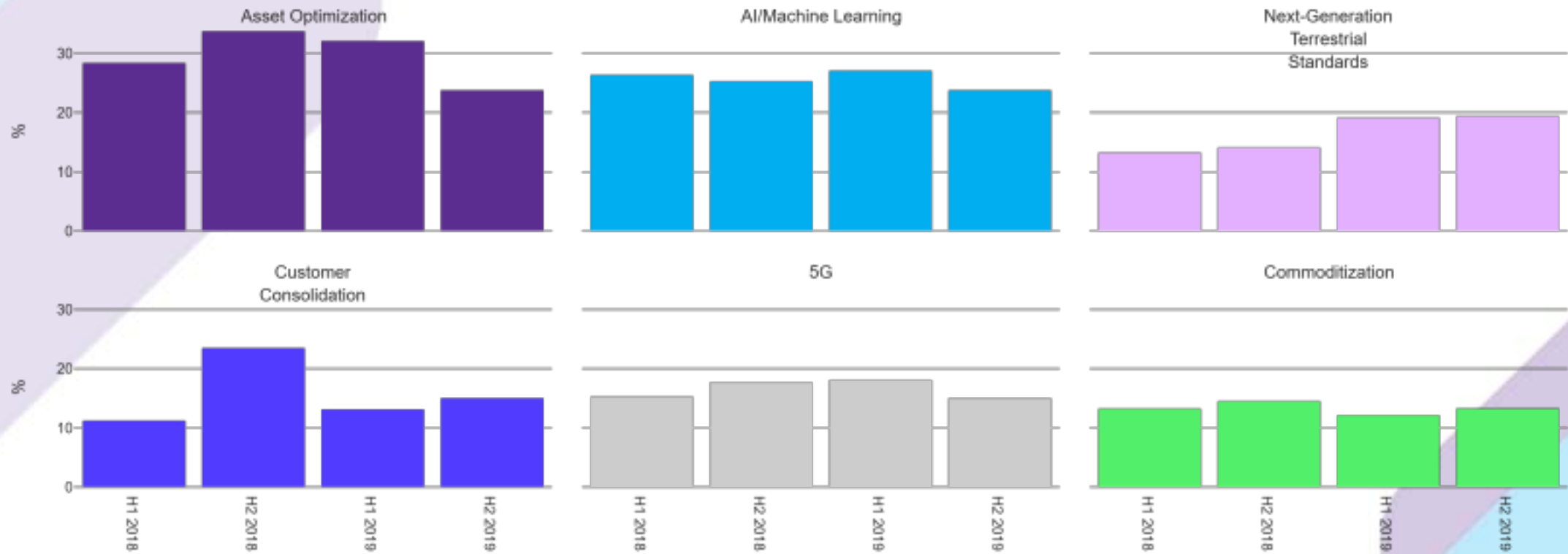
Top Demand Drivers

Top 6 Demand Drivers - Historical Analysis



Other Demand Drivers

Other Demand Drivers - Historical Analysis



Demand & Revenue Outlook



Our revenue and demand outlook data shows various insights. From a content chain perspective, suppliers in Monetize and Consume continue to be the fastest growing segments in the industry along with Manage. As the industry increasingly moves to direct-to-consumer models, more investment is being made in Consume and Monetize to get digital experiences and business models right. Segments like Manage, Create and Produce are directly benefiting from the rise in content investment, which remains at record highs. Generally, most segments remain optimistic when it comes to demand outlook aside from Publish, which is being disrupted by a variety of trends, including the move to cloud-based operations.

Looking at the revenue outlook by type shows that both software subscriptions and on-demand revenues are set to increase the most in the short-term. This is consistent with the trajectory of these revenues in 2019 as well as demand by buyers - see our [Buying Trends Report](#). Conversely, suppliers are pessimistic about the outlook of hardware revenues, which are set to decrease the most. Service providers remain quite positive about the outlook for their core service revenues.

