AlixPartners

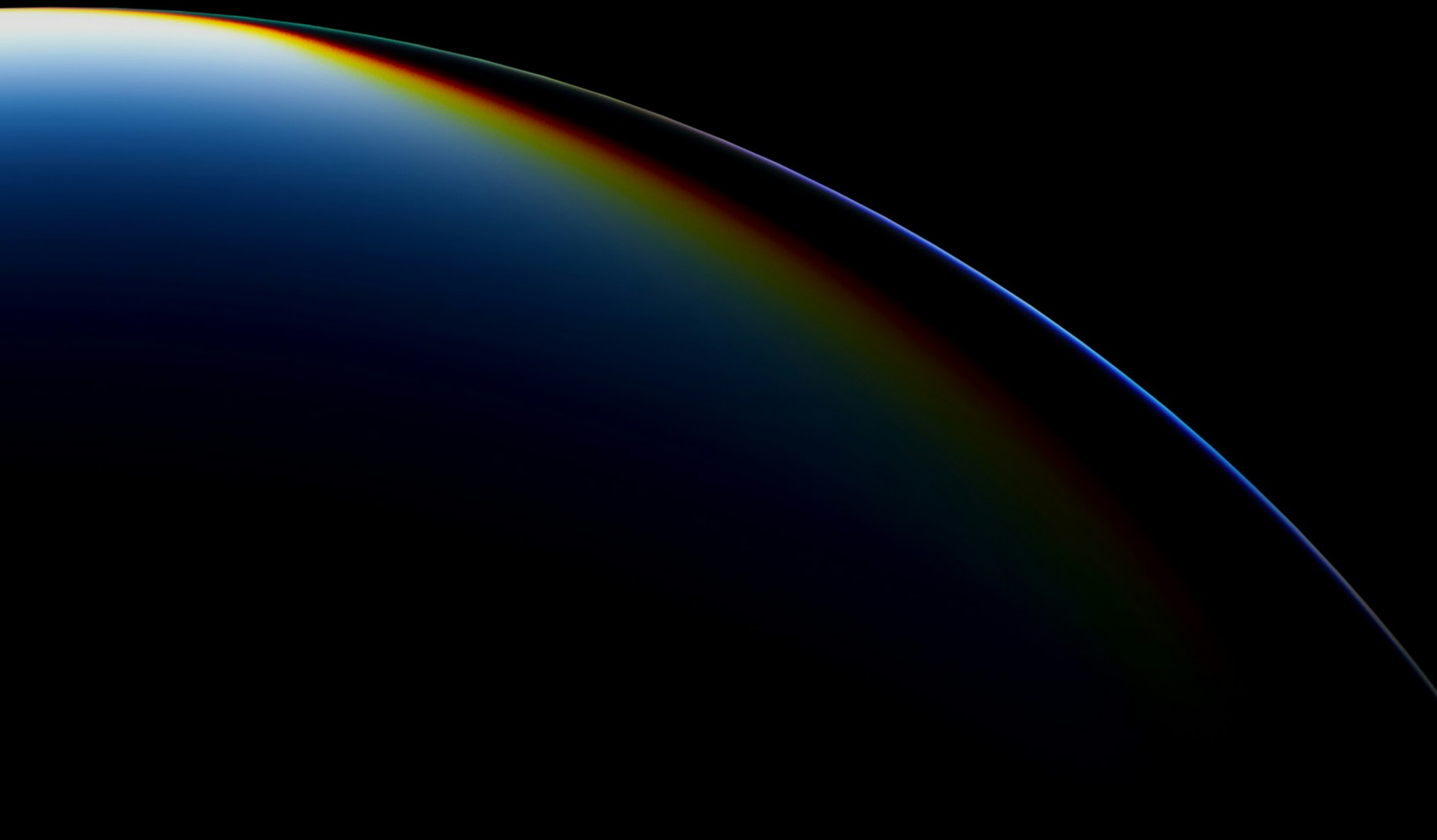
2025 Media & Entertainment Industry Predictions Report

One year ago, we began our first annual **AlixPartners Media & Entertainment Industry Predictions Report** by stating that "the media and entertainment industry has always been a poster child of creative destruction."

Fast-forward to year two, and that sentence still rings true—in fact, the destruction and competition may have only grown fiercer.

