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[00:00:04] **Narrator** Welcome to The Better Growth Blueprint, a new podcast series from Simon-Kucher, a global consulting firm that focuses on helping our clients grow sustainably, increasing revenue and profit. Throughout the series, we will look at key trends shaping the future of business. We will cover all major sectors, giving you a full view of what's happening in the market and what you need to do to stay ahead. In this episode, Kai is joined by Lisa Jaeger, partner within the technology, media and telco practice at Simon-Kucher. Lisa is a global expert in the media space. And in this episode they explores challenges streaming partners face in retaining subscribers, the rise of ad supported subscription models and how generative AI is reshaping the industry. They also discuss the findings of Simon-Kucher's latest global streaming study. Whether you're in media, tech or just fascinated by innovation, this episode is packed with valuable insights from a leader in this space. Now over to your host, Kai Bandilla, a senior partner based in Paris.

[00:01:09] **Kai Bandilla** So welcome back to The Better Growth Blueprint. I'm joined by Lisa Lisa Yeager, who's partner of our TMT, technology, media and telco practice at Kai Bandilla. Lisa, where are you based, actually?

[00:01:25] **Lisa Jaeger** Hi, Kai. I'm based in Frankfurt, in our lovely office here. Happy to talk to you today.

[00:01:30] **Kai Bandilla** You are an expert in the media space. This is basically your your sweet spot. This is where you grew up. Really, I'm looking forward to a little bit understand how you see this media space agenda for 25. So understand a little bit how how you see at 24 and the rear mirror and as we're nearing 25, having a bit your ideas around the future, but maybe just because of interest, what's your career? How did you finish up in Frankfurt being a partner of such an important practice inside Simon-Kucher?

[00:02:04] **Lisa Jaeger** That is actually pretty simple. I just followed my interest, which is I already focused on the media space while doing my studies at university. And then when I started my career in management consulting 18 years ago, already focusing on the media and Internet services, our business model is already back then, continued ever since.

[00:02:28] **Kai Bandilla** Okay, Lisa, maybe before we go into facts and figures about 25, give us a kind of idea of your interest into into into newspapers and magazines and videos. Where did it all start?

[00:02:42] **Lisa Jaeger** Well, it really started when I grew up, because I that was a natural habit to get some chunk of information either through the newspaper or to regular linear TV. Completely unimaginable for people who are growing up nowadays. So that has significantly changed. I remember one of those habits when I was in my first years and professional in my professional career, flying back from the client side on Thursday evening, reading a physical magazine while being on the Lufthansa flight. Completely different now because we are not flying back on Thursday evening and also not reading a physical magazine anymore. On the other side, other cool business models have have developed something like Spotify music streaming, something that I cannot imagine living without anymore. Also movies, streaming and so on. Completely newly developed over the last couple of years and something that changed the life of so many people.

[00:03:52] **Kai Bandilla** Now, Lisa you just published the global streaming study, right? Tell us a bit about that one. Is this a study looking at 24? Is this a study looking at 25? Give us some color.

[00:04:06] **Lisa Jaeger** Well, that is a study that is actually now the third episode of our global streaming study, where we are where we have surveyed more than 12,000 people in 12 countries in the big streaming markets all over the world. And it all started in 2019, when Apple TV launched the Apple TV Plus offer here in Europe. And we just, out of curiosity, did a little survey and we were completely surprised about the media pick up of that little survey. And we realized, obviously, we were not the only ones that were very curious about that thing called streaming and Apple TV Plus and so on. So that was basically the birth hour of our streaming surveys and analysis that we did ever since. And at some point we said we need to broaden that. And that is why we are now in the third year of this global representative study where we focus purely on the consumer perception of what people like, what are the things that are important when somebody decides to subscribe to Netflix or to Disney or whatever. But also other components such as the big trends in streaming that we have seen in the last year, for example, which is the ad tiers that have been added to the regular subscription packages. Until then, you had only basically a good, better, best structure in terms of the different subscription packages that you could subscribe to, like the basic offer. And then you could have a subscription with more licenses or with a higher resolution and so on. So basically differentiating by functionality. And at some point there were some international players that said, okay, let's also add rather cheaper, a comparatively cheaper package that includes ad breaks. And that was a very new thing in the market and streaming operating service providers have picked that up. So that is not a new trend anymore, but rather something that we have seen in the market. But of course, the question is what is the perception of the subscribers to it?