Despite the predicted rise in software subscriptions, it is worth noting that the percentage of both subscriptions and on-demand revenues remains lower than permanent licences for software vendors. This shows how most suppliers still have to go through the transition to as-a-service models demanded by buyers. This transition has a variety of implications for the supply-side of the industry - have a look at our [Adapt for Change](#) report if you are interested in these.

Most suppliers in the sample derive most of their revenues from the broadcast and media sector. Most respondents see demand in this sector either decreasing or being stable in the short-term. When looking at adjacent verticals, sports, corporate and education are highlighted as the most important segments while worship, signage and e-Sports are the fastest-growing ones.

Growth Challenges & IP Revenue

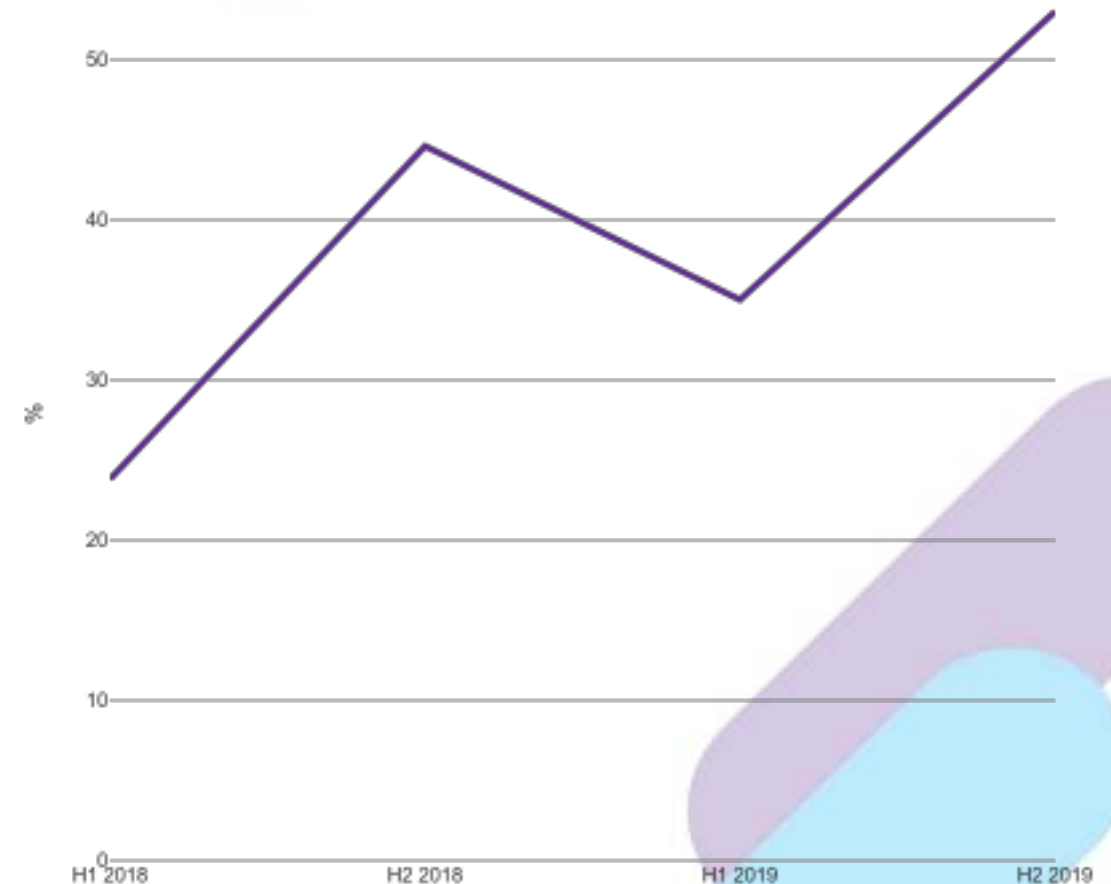


When it comes to challenges preventing media technology suppliers from growing, selling capacity and competitive position remain the most important ones. Competitive position has been historically a challenge for hardware suppliers, and remains so in the latest survey. The top challenge for software suppliers is instead selling capacity. The top challenge for service providers remains skills & staff.