AI advances have made major inroads in the past year and will continue to serve as the major technological force disrupting business and operations across the media industry. From a creative perspective, AI has further penetrated the TV and film sectors, where practical, easy-to-implement use cases with measurable outcomes will lead the way in 2025. But we don't expect the technology to replace human talent; it should only enhance creative output. AI is also disrupting the video gaming, casino gaming, sports betting, and search markets, shifting traditional business models to meet consumer preferences.

Legacy media and advertising businesses are seeing a similar need to transform business models as subscription revenue moves from Pay TV to streaming, while advertising revenue moves from linear to digital. The continued rise of retail media will evolve where companies place their ad dollars to match consumption habits.



We lay out our second annual AlixPartners Media & Entertainment Industry Predictions Report across seven chapters. As we enter 2025, we believe our core predictions will shape the future direction of the industry:

01. STREAMING WARS: The battle over the next generation of TV

1 Streaming subscriptions purchased through wholesale distribution will rise to 60-70% in mature markets, driven by the growing momentum of bundling and aggregation. Over time we expect to see three to five “central hubs” emerge as leading distributors, but in 2025, we will see several new deal partnerships as the industry experiments with consolidating streaming services.

2 Experimental bundling partnerships among direct-to-consumer (DTC) platforms are early indicators of broader industry consolidation coming in 2025.

3 Traditional Pay TV subscribers in the U.S. will drop below 50 million in 2025—less than half of what they were just a decade ago. Meanwhile, virtual multichannel video programming distributors (vMVPDs) are approaching their peak before entering a period of decline after 2025, driven by the rapid shift of live sports to DTC platforms, evolving consumer behavior, and rising costs.

02. SPORTS BETTING AND CASINO GAMING: Fund tech investments or face marginalization

There will only be room for three to five dominant players within the online sports betting and iGaming industries to successfully invest at scale and grow. As others fight for market share, we predict at least one company will be forced out of the competitive arena.

03. BEYOND THE CONSOLE: Video gaming's cloud revolution

Both gaming console and PC hardware sales will decline, as consumers choose to spend instead on displays and streaming devices.

04. AI IN CREATIVE INDUSTRIES: Enhancing, rather than replacing, human creativity in TV and film

AI will transform the production cycle—not by eliminating creative jobs, but by redefining roles and sparking new synergies between creative teams and technology. In fact, we predict that in 2025 there will be a lack of creatives with the expertise and skills required to use the new AI tools available.

05. RETAIL MEDIA'S NEXT FRONTIER: Transforming the advertising landscape

As advertisers continue shifting budget towards digital, the convergence of the streaming services and retail media trends, coupled with the global expansion of retail media networks, will accelerate disruption within the media industry.

06. THE FUTURE OF SEARCH: AI-driven disruption and diversification

OpenAI, Perplexity, Amazon, and TikTok will gain further traction, signaling a new era of competition in the search industry. Google's share of the search advertising market will continue to shrink, decreasing by low single digits.

07. M&A IN MEDIA: An environment ripe for dealmaking

1 Reduced regulatory scrutiny and a lower cost of capital will generate a rebound in evaluation of media consolidation deals.

2 On top of Comcast’s proposed carve-out of NBC cable assets, we will see at least one more cable network carve-out this year.

01. STREAMING WARS:

The battle over the next generation of TV

AUTHORS OF THIS CHAPTER:
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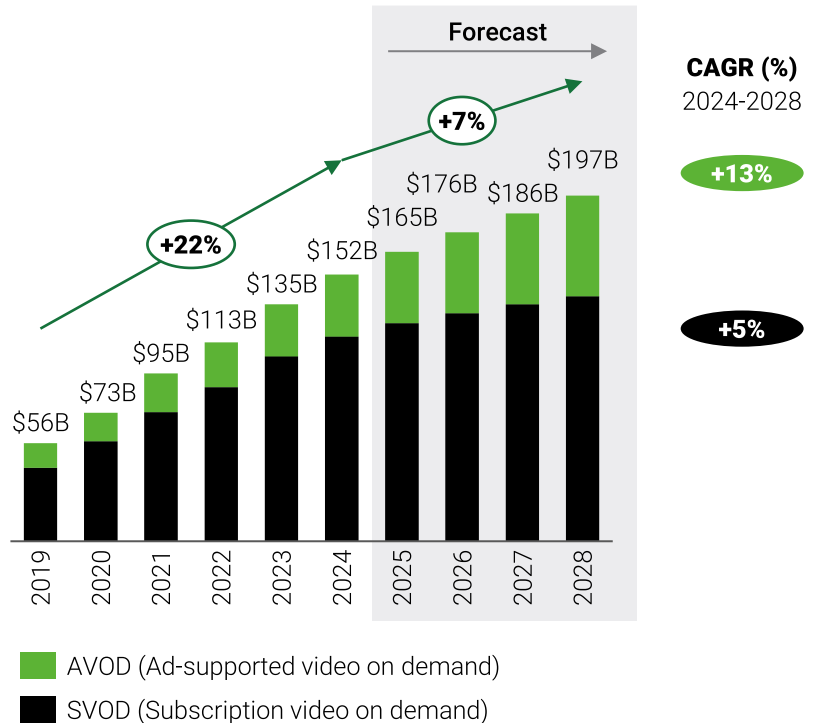
Pay TV is (nearly) dead; long live Pay TV

