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The future of video entertainment: Immersive, gamified, and diverse

June 2022

You're at the movies with friends—but the movie is more like a game with a narrative. You feel like you're *in* the movie because your seat gets hot when there's a fire on screen. And everyone can see and hear the movie in whatever language they choose. That scenario could represent the next normal in video entertainment, according to McKinsey experts and industry executives.

In this edition

Jacomo Corbo

Jonathan Dunn

Tom Svrcek

Kristi Tausk

Video entertainment in 2030

McKinsey experts predict that video entertainment, in all its forms, will become more immersive, gamified, and personalized.
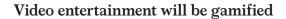
From 'bunny ear' antennas to broadband, and from VHS to virtual reality, video entertainment is changing fast. A decade from now, what we watch—as well as how and where we watch it—could be dramatically different. Four McKinsey experts imagine the future.

Video entertainment will be immersive

Jonathan Dunn: There will be sensory experiences that change the way people experience or create a story that are going to feel very different from the theater experience of today.

Jacomo Corbo: Haptics and augmented reality are allowing people to experience the same things and occupy the same space. If there's an explosion blast in the video, everyone feels the force of the explosion or even the wind on their face.

Kristi Tausk: In a horror film, right now you get scared by somebody jumping out on screen. But what if in the future, when you're watching that movie, you can actually feel that person standing behind you? You're in it; you're in the movie with the actors and experiencing it with them more than we really do today.

Video entertainment will be gamified

Jonathan Dunn: It turns out that video games or interactive entertainment as a format seems to be the general direction of most storytelling.

Jacomo Corbo: I think we're going to see more and more of a blurring of the lines between things that we watch and things that we play. You might even be able to intervene in a story in certain very specific ways.

Tom Svrcek: You could imagine going to a movie theater and having a game console, where there's ten minutes up front of a piece of filmed entertainment but then it turns into a gaming experience. And it's not just in that theater; it's across 20 different connected theaters. And then you can continue that game with that community when you get home to your game console or episodically over the next several months.

Video entertainment will be personalized

Jacomo Corbo: Think of levels of difficulty within a game that are automatically personalized and calibrated to your patterns of play in ways that will drive engagement but ultimately will make the experience more compelling and persuasive to you.

Kristi Tausk: Every time I open a streaming platform or turn on my TV, it can read me: What mood am I in? What time of day is it? And what type of content would I like to watch at that moment?

Tom Svrcek: In 2030, you won't have to weed through hundreds of thousands of pieces of content. An algorithm or AI is going to do the heavy lifting to the point where the five things that it's recommending that you view are highly, highly resonant.

What companies should do today

Jacomo Corbo: Industry CEOs need to really think about where they are placing new bets. What are the entirely new gaming experiences that you want to be able to support? Really look to stitch together different technologies in order to be able to provide a very different gaming experience.

Kristi Tausk: To become successful, video entertainment companies need to think like a tech company. Data are going to be critical—and collecting that data is going to enable all of this future AI.

Tom Svrcek: AI will never write scripts. It will never produce its own movies. But I am a fan of understanding what audiences' preferences are and using that to help fuel the creative process—which I believe will always, always be owned by humans.

Jonathan Dunn: Most of the storytellers that we're talking about in the 2030 period will come from diverse geographic backgrounds, diverse economic backgrounds, diverse demographic backgrounds. The decision makers themselves must be diverse. You have to change the decision makers in your organization. Second, you have to believe that technology and analytics can help you identify the storytellers who the current system doesn't identify. Third, you need to be comfortable—and even lead—with an accelerated pace of change. Those three things are what we tell leaders in the industry they have to do if they want to be part of what's going to happen next.

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Game on: An interview with Microsoft's head of gaming ecosystem

Sarah Bond discusses how Microsoft shifted its console-centric gaming business to make the most of its investments in cloud.

Sarah Bond

When Satya Nadella took the helm at Microsoft in 2014, some Wall Street analysts urged the new CEO to sell the company's gaming business, which it had entered with the launch of the first Xbox console in 2001. Rather than divest, Microsoft doubled down and recently shifted from a console-centric approach toward a "ubiquitous global gaming ecosystem" focused not just on gamers but on game developers and publishers. Investments in cloud gaming, the Game Pass subscription service, and cross-platform play have enabled this ecosystem to develop, with an eye toward helping gamers participate anywhere, anytime, on any device.

In support of the strategic shift, Microsoft formed its Gaming Ecosystem Organization (GEO) in 2020, which looks after the needs of game creators across all of Microsoft's software and services, including Xbox, Azure, and Microsoft 365. To learn about the relatively new division and its ecosystem approach (including Game Pass membership and an array of game development solutions, which address gamers and game creators, respectively), McKinsey executive editor Lang Davison sat down with GEO head Sarah Bond, Microsoft's corporate vice president for game creator experience and ecosystem at Xbox. Insights from the discussion shed useful light on the potent digital ecosystems powering today's increasingly borderless economy—and draw lessons from gaming that go well beyond the industry itself.

Let's start with play. Why do playing and gaming matter in the world?
To play is fundamentally human. If you can experience something through play, it creates camaraderie. It's fundamental to who we are. You think about games like hide-and-seek or tag— they're very basic, right? But they have been with humanity since the dawn of time.

And the gaming industry is unique and special because it's the only entertainment medium in the world where you can connect with someone you have never met; you don't necessarily speak their same language, you're not in the same time zone, you don't have the same abilities—and [yet] you can achieve something with them. You can actually do something together.

And then, on top of it, the technical components that you need to enable that connection actually test every limit of tech. You have to be able to render a realistic world. You have to host billions of events simultaneously, in real time. You have to connect people. You have to be able to scale your workload up and down. So gaming is this incredible social force because it can enable shared achievement—not individual achievement or celebrating something that your friends can "like" or "share." And that social experience combines with a technical base that is unlike anything else.

Is that why Microsoft is putting an increasing focus on gaming?
There are a couple of reasons why Microsoft is putting so much emphasis on and investment in gaming. First, Microsoft's mission is to empower every person and organization on the planet to achieve more. And gaming is the most prevalent and fastest-growing form of media on the planet. And it's the only form of media where you can virtually walk in another person's shoes and actually experience something from someone else's perspective. For us, participating in gaming is an opportunity to have both that social impact on the world and to participate in the business opportunity that's associated with it.

The other reason is that the future of gaming is completely interlocked with the cloud. Gaming represents an extremely complex workload. Most people don't think of it that way. They think, "Oh, it's a game." But a technical failure has real consequences. If a video doesn't load quickly, you restart the video. In gaming, you could lose all your progress, which can be hours of effort. Gaming pushes the edge of computing capabilities. Gaming is interactive. It's multivariant. It takes years and years and years to build a really engaging game.

As a game developer, when you launch something, it doesn't end. You're constantly updating it, adapting it, integrating things into it. At Microsoft, that helps us technically because when we develop technologies that meet the high demands of game developers, we can scale that work into other industries. Because if you could solve it for gaming, you can solve it for pretty much anything.

What sorts of things are you referring to?
I'll give an example of something that happens in gaming that translates into another industry. When someone is playing a game, and they're interacting in the game, we have something called live operations.

We look at people's interactions, what they do, how long it takes them, whether or not they purchase, and then we optimize the game for that constantly. Well, that same observation can be used in an amusement park: if you have an app on your phone as you're running around in an amusement park, the app can be customized for you [in] real time. So we take the tech that we build for a game and we help somebody have another great, real-world, entertainment experience.

Can you say more about the structure of the gaming ecosystem?
[The gaming industry] is fundamentally a two-sided business with thousands of actors on one side, the developers and creators of the games, and millions of actors on the other side, the players, who are completely interlinked.

So a developer will create a game. They release it to the world. The players interact with it. Based on that interaction, the developer will continually iterate it. The player might also share something out from the game. That leads to another interaction. And it's a continuous loop. So it is an ecosystem that is reliant on the system reinforcing itself to grow.

Are there other participants in the ecosystem?
Let me try and explain the actors in the ecosystem. So, you have creation of content which spans from the smallest indie developers to really large teams, or what we call triple-A developers.