As part of the Supply Trends Survey, we also track the average percentage of revenues accruing from IP technology. IP revenues have been fairly static between 2018 and 2019 but have significantly grown in 2019, surpassing 50%. This is a significant rise from 35% in the first half of 2019.

This is consistent with the transition to IP becoming a less important driver of revenues for media technology suppliers. As the move to IP becomes a more mature trend we expect this to further decrease in importance in media technology suppliers' agenda.

IP Revenue - Historical Analysis



Prices & Costs



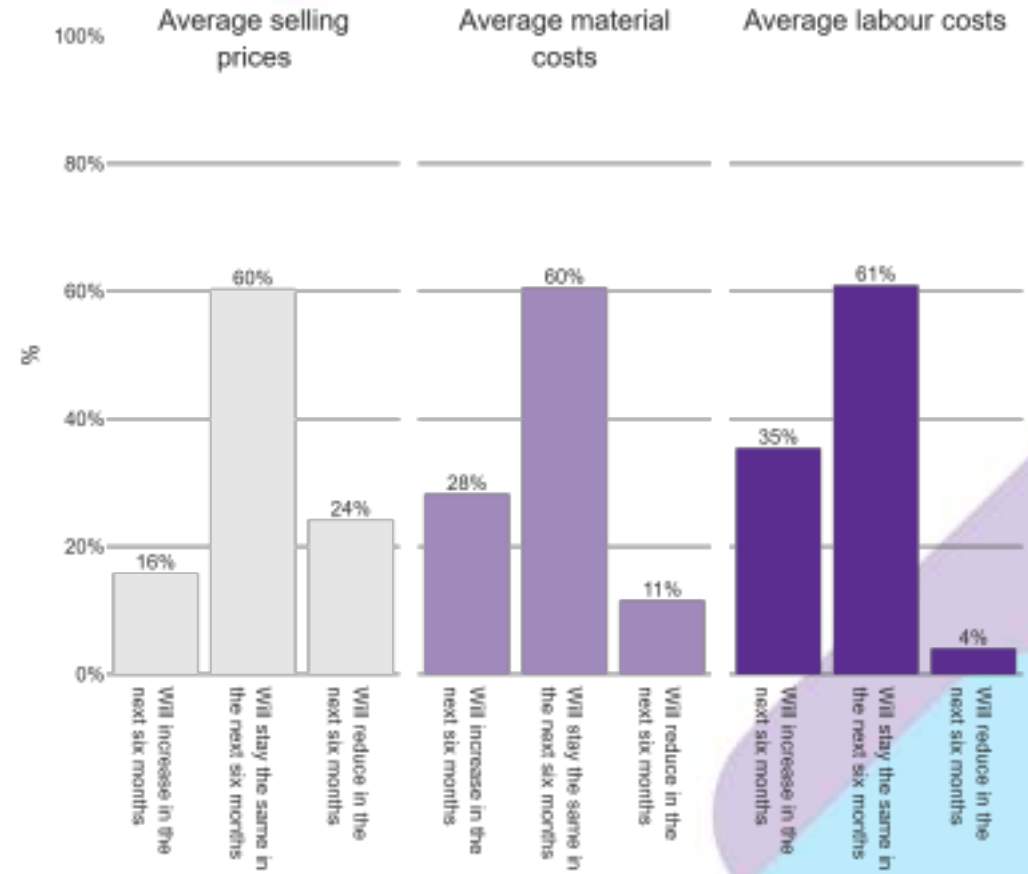
The outlook for prices and costs in the next six months is conservative - compared to the trends in the last six months - and consistent with historical data. Most suppliers expect the pressure on selling prices to ease in the next six months. The pressure on selling prices has been easing in recent surveys and this is consistent with competitive position becoming a less important challenge to some suppliers.