The global television industry is undergoing a seismic transformation as streaming's rise accelerates the decline of traditional Pay TV. However, the streaming market is still evolving toward a more stable state. In 2025, global subscription video on demand (SVOD) and advertising-supported video on demand (AVOD) revenues will surpass $165 billion worldwide. But the current ecosystem is highly fragmented with more than 200 streaming platforms, far more than the market can sustain in the long run.

Despite major direct-to-consumer (DTC) streaming platforms like Disney+ and Paramount+ reporting profitability in 2024, the economics of streaming remain a challenge. Platforms face a complex landscape, driven by:

1. **Subscriber churn:** Fragmentation has fostered serial churning, with **42% of subscribers** regularly subscribing, canceling, and resubscribing to streaming services. These churn cycles directly impact revenue stability, subscriber growth, and long-term profitability for streaming platforms.
2. **Rising content costs:** Disney, Comcast, YouTube, Warner Bros. Discovery, Netflix, and Paramount Global **will collectively spend $126 billion on content in 2024**, a year-over-year increase of 9%.
3. **High subscriber acquisition costs:** Streamers face significant costs in acquiring new subscribers through marketing, promotions, and partnerships, making it increasingly essential to achieve greater scale.
4. **Platform taxes:** Third-party billing systems like Apple App Store or Google Play take a 15-30% cut of subscription revenue for SVOD transactions that are managed through their ecosystems.

FIGURE 1: In 2025, global streaming revenues for SVOD & AVOD services will surpass $165 billion



Source: PWC, AlixPartners analysis

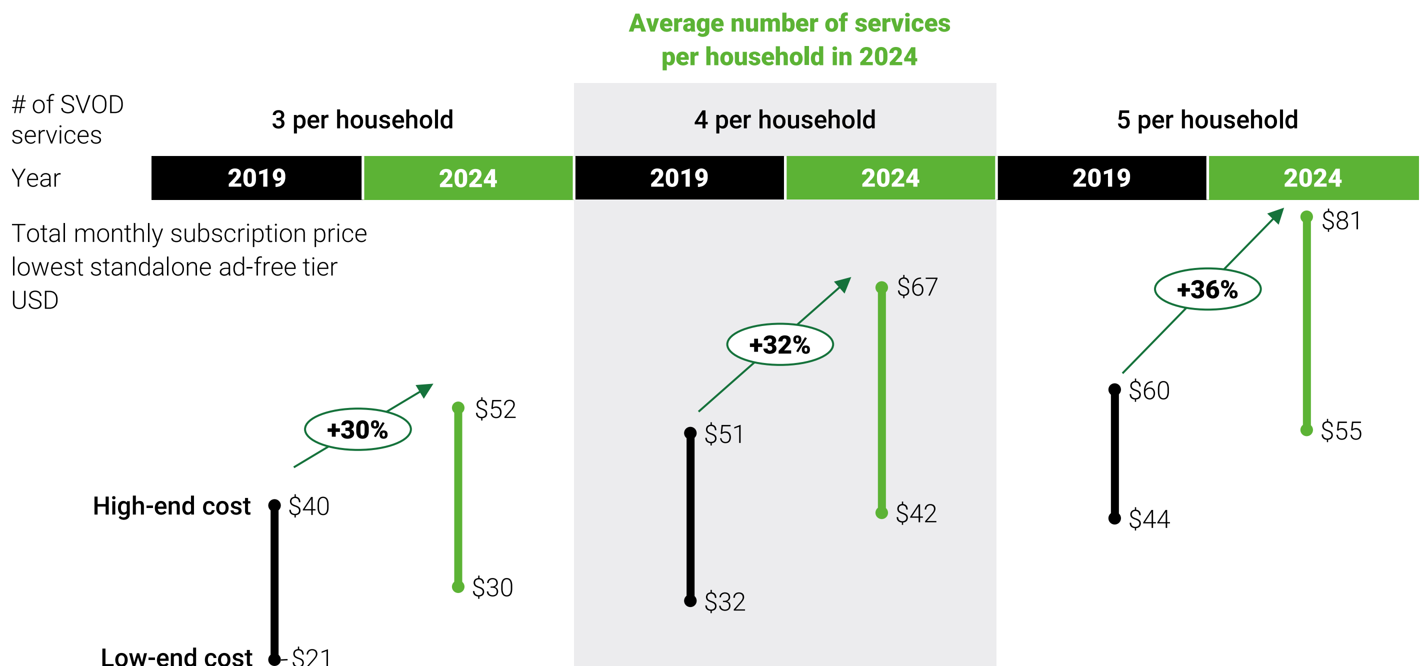
Infinite choice is really no choice at all