Then you have people who publish the content, that actually drive the monetization engine around that content, that bring it to retail, that do digital versus physical, that promote it. Then you have storefronts, which used to be predominantly physical retail but increasingly, over time, are moving to digital.

You have Xbox, PlayStation, and Nintendo on console, but then you've got PC actors like Windows Store, Steam, or Epic. And then you have actors on mobile like iOS and Android. And then you have the tool chains that people use to make the games.

How does Microsoft think about and describe its role in the gaming ecosystem? Is that part of a broader vision, so to speak, for the ecosystem as a whole?
Our vision for the gaming industry is that anyone should be able to play any game, anywhere they want. That's not how the industry works today. [Right now] the industry is split up by platform. It's split up by type of game. It's not actually possible to play seamlessly across devices.

That's more a legacy of the way the industry has always been. Now, especially with the advent of the cloud, with tool sets like game engines, it doesn't actually need to be that way. But what we realized is that to kick-start that flywheel, we had to change the way that games were made. That is where you can have impact that sustains.

For people to play any game on any device, developers need the tools to build games that are playable on any device. So we went through and looked at all the tool sets.[1]

You mean you looked at how well existing tool sets supported and enabled ubiquitous gaming?
Right, things like cross-network multiplayer. That's the ability for you and I to play together, even if we're on different networks. You need to enable cross-save, so that if I start playing my game on a PC, and then I decide, oh, I've got to take my son to the soccer game, and I might play a little bit on my phone, then my saved state has to transfer across devices. You need cloud APIs so that the way that the game is being delivered to you, whether it's running natively on your device or it's being rendered from the cloud and being streamed to your device, changes dynamically based on your local conditions, and the UI [user interface] changes, understanding what screen size you're on.

Those tools don't exist in the legacy tool sets that game developers are using today. So, for us, the way that we're enabling the future is by making it possible for creators to build that way, to help unleash their creativity. And that kick-starts the flywheel that meets the players' needs.

And the platforms you provide are at the center of that, right?
The definition of a platform, I believe Bill Gates once said, is that everyone who uses the platform has more economic success from the platform than the platform holders themselves. And I think about that every single day, about our gaming platform. How are we creating more value for the world? The number-one thing is to make it easier for a game creator to create.

Making games is super hard. For a triple-A game, three years' [development time] is great; six years' happens frequently. So, if we can reduce their cost of development and their running costs, that is a huge value to [the game creators].

And then, making sure their games can be played everywhere is a huge value. There are three billion gamers in the world today. There are about 200 million who own a console. Depending on how you count it, there's over a billion people who play on PC. If you can make one distribution mechanism so a developer can reach all potential three billion players with one instance of their game, their [development] costs go down as their reach goes up.

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[1] Tool sets are the tools and services game developers use to build games.

The Game Stack platform supports game creators. What about gamers themselves—do you think of Game Pass as a platform, too?

Xbox Game Pass is a subscription-based library of more than 100 games. It's playable on console. It's playable on PC. It's playable on Android and now on iOS devices through the browser.

When we created Game Pass, we were looking at it as a product, if I'm honest about where we were. Players would say they want a library of games, they want it to be more accessible. So, that's how we built it and we quickly saw that it was, in fact, a platform.

[That's because Game Pass] wasn't just acting on behalf of the player. It was also acting on behalf of the developer. And that created an ever-accelerating flywheel because once developers became eager [to put their games on Game Pass], then more players would play the games, which would drive monetization, which developers used to make more games, and it kept going and going.

You created what you thought was a product that turned out to be a platform instead. That must have been a bit of an aha moment.

The realization that Game Pass is a platform was a big moment. Fortunately, we were already running the Xbox platform, and we're part of a company that runs the Windows platform and the Azure platform. Our experience made it easier for us to see patterns and to figure out what to do. Fundamentally, Microsoft is a platform company and Xbox has always been a platform. [Game Pass] was an acceleration on top of what we had already created—platform inside of a platform, or maybe a platform beyond the original platform might be a better way to describe it.

So the gaming platforms and the Azure platform become mutually reinforcing.

It may not seem like it to the outside observer, but there are enormous amounts of synergies between what Microsoft is doing in the cloud and what we are doing in gaming. Because what we've really done with Xbox Cloud Gaming—because we've put both the Xbox Series X and S into Azure—is to provide the capability to play a game rendered completely from Azure that can be played on any device, regardless of its local compute.

That [capability] takes our platform, which used to be tied to a specific piece of hardware, and it makes it playable anywhere. It dramatically accelerates [the platform's] reach. It makes it dramatically more valuable for players because you can play anywhere.

And [that capability] makes [our platform] dramatically more valuable for developers because they can build a game that's playable anywhere. So, it takes that core value proposition, which used to be linked to buying a $500 device, and it has unleashed it to be playable on any device on the planet.

And at the same time, it helps Microsoft make the most of its distributed network of servers, right?

Exactly. One of the things that many people don't think about is if you're going to play a game from the cloud, it's very different than any other type of service that has to be rendered from the cloud because games require bidirectional data transfer. It sends you the stream, but you have to send a data stream back with what you're doing on the controls. So your proximity to the server is actually really important to reduce lag and increase game responsiveness. Far more important than if you were streaming a video and much more important than if you were doing, for instance, a traditional back-end enterprise process. [Since] we have data centers in regions all over the world, it's possible for us to deliver that experience at a level of fidelity that is truly unique.

What organizational changes did you have to make to support all this?

We've only had a team in Xbox dedicated to creators for about a year. [It's called] the gaming ecosystem organization. And it has about 600 people. We are located in China, Korea, Japan,

'If you're going to build products for everybody in the world, you need to represent everybody in the world.'

Latin America, here in the US in Redmond, Washington, in Europe—all around the world. We focus on all the relationships we have with game creators across Microsoft and across all Microsoft products. And we also develop and ship the development tools that creators use as well. [We formed GEO] about a year ago to have a team that thinks about creators as customers, in and of themselves.

So you were expanding your concept of who your customers were.
[Yes. We had to] be really thoughtful about who our customer is. It's very easy when you're in a consumer product to say that the end user is your only customer.

But for us, because we're creating a product that's a platform, thinking about game creators as a customer and how you create that flywheel where they want to be part of your ecosystem—that was a big step.

The second realization we had, though, was that game creators are extraordinarily unique because they are digital natives. Most game creators are extremely technical. So, to help them address their needs required a level of focus and dedication beyond what it might mean to address the needs of a less technical industry or group of individuals.

Because the attitude of a game creator is going to be that, if you don't have the tool that they need, they're going to code it themselves. So, having a relentless focus on that group was really important in order to meet them where they were and to develop the things that they needed. [Once we'd done that we could] take the insights from that development and spin it to all creators, beyond game creators, across Microsoft.

Beyond forming the GEO itself, were further organizational steps necessary?
[We needed to] reshape our culture. If you're going to build products for everybody in the world, you need to represent everybody in the world. We needed to have a diverse team and a presence in countries where we wanted to have content both in terms of people who write the code and people who engage with developers and creators in those regions.

And that's been a big part of our evolution. Even our leadership team now has gone from one that, within Xbox, was composed of people who had largely worked in gaming to [a team with more diverse experiences]. I came from T-Mobile. We have someone from Facebook, someone from Netflix, we have people from Amazon, all bringing together diversities of business models and experiences to actually create a global platform.

And I would say we're part of the way on the journey there. We've made progress. We've got further to go.

You mentioned your previous job. What led you into gaming?
Sometimes people ask me why I'm in gaming just because it's not an industry that has a great reputation for diversity and inclusion. And that's exactly why I'm in it. It's the most popular form of media when you look at it by revenue. Seventy percent of people under the age of 25 say

they'd rather play a game than watch a video. But [the gaming industry] isn't one that is fully representative of all the voices in the world today.

Working at Xbox and at Microsoft, where we have a global gaming platform, I have an opportunity to change that. When we democratize development tools, we make it possible for everybody to have an equal chance for their voice to be heard, for them to tell their story.