The same trend applies to labour and material costs which are predicted to rise less significantly.

It is worth noting though that the percentage of companies predicting labour costs to rise is significant. The high labour costs in the industry are still linked to skills shortages of broadcast engineers as well as the costs of recruiting generic IT personnel - see our analysis of skills.

The outlook for material costs is consistent with previous editions of this survey. Material costs are becoming less significant as the industry moves from hardware towards software.

Prices & Costs - Outlook



Investment

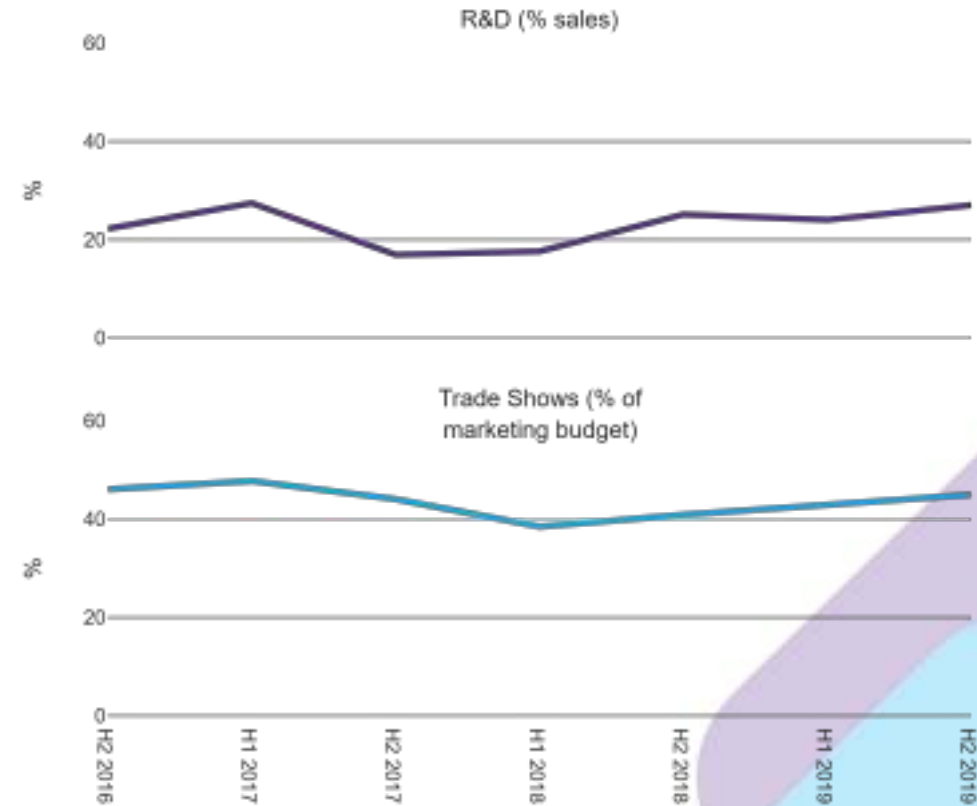
Investment in the media technology sector has continued to grow. Both R&D and trade show investment - as percentage of sales and marketing budget respectively - have increased during 2019. The upward trend in R&D is significant and may have been driven by the move to software-based revenues.

When it comes to R&D, the major focuses of media technology suppliers remain cloud/virtualization and IP technology. Looking at different segments shows that while hardware suppliers are more focused on IP, software suppliers are more focused on trends such as AI/Machine Learning.

Most respondents predict R&D investment will decline in the next year. Most respondents also predict their budget for trade shows as well as their investment in personnel will decline - this is consistent with historical data.