[00:06:29] **Kai Bandilla** So 2019, Apple does something, and you with your team as you are at the helm of understanding how consumers react, start tracking reactions, perceptions. Is that right?

[00:06:45] **Lisa Jaeger** It basically is right, yes. And then we, of course, started to ask people questions that we continued throughout the studies because we wanted to see some trends. For example, what is the overall willingness to pay for one subscription or for all the subscriptions that you have in total? So the overall streaming budget of a consumer.

[00:07:09] **Kai Bandilla** How many subscriptions do consumers have today?

[00:07:12] **Lisa Jaeger** Well, that depends a little by country. The overall good news is that the the number has increased steadily. And for example, here in Germany, we are now this year at 2.6 subscriptions on average, which, as I just said, has increased, which is an interesting thing. If you now have a look at the overall streaming budgets, that's also something interesting. Internationally, it has slightly increased since last year. In Germany, it's more or less stable. Now, if you put that into context, we see more players in each and every market that are active there. It's not only Netflix, Amazon and Disney anymore, plus a few local players, but actually more and more and more players, also special interest players. So higher number of of operators. Only a fixed amount of time that a consumer can spend per day watching streaming of certain budget that has not significantly increased, but the willingness to pay for every single subscription has increased. That means, for example, if my overall budget is 25 euros, but if my willingness to pay has increased a single subscription to, let's say, 13 euros, that means that you can only afford

less subscriptions per month given your overall budget. So either you increase your budget, all you have to reduce your streaming services.

[00:08:45] **Kai Bandilla** And that's exciting. And what does that mean that people will leave the market?

[00:08:48] **Lisa Jaeger** Well, we have actually seen quite a streaming fatigue in the market. So people saying, well, if I want to subscribe to a new subscription, I need to cancel an old one. So people feel that some of them feel that they have too many subscriptions actively and that they want to reduce them. That is one of the findings. And of course, that has big implications for the streaming service operators because they need to make sure that people stay.

[00:09:19] **Kai Bandilla** So basically, you're saying 25 is a year of challenge for the streaming providers because of a growing fatigue of their clients and a much more important attitude of the consumers, is that right?

[00:09:39] **Lisa Jaeger** Yeah, it's a combination of various factors. The budget is one thing. The the overall sentiment that people feel that they need to cancel something in order to subscribe to a to a new subscription. Still, the overall interest in testing new subscriptions is also still very high. So this is a highly dynamic market. In this context, I would say that these ad funded tiers, a very smart element that the players have introduced. Why? Because that is also what it is it solves two aspects. One is to win new subscribers who probably have only a small chunk of their business of their budget left for a new subscription. The interesting thing is that these new offers are serving two purposes. One is to win new subscribers. And on the other side, to retain the existing ones. Why is that interesting? We have analyzed this for Netflix and for Disney internationally, because we wanted to understand how big is the risk for Netflix, Disney and all the others, if they offer now a cheaper package that those subscribers that currently were a family were subscribing to a high price package and now downgrading to this ad funded tier. So they are paying a lower fixed fee per month plus they are watching ad subscription, some some ad breaks. What we have seen is that this basically played out pretty well for Netflix and for Disney. So 50 50, more or less in the first year. So last year, for in 2023 when we did our study. Now it seems that the overall approach plays out, that this is an instrument to actually win new subscribers, which is one of the key things that the big players obviously still want to do.