And that provides more opportunity for someone to play that story, to build that empathy for that experience, which in turn changes perceptions and the way that we see our world.

This has been great, Sarah. One further question, if I may. What would executives from other industries learn from your experience in gaming?
I think there are two major lessons that you could take from the gaming industry and take to other industries. The first is that you should think about engagement driving monetization, not monetization driving engagement. What you want is someone's attention.

You want to create something that delights them, that they want to play. And the money flows from that, not the other way around. And so, if you put these barriers up before people and you say, oh no, you've got to pay me $70 before you can even start, well, while you will have a business model there, it isn't the winning business model. The winning business model has to be compelling in and of itself. And the monetization flows from that.

The second thing I would say is just the enormous power of making it possible for anyone to create something. You look at the world of user-generated content, you look at things that are going on in *Minecraft* or you look at the creator economy—and while a megacorporation or a large, very well-capitalized team can always create something, it will never have the creativity that comes from making it possible for anyone to create something.

So, the thing that I think is fascinating when you watch the gaming industry is, almost every year, there is a game that comes out of nowhere from a team that [was relatively unknown]. And it becomes one of the biggest games in the world.

You know, two recent examples, and people sort of can't believe this now: *Fortnite* was a pretty small team. It came out of nowhere. Similarly, *PUBG* came from a small developer in Korea. It came out of nowhere. So, you need to learn to scan for those things, to look for them, but also be comfortable with enabling them because there's real value in enabling that creativity and building a business model that empowers it.

Sarah Bond is Microsoft's corporate vice president for game creator experience and ecosystem at Xbox.
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For more from Sarah Bond, see the videos accompanying this article on McKinsey.com.

The future of streaming and diverse content: Starz CEO Jeffrey Hirsch weighs in

Jeffrey Hirsch

What technology means for the future of streaming, why most shows will be borderless, and how inclusive programming has been so good for business.

Jeffrey Hirsch is the first to admit that he didn't have much experience on the creative side of the entertainment business when he first joined Starz six years ago, having spent a decade and a half as a rising marketing executive at telecom giant Time Warner Cable. Even by the time he moved up from chief operating officer to president and CEO of Starz just six months before the pandemic began, Hirsch had never held sole responsibility for deciding which shows made the cut at a premium entertainment network.

But Hirsch has more than made up for lost time. Over the last couple of years, he has launched hit series that have raised Starz's profile, including the 50 Cent–led *Power* franchise; built a thriving digital, direct-to-consumer business; and helped create a strong new brand identity focused on underrepresented audiences such as women of color. In the process, Hirsch has put Starz squarely at the forefront of a number of issues that are critical to the future of the film and TV industries: streaming and app development; global expansion; and diversity, inclusion, and equity on both sides of the camera. Hirsch recently spoke with Jonathan Dunn, a McKinsey senior partner and co-head of the firm's Consumer Technology and Media practice. The edited conversation appears below.

The streaming experience in 2030

McKinsey: What do you think streaming looks like by the end of the decade? How different will the viewer's experience be by then?

Jeffrey Hirsch: By 2030 I think it will be vastly different for the consumer. Today, technology is already shrinking the world, and it's really becoming one kind of global marketplace for content. So I think by 2030 you will have content without borders, so to speak, where you'll have content that will come from any part of the world that will be available to consumers all over the world. And with technology the consumer will be able to pick the language in which they want to hear the content. So the idea of a US- or UK-based story not traveling, I think that will all go away.

When a streaming service typically buys a show, the question is, "Where do you want to buy the rights?" But we are already trying to buy global rights so that we can put it on everywhere in the world. I mean, the shows that we're developing in Spain, we see there's a great role for them in the US and in Latin America, and in Europe, the Middle East, and North Africa. And it is the same with the shows we're developing in India, where we're using global casts because we feel those stories can play everywhere.

McKinsey: If streaming is going to globalize what have traditionally been local film and TV industries, what are the technologies, or ways consumers will use those technologies, that will be most disruptive?

Jeffrey Hirsch: I think there's really two fundamental technologies that will advance or accelerate this kind of global footprint in streaming. One is compression technology, which is particularly important in less-developed parts of the world, like sub-Saharan Africa, where broadband as we traditionally know it here in the US is really kind of economically challenging to build. Where you can actually use compression technology to put HD movies, full features, and series onto mobile devices in a cost-effective way, that really will accelerate the global footprint.

The second technology is voice recognition and the ability to quickly choose the language for the audio or subtitles. You should be able to quickly take a great story that was, say, created in Spain, and have it in the US or Saudi Arabia with the click of a button or just the sound of your own voice. So I think once those two technologies become fully deployed, you'll see the global footprint really open up.

The streaming industry in 2030

McKinsey: As the industry continues its shift to streaming, what does competition look like for the streaming consumer of 2030, and where does Starz fit?

Jeffrey Hirsch: So to start with, you currently have these broad-based streamers that are really trying to compete to be that first subscription video on demand (SVOD) in the home, or the broad basic tier, as I like to call it. Here you've got everybody trying to take market share from Netflix, whether it's HBO Max, Amazon, Hulu, or Disney+. That is where the competition is going to be the stiffest in the next 24 to 36 months.

Then there's the premium tier, where we are. We've always played that very bespoke, focused, R-rated tier in the traditional ecosystem, which is a great complement to all of those broad-based services. We think that HBO to a certain extent is slotting out of that premium tier by going really broad with HBO Max. And Showtime is really becoming less of a focal point at Viacom because of Paramount+. That gives us a lot of white space in that adult premium tier.

You couple that with our unique focus on a diverse female audience, an underrepresented audience, and it makes us a great bundling partner with almost everybody in that first tier, not just in the US, but around the world. So whether it's sitting on top of Netflix in the UK, or Amazon in Spain, or even back here at home in the US, sitting on top of Hulu or Amazon like we do today, I just think we'll still be that great premium add-on to broad-based streaming services that are trying to be that first entry point into the home.

Research shows that consumers around the world will have between four and six SVOD services in their homes. We think Starz can be that number three or four SVOD in the home.

McKinsey: How much more consolidation do you foresee happening in the industry over the next decade?

Jeffrey Hirsch: As the world starts to become one global video marketplace, I think it is going to shrink and consolidate very quickly. For some of the largest entertainment companies with significant presences in sports and news, they have a very domestic business. But the future growth in streaming is going to be outside the US. So folks are going to look at what they have built and try to figure out who they can get to help make their footprint more global.

And so to me, mass consolidation is coming, whether it's commercial consolidation on deals and bundles or full consolidation with M&A. It's local over-the-air broadcasters in France consolidating with global players. As you get out in the next four to six years, people are really going to start to pull the best from each territory around the world and consolidate into these four to six global players that own the streaming businesses.

Laying the foundation for Starz's new identity

McKinsey: Starz, like many other streamers, has experienced a lot of growth during the pandemic. But you have been laying the foundation for that growth by expanding and fundamentally transforming your business over the last few years. Can you talk a little about that journey from when you joined the company?

Jeffrey Hirsch: Almost five years ago, we saw the consumer really shifting to SVOD. And I'll be very honest about our position back then. We were a distant third, a premium movie service behind HBO and Showtime. My predecessor as CEO, Chris Albrecht, who was arguably the best creative executive in the history of the business from his time running HBO, had looked at the business and said, "it's a very, very crowded field, with a lot of people doing similar stuff. We need to do something different."

So we knew that we had to pivot faster than anybody else into where the consumer was going to give us the opportunity to grow the business and move Starz from an afterthought into kind of the center of the universe.

We felt if we bifurcated the business so that we had part of our organization focusing on our traditional wholesale cable business while we were using that kind of baseline to then pivot the business into this digital, retail side, we could be really successful.

Building a retail product at scale didn't just give us a growing new business, it gave us a vehicle to obtain first-party data about our audience, and that was incredibly important. In the history of the traditional cable network business, generally speaking, the only data we got from our cable partners were, "Here's what we're paying you. And here's how many subs you have." But it didn't tell us who our consumer was and what they were doing. And so it made it hard to continue to pick shows that would feed the business and grow because we didn't understand our own consumer.