Generally, there seems to be a strong focus on achieving increased operational efficiency at supplier organizations. This focus is however contradicted by actual spending on R&D and trade shows which continues to be at a very high level.

Investment - Historical Analysis



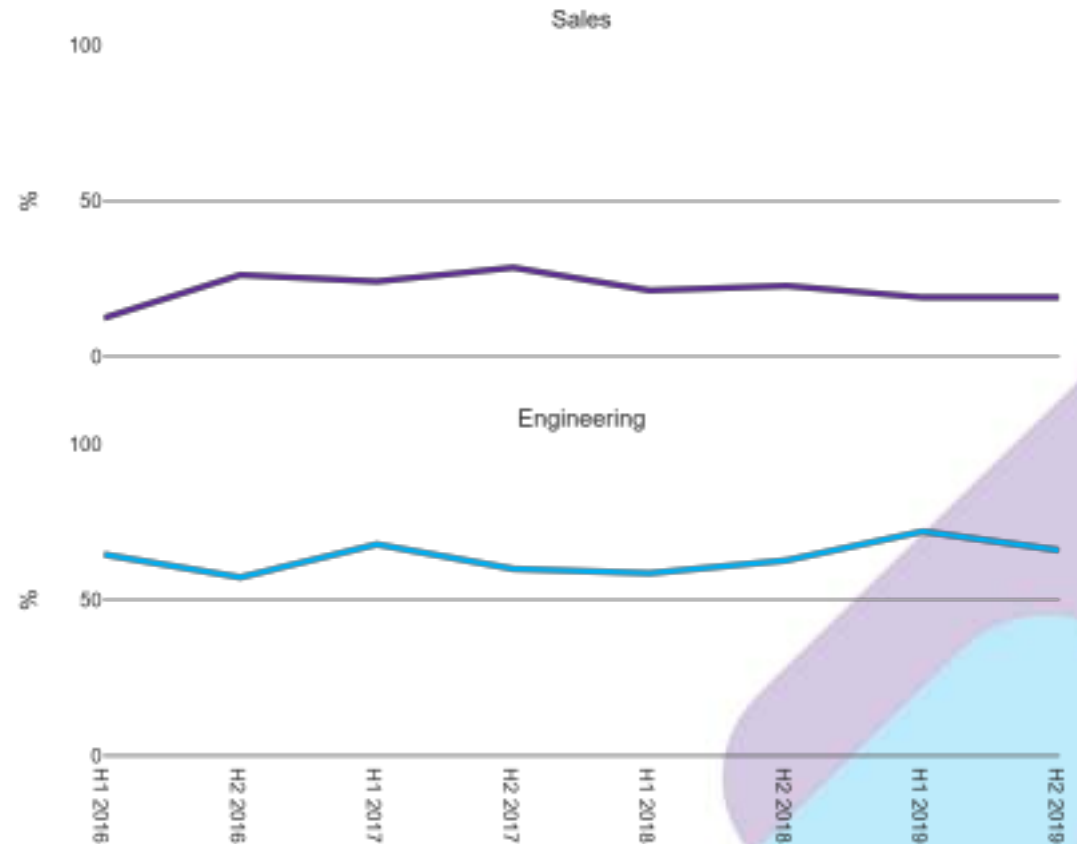
Skills

The industry remains very focused on hiring and training technical staff. Engineering and other technical staff remain the most sought after in the industry for over half of respondents.

When it comes to specific technical skills, engineers with both broadcast and IT skills remain the most sought after in the industry. This is consistent with interviews done by IABM on the subject. Media technology suppliers still prefer engineers that can marry their coding skills with specific knowledge of the entertainment industry. However, interest in pure software/IT engineers has significantly increased from recent surveys, highlighting the rising importance of IT knowledge in the industry. As shown by recent IABM analysis, software skills are significantly more expensive than traditional broadcast skills. This gap becomes more marked when considering emerging skills in the industry such as data science - more important in segments such as Consume and Monetize.

