

Notes From the Field: Digital Hollywood at CES 2023

Last week, we attended [Digital Hollywood](#), a one-day, in-person conference that is part of [CES and focuses on how technology is transforming the entertainment industry](#). The digital media landscape is evolving rapidly, fueled by strong engagement from consumers during the pandemic and the rise of disruptive new technologies. The Digital Hollywood speakers made keen observations about the current state of affairs, and provided inside-track predictions about what is to come.

Here are a few trends and predictions that stood out to us from the sessions we attended:

Generative AI. 2022 was a banner year for artificial intelligence (AI), with projects like [DALL-E 2](#), [Stable Diffusion](#), and [ChatGPT](#) becoming part of mainstream discourse. The buzzword at Digital Hollywood for these and other initiatives was "Generative AI," the umbrella term for AI-powered technology that can create new and novel content, including stories, poetry, film scripts, 3D digital objects, artwork, images, videos, and, gulp, *blog posts*, that are of human-authored quality. Digital Hollywood speakers predicted that generative AI will be especially helpful in producing large volumes of 3D digital objects and spaces, thereby overcoming what has been a key obstacle to the growth of the metaverse and other virtual reality environments.

Speakers also highlighted that generative AI has already been embraced by Hollywood to expedite time-intensive production tasks, such as [de-aging](#) and [aging actors](#), realistically featuring deceased actors, voice [dubbing with synchronized visuals](#), and improving visual effects. Actors and their representatives are already thinking about [how to ensure their likenesses will only be used within the bounds of what is agreed upon](#), so we expect that talent agreements will need to consider issues relating to the capabilities of generative AI.

The Metaverse, Augmented Reality, Virtual Reality, and Mixed Reality. For all of the attention that the metaverse received last year, 2022 was the year for brands to dip their toes in the water, while 2023 will be the year for mature metaverse monetization strategies and execution. Content owners, especially retail, fashion, TV, film, and music companies, will expand the availability of their content on emerging platforms and methods of access.

We heard a lot of buzz around new virtual reality (VR) and extended reality (XR) (i.e., augmented reality (AR) and VR) headsets, including [one from HTC](#) and rumors of [another from Apple](#) that may be launched later this year. That being said, VR is just one means of accessing the metaverse, so we expect to see companies continue to focus on a wide variety of metaverse initiatives to ensure consumers without headsets (many of which have high price tags compared to traditional gaming consoles) are not excluded from this new digital era. Some concepts that speakers expected to see more of include AR experiences during [physical world live events](#) (e.g., location-based AR games during halftimes of sporting events), substantial increases in AR adoption for retail (including loyalty programs), as well as less jargon used within the metaverse, Web3, AR, VR, and XR.

New Era of Streaming. The trend of U.S. viewers' consuming international content (and vice versa) will continue, especially with the acceleration of technology (e.g., generative AI technologies that enable visual dubbing) and content owners' exploring all avenues to boost revenue.

If the last few years have been the era of cord-cutting and fragmented availability of content, the economic downturn will likely accelerate consolidation of streaming services, whether through mergers and acquisitions (M&A) or strategic collaborations between content owners to improve the value of a service. We may also see distributors heighten their focus on live sports to mitigate subscriber loss. Building on the philosophy that live events are a key piece of the strategy to retain and draw subscribers, we expect platforms to expand their live offerings, like the recent Disney+ [Encanto "live-to-film" concert experience](#).

Ad-supported Subscriptions and Data. Given current economic headwinds, several sessions touched on the future of content monetization and the potential shift from subscription-based to ad-based revenue. Many content providers are projecting—or already seeing—subscribers drop down to an ad-supported (AVOD) subscription tier rather than canceling the service altogether.

Similarly, we'll see a rise in popularity of free ad-supported streaming TV (FAST) services as consumers tighten their spending. During the "Monetizing TV Streaming Platforms" session, one panelist made reference to the industry adage "content is king, but data is queen," reminding us that data and audience measurement will continue to help companies understand their subscribers to improve [ad targeting](#) and content recommendations, thereby driving revenue.

If any of our readers have other predictions or learnings from Digital Hollywood, we would love to hear them! And we hope to see you at next year's Digital Hollywood! Follow us on social media @PerkinsCoieLLP, and if you have any questions or comments, contact us [here](#). Learn more about our Digital Media & Entertainment, Gaming & Sports industry group [here](#), and check out our podcast: [Innovation Unlocked: The Future of Entertainment](#).

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