So we pivoted very quickly into launching an app at scale in April of 2015 to get that first-party data. And then we started to build the business.

McKinsey: What helped make that app become so critical to your new success?

Jeffrey Hirsch: We've always looked at designing technology from the standpoint of the consumer driving what we are building, rather than trying to build something to drive the

consumer. And we did a lot of research around what was out there from competitors. I think in this case it was good to be second and third to the market, not first.

We saw a lot of customer confusion with many services' having separate apps for existing cable customers and new streaming-only customers. And we wanted to make sure that we didn't have that going forward. So we thought that one product with two front doors is a great way to remind the consumer the value they were already getting from our cable partners or to be able to buy the new direct-to-consumer service.

But I thought the ease and the simplicity of what we built was a great consumer experience. And that's because the consumers were telling us that was the right thing to do.

Building a brand around diverse, inclusive content

McKinsey: And what did you learn from that initial wealth of consumer data you finally had access to?

Jeffrey Hirsch: Well we saw five years ago what was actually driving our business, and that was underrepresented audiences and voices. As we got more and more of that data, we learned that it was women who were driving our business, in particular Latina and African-American women. And we turned that insight into a kind of programming mandate: we are going to put stories on the air that are by, for, and about women and underrepresented audiences.

Today, we have the largest composition of women ages 18-plus of any premium network. We have the largest composition of African Americans of every network. And we are the industry leader in putting underrepresented audiences on camera, behind the camera, in the director's chair, in the writer's room, and in the office. It's who we are as a company. It's our DNA. And it's been super successful for our growth, both domestically and globally.

That early data gave us great confidence that we could actually expand rapidly around the world and continue to refine our programming strategy. We've reached an inflection point where we're now more of a global streaming service based on data than we are a traditional linear premium cable network, with more global OTT subscribers than linear, cable subscribers.

McKinsey: How has that focus on diverse audiences impacted what Starz has to offer?

Jeffrey Hirsch: Well, initially, we saw great results from *White Queen* driving our subscription business. That led us to then say, "Okay, let's find a show like *Outlander*," which then led to continuing to fill that slate for that general female audience.

At the same time, we had started developing a show called *Power*, which has become our biggest hit and which is now, three spin-offs later, our biggest franchise.

I think the stories that we're putting on the air reflect society today in a big way. We've got our show called *Power Book III: Raising Kanan*, which is part of the *Power Universe* franchise. It is the prequel story of Curtis "50 Cent" Jackson's iconic character Kanan Stark, in which you follow him coming of age as his mother is teaching him the game in Jamaica, Queens, in 1990. I think it will be as good as anything that's been on TV in the last ten years.

McKinsey: Have you been at all surprised by how successful this strategy has been at driving new growth for Starz?

Jeffrey Hirsch: I don't think it was surprising to us, because the data confirmed for us that what we were doing was the right strategy. Just look at the global movement of people right now. Five years ago, the story on the street was that you couldn't sell *Power* into France. Yet the *Power Universe* is our best performing show in France. If you look at France today, the makeup of the country has changed. Refugees have come in and out all over the world. So the makeup of what the world looked like five years ago is fundamentally different than it is today. And I think as the world continues to change and becomes more diverse, having representation on the screen and behind the screen and in the director's chair that reflects the world that we live in today will become paramount to any company's success.

McKinsey: How does this impact your approach to customer growth?

Jeffrey Hirsch: I think a lot of people are trying to grow their subscriber base, and it's all through acquisition. Our goal is to continue to put content on to keep our core audiences. So we're really playing more of a retention game right now than an acquisition game.

We don't have to go find a show that can bring a new audience to us. We just have to find programming that will serve the audiences that we have. I think that's been a real great differentiator. It's been fun—we know the audience, so when we look at stories, we just have to ask, "Will it play for that audience?" And that's a very different calculus from trying to do groundbreaking television to get vast amounts of new viewers to come to our service.

As the world continues to shrink and we continue to be two to three years ahead of everybody else with a global footprint, and we're in these local markets looking for content that others aren't, it again gives us a competitive advantage.

McKinsey: How has your embrace of diverse content and talent changed your relationship with the broader creative community in the business?

Jeffrey Hirsch: When we go out to talent, we're finding that people want to be a part of what we are doing. I mean, we've got our Sharon Horgan half hour with Courteney Cox and Greg Kinnear. We've got our Watergate anthology series from the perspective of Martha Mitchell with Julia Roberts and Sean Penn.

And I think those are not only stories that we never would have seen before, but they're talent that we never would have had on the network before if it wasn't for our commitment to this kind of storytelling.

Following Starz's lead?

McKinsey: With your success, do you feel that your industry peers are starting to appreciate the importance, and potential payoff, of having diverse stories told by diverse creators and diverse decision makers?

Jeffrey Hirsch: I think it's a mixed bag to be honest. On the creative side, I think there's a ton more opportunity for diverse and fresh voices. Curtis "50 Cent" Jackson was an actor in *Power* and has become what I think is one of the best TV executives in the business right now. Kenya Barris is an example of another great creator who's really developed.

And look at the dollars that Netflix has paid Shonda Rhimes. Look at folks in the executive suite over at Warner right now and at Universal Content Productions—diverse females who you haven't seen before.

On the buying side, it's still a little slower than I had hoped it to be. And that's part of the reason we at Starz launched our #TakeTheLead initiative.

McKinsey: Tell us about #TakeTheLead. What do you hope it does for the industry and for society at large?

Jeffrey Hirsch: Well, first of all, #TakeTheLead is really the Starz story. It's our commitment to putting diversity on the screen, behind the screen, and in the office to better reflect the world that we live in today. And it really comes out of our programming mandate: narratives for, by, and about women and underrepresented audiences.

We want to tell our story not only to the creative community, but to the country, in the hopes that we could impact and make other networks and other creators feel comfortable that our approach of putting diversity on the screen and behind the screen, and in the director's or showrunner's chair, is a great business strategy that can yield great success. We really want to hold up what we have done and continue to do as a kind of role model in the industry.

One of the core pillars of #TakeTheLead is a study that we did with the UCLA Center for Scholars & Storytellers that actually goes into our business and looks at all of our different key roles, whether it's regulars on the screen, directors, showrunners, executives in the office, and compares our percentages of diversity in females in those roles to the industry as a way to hold ourselves accountable for what we believe.[1]

One of the statistics that I was really disappointed in is the number of females and underrepresented voices that we have in the director's chair. Now, we're somewhere north of 40 percent. The industry is 20 to 30 percent behind that number. So you could pat yourself on the back and say, "You know, 40 percent versus a much lower industry number, you're doing great." But based on our programming mandate, having somebody in the director's chair that is authentic to the audience that we're trying to attract and the story that we're putting on the screen has to be consistent. I think that number should be higher, up in the 60s.

The second really big component of #TakeTheLead is our Transparency Talks. Every month we hold an event with a diverse set of NGOs to really address issues that are holding the industry back from actually building diversity on the screen, behind the screen, and in the office. I think it's a great way to open up a conversation and keep it consistent month-to-month, so that this issue doesn't become a burst where everybody talks about it, but then it goes away.

McKinsey: You mentioned the UCLA report that examined diversity in Starz's own ranks, including the executive suite. How critical is it to have diversity in the office, not just on the studio lot?

Jeffrey Hirsch: You have to be authentic to the audience that you're serving. And part of that is you need to have diversity of experience and talent in the building.

And so right now 75 percent of my direct reports are women. And half of those are women of color. If you go down into the creative shop, I would say over 80 percent of the entire original programming group are female. Over 46 percent of our senior vice presidents and higher in the building are women.

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[1] Annie Meyers, Stephanie Rivas-Lara, Brittany Usinger, and Yalda T. Uhls, *#TakeTheLead: A review and comparison of Starz diversity data to industry averages*, UCLA Center for Scholars & Storytellers, February 2021, starz.com.

Leadership lessons from the pandemic

McKinsey: You took over as CEO about six months before the pandemic started. How challenging was that experience?