When it comes to sales skills, the industry remains more focused on technical sales knowledge, which is consistent with historical data.

Skills - Historical Analysis



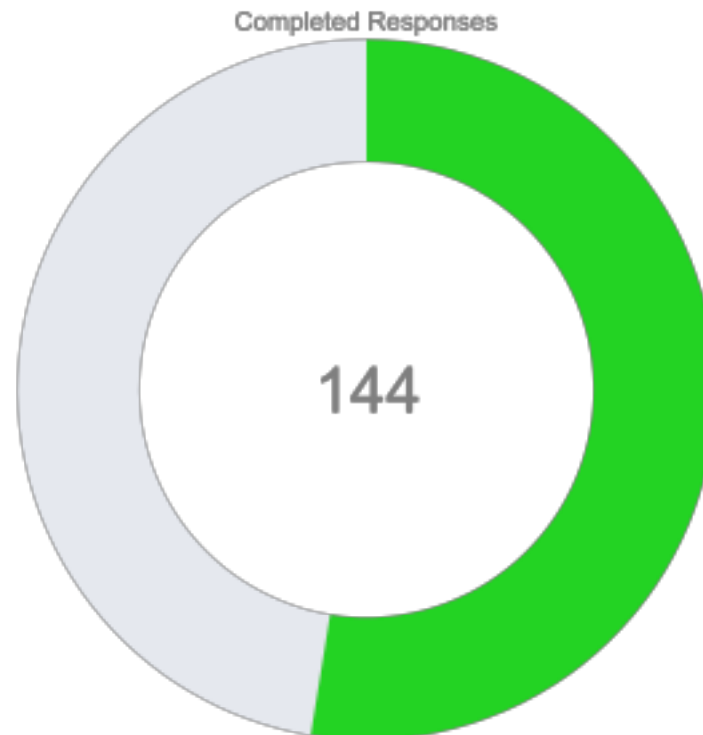


Appendix

About the Supply Trends Survey

IABM Supply Trends Survey

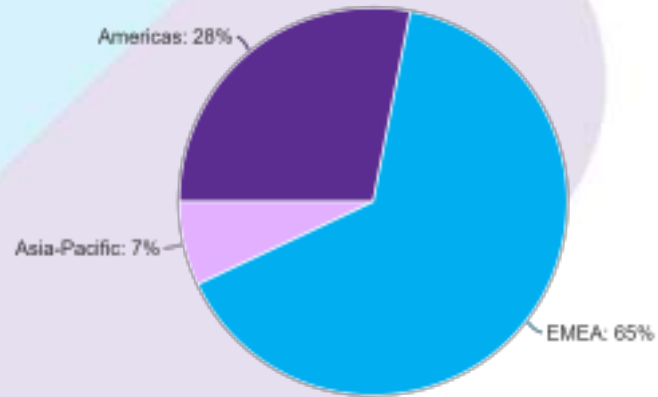
The IABM Supply Trends Survey is a biannual survey of trends and opinions of media technology executives. This latest survey was taken between January and February 2020. The sample of this survey is made up of 274 responses of which 144 were complete and 130 were partial.