[00:11:45] **Kai Bandilla** So, Lisa, if I understand you well, 25 is a year full of challenges, because on the one hand side, you need to take into account that the budgets of of the listeners is are potentially being reduced. And on the other side, you have this need to develop new customers and ad-based offers are basically growing those two pieces together. Is that what I understood?

[00:12:13] **Lisa Jaeger** So the overall budget has slightly increased in some markets and others basically remain stable. But the willingness to pay for each and every single subscription has has increased. And that is also a consequence of the price increases that the players have done in the past. So for every single subscription, the budget is now on average, here in the German market at around 13 euros, for example. Internationally, that varies. We have the budget on one side that is not really increasing. We have a number increasing number of players in the market. We have people that are spending more time watching those streaming services. And overall, a certain fatigue of subscribers that they feel I probably have too many active subscriptions, and I need to cancel somewhere. So

the streaming service providers have to make sure that their subscribers don't want to cancel their subscription but other ones.

[00:13:19] **Kai Bandilla** How do they do it?

[00:13:20] **Lisa Jaeger** One element is to have a very clear positioning in the market. So, for example, a clear profile in terms of the content that is available for every streaming service provider. That is one of the key things that we have seen in our in our study. So, for example, Disney has a very clear profile for the Disney content. Netflix is rather perceived as the player where you have actually a broad range of different topics and so on. So that is one of the one of the important things, but also the other probably smaller player, the niche players, they need to have a very clear profile. So having that content focus is one element. And also the price of a subscription is one is actually the other most important driver, why people like subscribing to something or actually also canceling.

[00:14:17] **Kai Bandilla** And do you see major differences in this willingness to pay across the world? You mentioned Germany. What about the other key markets?

[00:14:26] **Lisa Jaeger** Well, overall, the budget has increased also in some markets such as the United States and so on. People are getting used to streaming and therefore, they are also willing to spend a certain amount of money. But subscribers or consumers in general, many of them are getting used to subscription businesses in general. Right? Streaming is just one thing. You are also used to two year subscription of your mobile phone of Spotify and you name it. There are many, many subscriptions that you actively have. So this is something that people are actively choosing.

[00:15:07] **Kai Bandilla** It's maybe moving to the other hot topics as you see them for the upcoming year, gen AI, for instance, I mean, how do how does this play in in your business?

[00:15:19] **Lisa Jaeger** Well, here we now need to look at the industry from a much broader view. So not only with that media space, that is the big topic for the entire sector. So in our sector, we have the big software business, but we also have, as we already spoken about, media businesses and also Internet related business models, but also telco and energy. And that gen AI topic, I mean, it's basically relevant for all industries, but also especially for those that I just mentioned. Why? Because everybody is somehow impacted by it. Our software clients have to asking themselves the question, how can I monetize my improve products now in a better way? How can I monetize the AI features that I have just developed in my software solutions? In media and internet, you have, for example, algorithms that show improved search results, for example. And also in the energy and telco space that we are talking more or less about services such as chat bots and so on, that help to improve the relations with our clients and so on. Kai, you mentioned this, this hype of gen AI in our sector, and that is definitely the case. I already shared how the different industries in our sector are impacted by it. But just to add some some numbers to it, in 2023, we conducted our international software study. And one of the interesting outcomes was, I mean, it's already some time ago, but still 12 percent stated back then that they already launched at gen AI solution. The interesting thing is that 37 percent said they would launch it in the next six months or another 29 said that they would launch it in the next 6 to 12 months. So that time is over now. And I think for 2025, the big question is now will these solutions actually benefit to the companies, not only in terms of the services that they provide, but also how companies can actually monetize it. I have also seen an interesting article recently about a Gartner result, where they are predicting that 30 percent

of the gen AI projects will be abandoned by the end of 2025. And I think that is a really interesting number. Why would that happen? Well, mainly because on the one end, the business case is unclear on the other side, because very high costs are related to these gen AI solutions. Or the third big component would be that the risk assessment tells that company to actually stop that.