Jeffrey Hirsch: I didn't take a class in business school about how to deal with a global pandemic; having 700 employees that are suddenly working from home, trying to keep everybody motivated and focused, and keeping the business simple in order to continue to grow and expand into 58 countries around the world.

Now, more than a year into the pandemic, we're still challenged maintaining people's mental health and keeping people focused on the business while they're at home with families, in smaller apartments, in, say, New York City or in Denver. You have to be thinking about how to keep your employees not just focused, but healthy and excited. I just don't think anybody is prepared for that, and I think we've struggled at times to keep people motivated.

I think we did a good job on the international expansion. Getting into 58 countries around the world while working from home and trying to negotiate distribution deals on Zooms and video cameras was like nothing we've ever experienced.

The other piece for me personally was that for the first time in my career I had full responsibility for a creative enterprise. Not only did I have the traditional cable business that I had grown up in, but now I had to deal with a whole different audience, which is creators. That meant looking at scripts, looking at content, trying to understand how to bring great pieces of content and stories onto the network to continue our growth, not only domestically, but also having to consider how they would play around the world.

I think what this experience has reaffirmed for me is that simplicity and focus on just two or three main things is really the only way you can be successful, whether it's in a steady-state business or in a global pandemic. Anything after that, you really start to lose focus, and it becomes too complicated. At the end of the day, our business is pretty simple. We make a great show. We distribute it to our partners. And then we try to get people to watch it.

Jeffrey Hirsch is the President and CEO of Starz. **Jonathan Dunn** is a senior partner in McKinsey's Los Angeles and New York offices.

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For more from Jeffrey Hirsch, see the videos accompanying this article on McKinsey.com.

The data-driven future of storytelling: MIT's Deb Roy on the message and the medium

The head of MIT's Center for Constructive Communication talks about how data can help storytellers, what audiences of the future might look like, and why artificial intelligence cannot replace human creativity.

Deb Roy

Deb Roy has spent much of his career studying the way humans use technology to communicate. As the director of the MIT Center for Constructive Communication, Roy leads an initiative to design human–machine systems that improve communication across divides and increase opportunity for underheard communities. The Center grew out of Roy's earlier work at the MIT Media Lab, where he served as director from 2019-2021 and established the Laboratory for Social Machines in 2014. From 2013 to 2017, Roy served as Twitter's chief media scientist.

Roy spoke with McKinsey senior partner Jonathan Dunn, who co-leads the firm's Consumer Tech and Media practice, about how audiences and storytelling are evolving, and what the future of media and entertainment might look like as a result. The interview, condensed and edited, appears below.

McKinsey: Today we're talking about the future of storytelling, in the far-out future. Like so many things, the pace of change around storytelling really accelerated over the course of the pandemic. The narrative of the story evolved within social networks, where many of us experienced it during that early March/April period. There was a lot of blurring between entertainment and reality, which social experiences often do. What were the building blocks of the changing dynamics of audience definitions?

Deb Roy: Audience is as important a concept as ever. If you are a storyteller, what's the point unless you have an audience to communicate and connect with? We've known for quite a while that the internet and social media have fundamentally transformed what audiences are, how they form, how they behave, and how they process and respond to the storyteller. What might have been a pretty reasonable model of an audience as a group of mainly siloed individuals that you would reach through some kind of a broadcast channel has shifted to realizing now that the audience is networked. So instead of an audience, you've got an audience network.

But actually as you look more carefully, there are incredibly complex, subtle structures in those networks. There are various cliques, communities, or clusters. The concept of an enclave, which is essentially a group of people who have a shared experience, or shared interest, describes it best. It's not that audiences are necessarily cut off from the rest of the environment, as, say, the term "cocoon" would suggest. But there are constricted ways in which information enters and exists in the enclave, and there is some understanding of who's in the enclave, and what it is that brings the group together. But a person could actually be a part of multiple enclaves, and you can't just map one person into one enclave. And audiences evolve, and they connect to one another.

One of the things we're always striving to do is take a concept like audience enclaves and make it visible through data and analytics. If you're a storyteller, there is a lot that can be gained from understanding what the structure or invisible patterns of those audience networks are, and being able to characterize them in human terms. In addition to validation that a storyteller knows their audience, there are sometimes interesting surprises to be found about your audience, such as unexpected connections to other audiences you'd also want to serve, or why people actually find a particular story or storyteller worth tuning into.

The network effects of "truth decay"

McKinsey: What does this increased visibility for networks and audience enclaves mean for our understanding of trust and influence going forward?

Deb Roy: The role of trust in networks is an area where there's a growing recognition that something is wrong and getting worse. We all rely on networks of trust to decide how to act, and what to believe and not. There's this notion of "truth decay," where there's a kind of a decaying of knowledge and the shared facts that we actually have in common. I do think that's related to the dynamics that we can see to some degree in how networks are configured and what and how we're sharing information.

A critical problem in all of this is how to approach sharing a message or story with a larger audience and build some kind of shared understanding. If you have fragmentation in that network, building common ground will be difficult. If you have highly defined and isolated enclaves where the only information that gets through is highly filtered and distorted, you will have breakdowns in the ability to build shared understanding across boundaries. I think our ability to trust one another is rooted in a foundation of understanding others, recognizing our common humanity, even though you may have many differences and therefore be in a different enclave.

The power and limits of AI/ML storytelling tools

McKinsey: The idea of storytellers better understanding the structure or invisible patterns of audience networks is more or less a fundamental redefinition of audience segmentation that some may view as backward, in that the audience is dictating what the storyteller should create, and that the analytics that enable this reverses the natural order of creativity. What do you think about that?

Deb Roy: There is a school of thought in which advances in artificial intelligence and machine learning sometimes feel almost magical. But it's interesting to recognize the limits of even the most seemingly magical technologies against the human, social, and cultural context in which a story is told, shared, and builds shared meaning among members of an audience. I don't see any obvious gains in all the capabilities of artificial intelligence capturing some of that context.

It's not just a strategic error to think about analytics and data informing and taking over the storytelling process in some sense. I think you'll end up with pretty lousy stories that way.

So the question is, what does the ability to make invisible patterns visible from data do for us? How can that help you as a storyteller understand something about your audience that you otherwise would not have seen? And discover connections and possibilities that otherwise would be invisible. I don't think that challenges or questions the basic assignment of roles, of who's telling the story, human or machine. But it could really change the possibilities for what kind of stories could be told. And who they could connect with.

McKinsey: Talk about power tools that are possible on the horizon.

Deb Roy: These are tools that help people tell stories, rather than automate the human out of the job of storytelling. For example, we've been building a tool that channels AI in service of the storyteller—a machine-learning writing tool that programs itself. You have to set an objective for it, some kind of a target function, and then the machine will figure out how to optimize for that function given examples of training data.

We used pieces of text such as tweets and news headlines as training data for the AI, and looked at media habits of the people who chose to retweet and engage with each of those tweets. Then we asked whether we could predict media habits from looking at the choice of words and phrases that a person chose in engaging with that tweet. In particular we wondered about the political leanings of all of the people who end up interacting with that piece of content. We used more than 100 million retweets to train the AI model, which is where the advances in machine learning really come into play. We were able to build a quite highly predictive system that, when given a piece of text, could predict what kinds of people would engage with it in terms of their political leaning.

We took that model and built a writer's tool with it, so that a writer might be able to broaden their audience with people who are different from themselves, about whom they don't have the intuition to address on their own. They may even have blind spots to the hidden meaning of words and phrases that they might otherwise unknowingly use, which prevents them from connecting with certain groups.

We had some of our partners test the tool. We ran A/B experiments where they used suggestions and input from this tool to help rewrite their initial messages in order to get rid of hidden potential triggers and audience turnoffs that they had never intended.

And then we ran field experiments and found that in this case the tool let us reach a more politically diverse audience.

Casting the roles for machines and automation

McKinsey: There are concerns though about using AI that relies on past data that might reinforce offensive behaviors, views or norms that were acceptable at some time in the past. How concerned are you about that in the work that you do?