Supply Trends Survey Sample



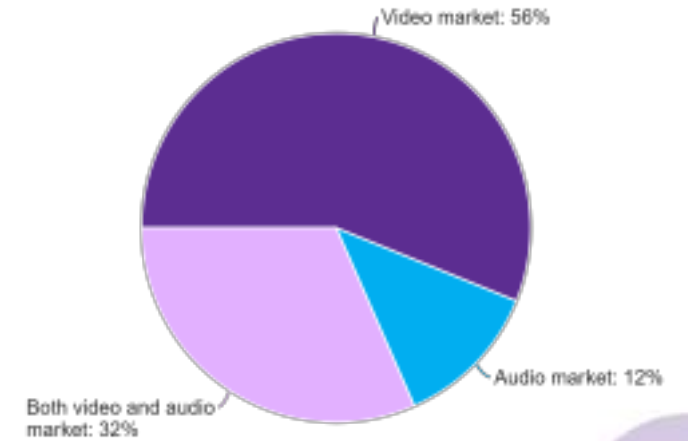
Region



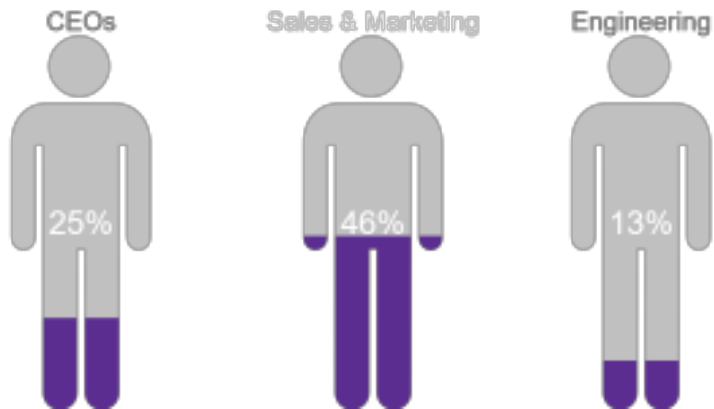
Organization Size



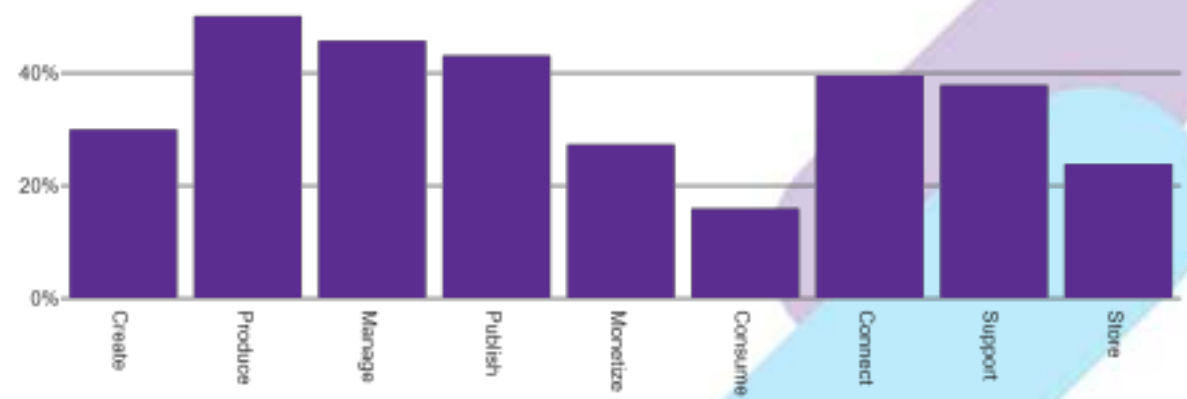
Primary Market Focus



Job Roles



Content Chain Block



About IABM Business Intelligence Unit



Lorenzo Zanni, Head of Insight & Analysis



Riikka Koponen, Principal Analyst

About IABM



IABM is the international trade association for broadcast and media technology suppliers. IABM facilitates the important networking and interaction between suppliers that shape and define the unique ecosystem of the broadcast and media technology industry.

IABM supports member companies with a comprehensive range of services across market intelligence, training, events, technology, exhibitions, business standards and best practices. We hold the interests of member companies as paramount, and strive to provide strong guidance and support at every level in all geographies.

We understand that in today's rapidly changing media landscape, our members have never had a greater need for timely, relevant and effective advice and support. IABM's mission is to be an ever more powerful beacon illuminating the way forward, highly responsive to all our members' needs and helping them to successfully navigate change and prosper.

Further information about IABM and its activities can be found at www.theiabm.org.