[00:18:17] **Kai Bandilla** That's interesting. First of all, failure rate increasing around this whole gen AI hype when it comes to real implementations, right? So so you say companies start moving back again. Is this something that you see in Europe? Is this something that you feel across the world? Or is this something because the money is not there to fund anymore the investments? What's your take on that one?

[00:18:44] **Lisa Jaeger** Well, in my view, and also in the view of many of my colleagues last year, we have been and also still we are right now in this hype of gen AI. Everybody is talking about it. Everybody is developing solutions around it. At some point, we will come to the question of having a sustainable growth around monetizing gen AI And then the question will be, as I said, what is the business case and is that a positive business case in the end? Can you actually earn money with it? And therefore you need to answer those typical questions that we are helping our clients with. What is the value that you are adding for your customers and what is the willingness to pay for it? These questions are very special in the context of gen AI.

[00:19:32] **Kai Bandilla** So you're basically combining this idea of willingness to pay with gen AI. You say gen AI is only as good as there is a willingness to pay for it, right? It clearly identified willingness to pay.

[00:19:47] **Lisa Jaeger** In the end, yes.

[00:19:48] **Kai Bandilla** And where does now the price model come in? Is there a gen AI price model and some type of price model that you see coming up next year?

[00:20:00] **Lisa Jaeger** That really depends on the different use cases that you have in this AI context. For example, you have those areas where it's more about efficiency improvements, for example, where based on AI or gen AI, you can actually develop better products on one end or you use it for insight generation or for better knowledge management internally and companies. That is a very different use case then when it comes to commercial growth. And in this case, and this is not only related to to the tech companies, this is more around acquisition of customers around the conversion. Like once you have new leads in what we actually need to sell those customers that they are converting into customers. And also then what can you do and how can you use gen AI to make them happy so they stay as long as possible and you can actually retain them? And yet all the all the latest developments can be really, really powerful.

[00:21:06] **Kai Bandilla** So what you say Lisa is that gen AI is on the rise. But we all know interest rates have been very high. Financing has been very difficult. So obviously there is probably less money to develop some of those solutions. So give me a bit of a feeling of what is this and what does this mean as a challenge? And basically give me a little bit color around what does that mean very concretely as operational challenges for companies.

[00:21:32] **Lisa Jaeger** The fact that the big tech companies in the last year and also the overall the tech industry was suffering from the high interest rates and overall debt crisis in

the tech industry. So the story of growing as much as you can basically came to an end. And now since about a year or so, we see that trend of focusing more on sustainable growth. And what do we mean by sustainable growth, not only talking about subscribers growth, customer growth, but also making a sustainable business model out of it and also monetizing the customer base. And one important thing that comes into play here, as in the TMT sector, are many of the businesses, our subscription businesses that we have, one of the areas that we actually focus on quite a lot, which is net retention management. So identifying which customers are at risk to churn, which of them are the super loyal ones that probably would even be happy with an upsell or to spend more and so on. Also again, here AI can be very powerful to to help customers around this net retention management. But that is one important thing that we that we shouldn't forget in our discussion.

[00:22:57] **Narrator** Here are some key takeaways from this episode. Streaming fatigue is real. Consumers are increasingly selective about their subscriptions, often dropping older ones to try new services. Streaming providers must focus on retention strategies such as ad supported tiers and clear market positioning to stay competitive. Generative AI is transformative but risky. While generative AI offers immense potential across industries for efficiency, customer acquisition and retention, its high costs and unclear business cases pose challenges. Companies must align innovation with monetization strategies to succeed. Sustainable growth is the new priority. High interest rates and financial pressures have shifted the focus from rapid scaling to creating sustainable business models. For streaming and TMT providers, this means leveraging tools like AI to manage customer retention and maximize value from their subscriber base. Thank you for listening. If you enjoyed this episode, please consider leaving us a rating or review. For more insights, visit simon-kucher.com.