Deb Roy: There's a growing concern about algorithmic bias, and relying on artificial intelligence that is learning from historical data that reflects biases. There's growing recognition within technical communities and more generally that any kind of artificial intelligence technologies that rely on machine learning are basically looking back in time and finding patterns within that historical data to make future decisions based on those

patterns. The risk is potentially getting locked into our past and continuing or even amplifying those patterns into the future. That's a super-important concern, especially in the context of storytelling and making creative decisions. In some ways, the death of creativity is to end up trapped in just repeating patterns from the past.

There are a number of things that should be done to keep these sorts of problems in check while continuing to explore how we can channel the incredible powers of the technology into human service. One is being thoughtful about what tasks get automated. There is sometimes a default assumption that if you can automate a certain role or job that a person is doing, you should. I disagree with that. I think we need to take a step back and say, "But wait, what's the overall function here?"

In a creative space where we are trying to create stories that inspire and connect with people, I think having that kind of default assumption can really be counterproductive and go against the creative mission. Beyond just thinking about the division of labor between human and machine, I think we should be asking ourselves continuously, what's the division of agency? What role do we want each to play? Where is there judgment and decision-making involved that we want to remain under human control?

It might seem in the moment like the machine is making reasonable decisions, and so we hand more and more agency over to it and get rid of the people who used to make those decisions. But by the time we've realized we've locked ourselves or our organization into a kind of creative dead end, it's too late, because the people are gone. They've moved on to a smarter organization that understands what the right role is for machines. So I think we need to be mindful of the big picture, thinking holistically about the right ways to bring these incredibly powerful technologies into a human-led process. We should not cede agency to the machines, because in the long run, it's actually not going to be what we want.

The creative value of collective experience

McKinsey: One of the big developments in media in the last few years is a shift from so much media and storytelling being consumed by large groups of audiences to smaller, very intimate audiences. What does that mean for the way that stories are created or consumed?

Deb Roy: When you talk about all the different ways technology can allow every individual to have what they want, when they want it, where they want it, that is almost how we define technological progress. This is also making media consumption more and more individualized. When you look at the early days of any of these technologies, before we had the ability to create differentiated, individualized experiences, we had no choice but to have a collective experience. Once upon a time there were fewer television sets than people, and so groups of people gathered to watch TV, which means agreeing on what you're going to watch together. Today, though, we have individualized delivery, and there's a cost to that, which is that we lose our sense of connection with others, the shared experience.

There will be an inevitable swing back. It's not that we'll give up on individualized services. But there was a valuable unintended consequence to being forced to cluster around that television set when there was only one in the neighborhood. The conversation that happens around it actually fundamentally transforms the value of that content and the experience. That is what we're seeing now with audiences that are networked. They're consuming content that comes to them through the network, deciding what to share, and participating as active members of the network. There's no simple way to predict broadcast or diffusion anymore. It depends on people, and how they're responding to the content.

I think it's inevitable that we're going to see more and more old-school broadcast kinds of content serving these groups, because of the value it creates in building that shared experience. Even if it's just a sunset you're looking at, it's just better when you view it together. That kind of synchronous experience in storytelling offers the same kind of value. So I cannot imagine our future progress will take the form of continued individualization of content. It's not part of who we are.

Tapping the full potential of the "liquid medium"

McKinsey: One criticism of the evolution of storytelling over the last decade is that although there are so many more stories being told today, and so many technological advances, there's been very little change in the format of the stories themselves. How do you see format creativity evolving in the long-term future?

Deb Roy: When we talk about the format of storytelling, there's the specific format of the medium—motion and sound, resolution, and aspect ratio—that create a channel within which you have to fit the story. And then there are the diffusion properties that affect where a story can go, how long it's going to live on, and how it's going to morph as it passes through the hands and minds of audience members. That's maybe not part of the format, but it's part of the medium as well.

When you put those two together—format and propagation characteristics—the result can be radical. On one hand, it seems like storytelling formats haven't changed that much. We're kind of still stuck with the formats of television and film. Sometimes the evolution seems slow, but if you think of storytellers using Clubhouse, that has a format that they are trapped in, yet there's already been a wild evolution in the art of audio performance on Clubhouse, and to begin with it's really different from packing a story into a tweet. And then you think about how Twitter was just tweets, and then the Tweetstorm came along and changed everything. Each of these little tweaks in how we use these platforms creates a new storytelling format. Perhaps the most dramatic shifts in storytelling can be seen in very short form videos on TikTok and other social video platforms in which the hook for the story needs to land within a few seconds.

Before the internet, when you wanted to create a new format, you actually had to create a new technology and roll out a physical layer of infrastructure. And so when we went from telegraph to telephone, and we rolled out the radio networks, the movie studios and the theaters, and the television networks, you actually had to build bricks and mortar, and buy really expensive equipment, or lay millions of miles of cable. It took decades to roll out a new medium.

But today, now that the internet has been built, it allows any combination of sight, sound, and motion format to be mashed up with any combination of network diffusion properties, so all you have to do is write some code and you can create a new medium. Also, the properties of each social platform are different, and so each offers a different storytelling format, meaning that even though the underlying technology is the same, the medium is different. You can experiment with how ephemeral something is, and decide what modalities you want: Text? Speech? You want images? What format? It's kind of like we have a liquid medium. Some kids in a garage could come up with a new storytelling format and blanket the country or the world in the blink of an eye.

So yes, on one hand it seems like we haven't seen much change in storytelling format, but another way to look at it is that we have constantly changing formats that we can't get a lock on for long enough to even allow the storytelling to evolve into one new format before another popular format arrives on the scene. We have entered an era of medium liquidity.

McKinsey: What are the possible implications that "liquid medium" holds for the kind of content that will be created going forward, particularly for all these diffuse audience networks and enclaves?

Deb Roy: It does seem like we're on a path of cultural fragmentation that is unstoppable. It's not all bad though. It complicates the process of having a functioning democracy, but on the other hand there's a kind of accelerated evolution and flourishing of culture and language that is fascinating. I don't know if it's nine or 19 years out, but I can imagine an evolution of microcultures that are engaged enough that there will be stories and forms of entertainment that may be largely incomprehensible across groups, even though they're in the English language. There would be an acceleration of a kind of inside speak, with languages and cultures that just continue to evolve more or less independent of one another. It's the same way that languages and cultures have always formed, but at a new pace in a networked age.

I think the big surprise in all of this is for the people who built the internet and all of this technology, with the assumption that the more we connect with one another the more we'll just all sort of speak one language, and there'll be world peace. But it's turned out to be a far more complicated story, hasn't it?

Deb Roy is a professor of media arts and sciences at the Massachusetts Institute of Technology and the director of the MIT Center for Constructive Communication, visiting professor at Harvard Law School, and co-founder and chair of the nonprofit Cortico. **Jonathan Dunn** is a senior partner in McKinsey's New York office who co-leads the firm's Consumer Technology & Media practice.

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Stacey Sher on the future of movies and streaming

The veteran film and TV producer shares her perspective on what the technology shifts roiling the entertainment business mean for both artists and audiences.

Stacey Sher

In her three decades of producing movies and TV, Stacey Sher has seen how fast and radically the industry can change, from the rise of indie cinema in the '90s to the dominance of blockbuster franchises and superhero IP this century. Now the producer of such seminal works as *Pulp Fiction* and *Erin Brockovich* has a front-row seat to the rise of streaming and its impacts on how stories are told and consumed. Sher is experiencing this shift firsthand, producing streaming limited series such as the acclaimed *Mrs. America* and the long-in-development *Devil in the White City.* To shed light on the current evolution of film and TV, she spoke to McKinsey Executive Editor Daniel Eisenberg about the post-pandemic outlook for the moviegoing experience, the excitement of storytelling opportunities in streaming, the role of data in the entertainment business, and the state of diversity and representation in the industry. The edited conversation appears below.

McKinsey: The pandemic has had a major impact on movie theaters, and even before the pandemic the demographics of theatergoers had been changing. Do you see movie theaters regaining their key distribution roles over the rest of the decade?

Stacey Sher: If you look at the box office success of films like *No Time to Die* or *Shang-Chi and the Legend of the Ten Rings*, it's clear that we're already seeing theaters regain their role in the post-pandemic world. I don't see the road to a billion-dollar franchise without a key theatrical component. But [release] windows are changed forever. Streaming is here to stay *and* theatrical is here to stay. And the important thing is going to be for the distributors to grow a younger audience.

McKinsey: There's been a trend of films being released on streaming services at the same time as they open in theaters or within a week or two. Do you think that will be a blip based on the pandemic, or do you see the trend continuing? Is that a sustainable model for the industry?

Stacey Sher: I think it gives the distributors and the filmmakers a little more optionality. We pretty much know what's going to happen by the end of Friday night for a weekend, in terms of the projections. If you've spent your $50 million on marketing and you realize that it's not going to work, it would be great to have the option to capitalize on that marketing campaign and make the movie available to a wider audience.

Even within different demographics, people reacted differently during the pandemic. *Free Guy* was generally for men under 25, and they had no hesitancy about going to the theater. I had a film, *Respect*—the Aretha Franklin film, starring Jennifer Hudson—come out in the middle of the Delta variant. We had to pivot to a "premium video on demand," or PVOD, model as quickly as we possibly could because we were getting so many requests. There were church groups that had bought group sales that then had to cancel because they were frightened. Women over 30 were much more hesitant to go to the theater than any other demographic.

We're in a time of flux, in a time of change, and what was on its way towards being broken is being broken in a different way.

The future of the moviegoing experience

McKinsey: How much do you think the moviegoing experience will change over the next decade?

Stacey Sher: I really hope the moviegoing experience changes over the next decade, because I think it's important for the health of the industry. I'm a big believer in theatrical, not just because of my romantic love of cinema (though that's a huge part of it). I believe in the process of sitting and spending two hours, uninterrupted and singularly focused, and its impact on us as human beings.

Cinema is an interactive experience. You're sitting in the dark with 300 people that you don't know, that aren't like you, and you're sharing a group experience. The only other thing that's like that is theater, and obviously, it's more intense because it's live.

But that experience needs to be made more accessible and affordable for young people so that this habit continues to grow. We're definitely seeing a graying of the theatrical audience. If you're a teenager, it's expensive to go to the movies. And it becomes about a value proposition. Even though the subscription film models didn't work because they were underpriced, I think they got a lot more people under the age of 25 back to the theater.

If it becomes financially accessible and important to kids to be a part of the conversation, people see it. I have an 18-year-old and a 20-year-old, and yes, they're my kids so they're more interested in filmmaking, but when something's coming out in the theater by Christopher Nolan or Quentin Tarantino, or another filmmaker that they love, they go to see it.

Because of successes like *The Queen's Gambit* and *Hacks*, or earlier streaming shows like mine, *Mrs. America*, there are sophisticated audiences out there for television that is quite cinematic and as good as any form of entertainment out there. And it's also very accessible to young people. So, they're going to have a higher bar for what they expect.

I also think it's important to develop new filmmakers and new voices. It's exciting that we're getting into truly intersectional times where we're telling different stories because that's the next level of innovation. It's new voices and new perspectives.

McKinsey: What do you think the moviegoing experience will look like in 2030?

Stacey Sher: I hope that in 2030, we can kill whatever kind of electronic devices we're using when you come into the movie theater. I hope that film becomes even more communal, more of a hub, and more of a community, because I think the more we become device-heavy, the more disconnected we become. Storytelling is about generating empathy. And I think that's important as we become more sorted into affinity buckets.

I hope that theaters are healthy and robust, and that content is more representative and accessible because as the cost of making films comes down it will be more accessible to a broader range of filmmakers. I don't know if I want to have some kind of digital interface talk back to the screen. I like the old-school way of offering feedback, with people yelling at the screen.

I think the most important thing is for us to continue to renew the business with new voices. As the demand for storytelling accelerates, the "farm team" doesn't exist as much as it used to, and people are being pushed through a lot faster. Continuing to look for underrepresented voices is going to be huge for the business.

The art and science of creativity in the streaming era

McKinsey: How do you see the role of analytics and the relationship between increasingly sophisticated analytics and creativity? Can analytics help reach niche audiences, or do you think they lead to a "lowest common denominator" effect?

Stacey Sher: Data has always been important in the film business, but it's a guide. People in tech sometimes like to think that everything will yield to data, but storytelling is alchemy. I've worked on movies that have tested incredibly well that nobody shows up for. I've worked on movies where a third of the audience has walked out of screenings but have gone on to become some of the biggest hits of my career.

I'm hoping that one of the great innovations is that the cost of marketing comes way, way down because that is a real barrier to the kinds of films that can be made. And analytics help remind people that there are underserved audiences. Teen films used to be huge—all of the John Hughes movies, and tons of other films—and then teen television shows became really big again, with shows like *One Tree Hill*, and people stopped making movies for that audience. Well, Netflix certainly saw what a huge void that is. Kids' stuff is huge because parents will put their kids in front of anything so that they can multitask.

The question is, how do you use analytics in figuring out how to make things special and how to make things cut through? Data alone could lead to greenlighting a lot of mediocre content that's forgettable. Then you have a library that doesn't contain things that people are going to watch over and over again, like *Breaking Bad* or *The Sopranos* or *The Mary Tyler Moore Show*, which stand the test of time.

McKinsey: You've talked about studios being forced to try to act more like tech companies to compete with the likes of Netflix and Amazon. How does that impact what kinds of things can get made and the output going forward, from a creative standpoint?

Stacey Sher: It actually becomes more important than ever to cut through. Like in music, you're no longer competing with what comes out that weekend. You're competing with the history of film and entertainment. So how do you cut through when there are so many choices?

HBO Max did an incredible job last summer, and it's based on the quality. *White Lotus* came out of nowhere, and everybody was talking about it, and then they had *Hacks*. They went on a great run. Apple has its first massively talked-about hit in *Ted Lasso*, which just continued to build organically. Netflix definitely has a "more is more" approach, and then *Squid Game* comes and it becomes a thing that everybody has to see. As shows that people have depended on Netflix for continue to be taken off the service, following *Friends* and *The Office*, it's going to be interesting to watch how much the new stuff feels disposable or like things that you're going to continue to come back to.

The film business, like the music business, is notoriously slow, to quote Wayne Gretzky, "to skate to where the puck is going." There should have been no reason why the record labels didn't come up with Spotify or iTunes first, but they were trying to squeeze every dime out of CDs. Their business was broken apart. And the film business, instead of looking to make up DVD revenues by selling to Netflix, could have created Netflix. That's a never-ending cycle in film and television, which potentially is changing.

The challenges of "cutting through"

McKinsey: How is the shift to streaming impacting you as a filmmaker? Is it a more appealing proposition, being able to produce quality creative output, that you don't have to limit yourself to a single two-hour movie and can create a series of episodes instead?

Stacey Sher: What's exciting right now in storytelling is that we have the opportunity to tell a story in whatever format fits it best, with no real stigma. When I first started out, TV had a certain connotation to it. That's why HBO's original motto was "It's not TV. It's HBO."

I've been working on the adaptation of *The Devil in the White City* for over 10 years. It couldn't be contained in two hours, which is why finally it's going to go forward as a limited series. So that's really exciting.

You can now get the cast you want. You can get the filmmaking talent you want. Everyone's excited about telling stories. Whether you're telling stories in something that's serialized and is 12 minutes, whether you're telling a story in a limited series of nine episodes, like we did in *Mrs. America*, or you're telling a story in a two-and-a-half-hour film, I still believe that people will come out.

The great thing about storytelling right now is that it's very democratic. Whether you're going to be telling a story on television or in a streaming movie or in the theater, there's no thumbed nose. If you're a new filmmaker, like Barry Jenkins, you can make a masterpiece like *Moonlight*, and then make a masterpiece like *The Underground Railroad* [a 10-episode streaming series].

McKinsey: Do you think it's getting harder to make certain films, like mid-budget bio-dramas or sophisticated comedies?

Stacey Sher: I believe that it was always hard to get mid-range movies made. It was hard to get *Erin Brockovich* made in 2000. If we didn't have the biggest movie star in the world, Julia Roberts, we never would have gotten that film made. But the trajectory of my career has followed that most of the films that we've made have not necessarily been that easy to get made.

We fought long and hard to get $8.5 million to make *Pulp Fiction*. In hindsight it all makes sense, but unless you're looking at a very specific IP, there's always an alchemical combination of budget, star, and filmmaker to get greenlit.

Streaming has been fantastic for indie films and filmmakers. I'm sure more people got to see *Nomadland* than they would have had it just had a traditional release. It used to be that when a small film won an Oscar, it had a huge impact on the level of exposure and the level of release. That's all changed a lot.

McKinsey: What advice do you have for aspiring filmmakers?

Stacey Sher: There are a lot of ways to tell your stories, but the most important thing is to know what you want to say, what your unique lens is. If you look at someone like Rian Johnson, yes, of course, he went and made a *Star Wars* film. But he went back to telling a story that he was passionate about and leaning into his own voice, and then you have *Knives Out*, which is a huge hit. I'm sure that people wouldn't have thought it was going to be the gigantic hit it was, but it was entertaining and broadly commercial, and just a good time.

With regards to television, and with writers specifically, the system is changing. It's starting to be a little bit more like the BBC, where it's more like film. You're not expected to deliver 22 one-hour episodes of television every season, which is a grind. So, it's exciting: We're in a time of flux, and the most important thing is to see things, know what you love, find your voice, and lean into that.

McKinsey: What about the really small screen? *Reno 911!* was one of the few notable successes on Quibi, the short-lived, short-form streaming service designed for smartphones. How do you view the prospects of entertainment produced expressly for the phone?

Stacey Sher: Honestly, I think *everything* right now is content that's produced for the phone, much to the horror of certain filmmakers that I know. I've had conversations with friends of my kids when I've seen them watching something like *Pan's Labyrinth* on an iPhone. I'm horrified by it! But that is really the change, you know?

As a parent, you used to think, "My great victory is my kids don't have a television in their room." But they have a television everywhere now. *Reno 911!* worked in 22 minutes, it worked in 12 minutes. It's the kind of storytelling that can be shorter. But it all flows from storytelling. You have to choose a story that fits the time constraint or the structure that you're creating.

McKinsey: There seem to be two schools of thought on the distribution approach for streaming series. Netflix and Amazon Prime release everything at once and let people binge-watch, and two years ago everybody thought that was going to be the future for all streaming services. But then Disney and HBO Max have gone back to a more traditional approach, releasing one or two episodes a week. Do you come down one way or another on those approaches?

Stacey Sher: I think it's really interesting to consider how people approach the drop of episodes. I've heard there was a study showing that three episodes determine whether people are going to go further. That's partially why the FX on Hulu and Hulu model will drop three episodes at the beginning. I think that there's a watercooler effect. I have *The Many Saints of Newark* on my mind now because so many people have re-watched *The Sopranos* during the pandemic. I remember the rituals, and this was also true for *Game of Thrones*, that people would have when it was "that week." Everybody was talking about it, or saying, "I haven't gotten to watch it yet, don't tell me." So, it became a cultural moment.

As a filmmaker, I want people to be talking about the things that I do. In these times, where it's harder to cut through, any time that you can create that buzz you want it to last longer.

Broadening representation, on-screen and off

McKinsey: You've produced several films or series about influential women, including *Erin Brockovich*, *Mrs. America*, and *Respect*. What do you think still needs to change to help the industry reach gender equity?

Stacey Sher: There's an attitude of, "You're just so lucky to be allowed to work." We as women have internalized it, as "we're just so lucky to be allowed to work." And that attitude just tends to hang around.

When Julia Roberts became the first woman to be paid $20 million for *Erin Brockovich*, people made such a big deal about it, when many men had reached that level before. But why shouldn't she? Her films were doing as well as and better than many of the men who were her peers, who were getting paid that amount of money. If Robert Downey Jr., or any of the other people from the Marvel universe, had the same experience as Scarlett Johansson [with her high-profile legal battle with Disney over compensation from *Black Widow*], I don't think that anyone would be blowing it off and saying, "He's so lucky and tone-deaf in the pandemic."

The fact that some of those critical statements about Scarlett were crafted by women tells you how much we internalize these biases and can't see them. I think shining a light on them is the only way to constantly keep them in check.

I was part of a search committee for a high-level academic film position. The women, and particularly women of color, started dropping out as candidates, and we found ourselves with three middle-aged white men as the main candidates at the end of the search. A younger woman on the search committee pointed out that these women felt that they could not be safe stepping away from their full-time careers and then returning, without any damage to their careers. We had to make accommodations to keep one of the women in the mix.

McKinsey: You've spoken about finding a peer group of women early in your career who could support one another. How do you think about mentoring and supporting the next generation of female industry leaders and creators?

Stacey Sher: While I care a lot about mentoring women, I really want to make sure that I'm not just mentoring white women. I want to make sure that I'm not just mentoring straight white women. It makes me better at my job to look at the world through other people's lenses. It serves more audiences, and I think it's also important for the planet.

There used to be this tyranny of relatability. When we made *Matilda*, we were told that boys wouldn't go to watch the story of a young woman. And I just took it at face value. But you go back and look at some of the greatest action franchises, and you have Linda Hamilton, Jennifer Lawrence, and Sigourney Weaver in some of these great classic action movies.

So yes, mentorship is crucial. Access is crucial. Challenging yourself is crucial. When we made *Mrs. America*, we knew we wanted to hire women, and women of color, to direct the series, and to make sure the room was intersectional and that there was real representation: LGBTQ representation, age representation. As a result, we have a much richer story.

If we'd rounded up the usual suspects and said, "Oh well, those people aren't available," we would have ended up with a bunch of white men directing a story about women, and it wouldn't have been as good.

McKinsey: Do you think Hollywood is waking up to the creative benefits of expanding who's working on projects, both in terms of gender equity and racial equity? Is there a mindset change starting to happen, about the economic benefits of expanding audiences and expanding who's involved, on-screen and off-screen?

Stacey Sher: I think change comes when the industry realizes that it's good business. It's not a surprise that a film like *Crazy Rich Asians* is broadly commercial, or that *Parasite* is broadly appealing. People are people. It's not a surprise that *Black Panther* is a huge hit. It's a great film, and it's telling a story that everyone can relate to through a different lens. That creates empathy.

The more that we can lean into telling other people's stories, in both commercial and un-commercial ways, the better. *Reservation Dogs* is a perfect example. Stories about Native communities had been pitched before, but with the right alchemy and the right creators, *Reservation Dogs* was authentic and charming and entertaining, and it became a big, broad, mainstream crossover hit. That speaks to the fact that this is good business.

Netflix's international strategy has shown that it's not just a one-way import system where we're just exporting American television internationally. We've seen it with *Money Heist*, and we've seen it with *Squid Game*, and we'll continue to see it. Look at how many Oscars "the three amigos" [Mexican directors Alfonso Cuarón, Alejandro G. Iñárritu, and Guillermo del Toro] have won in the past five years.

There are great filmmakers everywhere. Because of the challenges of getting films made in other countries, people have something to say. And when they take their shot, they don't take it lightly.

McKinsey: If you could wave a magic wand and change one or two things about the industry, what would those be?

Stacey Sher: I would invest in developing film-going for audiences. When we were producing last year's Academy Awards, we asked people their first film memory, and probably 90 percent of them said *The Wizard of Oz*. That's a story that was created over 100 years ago. So, it really speaks to the enduring value of film. *Star Wars* has had the same impact.

I'd also like to see the industry invest in celebrating cinema. There used to be movies about movies that reminded people why they love movies. We have to figure out a way of curation, so that appreciation for storytelling continues to feed the next generation of filmmakers.
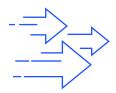
Stacey Sher is a film and television producer whose credits include *Pulp Fiction*, *Erin Brockovich*, *Contagion*, *Reno 911!*, *Mrs. America*, and *Respect*. **Daniel Eisenberg** is a McKinsey executive editor based in the firm's New York office.

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For more from Stacey Sher, see the videos accompanying this article on McKinsey.com.

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