Streaming, once celebrated for its promise of choice and freedom, has become a double-edged sword for many consumers. Increasing pain points related to the user journey, content discovery, and pricing are limiting convenience for users.

This dissatisfaction is underscored by the "paradox of choice": With a plethora of content fragmented across platforms, viewers spend excessive time—**more than 11 minutes on average**—deciding what to watch, often unaware of the full breadth of content available. Alarmingly, only 28% of Americans and 21% of Europeans feel they can easily find something to watch, according to **Comcast's "Content Discovery in a Multiscreen TV World" report**. This indicates a deeper issue of content discoverability, both within individual apps and across multiple streaming services, leaving users frustrated and overwhelmed.

Fragmented customer relationships across multiple services make it challenging for consumers to keep track of their subscriptions, further eroding viewer satisfaction—especially as major SVOD services have raised prices by more than 50% on average since their launch. These hikes have led to an increase in the à la carte price of subscribing to three or more premium SVOD services by more than 30% in recent years.

FIGURE 2: Total monthly cost of subscribing to three to five SVOD services à la carte



Source: Company websites, news articles, AlixPartners analysis
Includes 10 major SVOD services Apple TV+, Disney+, Discovery+, Hulu, Max, Netflix, Starz, Prime Video, Peacock, Paramount+
Based on subscription pricing in the U.S.

In response to these challenges, streaming services are experimenting with various promotional pricing strategies, bundles, and a turn back to wholesale distribution models. These strategies may be new to streaming, but they increasingly resemble the tried-and-true traditional Pay TV models they sought to disrupt.

Yet, despite pain points with streaming, consumers haven't forgotten about the shortcomings of rigid "all-in-or-nothing" Pay TV bundles, including long-term contracts and paying for hundreds of largely unwatched channels. Traditional Pay TV is declining for a reason, but for consumers to move forward into the future, they need a solution that combines the freedom and flexibility of streaming with the simplicity and ease of the past.

Momentum for streaming bundles is a step, but not the final destination

Streaming bundles and wholesale distribution partnerships surged in 2024 as players sought to expand their reach and improve subscriber retention. **In our 2024 predictions report, we projected that subscriptions purchased through telco and aggregator bundles would surpass 50% in mature markets like the U.S.**

The streaming distribution ecosystem is increasingly complex, comprising various bundles and third-party aggregation services. **In 2024, the number of documented telco and online video distribution partnerships worldwide rose to more than 2,000**, up from 1,200 a year ago.

While this growth highlights the importance of bundling and aggregating content for subscription video economics, it has also added complexity for consumers in the near term.

Consumers must now navigate numerous distribution options for streaming, which come with a wide range of value propositions to consider:

- **Single-company bundles** combine multiple services owned by the same parent company, offering them at a discounted rate through a unified bill. Most have become integrated platforms like Paramount+ with Showtime or Hulu on Disney+.
- **Co-subscription bundles** include two or more competing DTC streaming services in a single discounted package billed together. However, they do not provide a unified user interface. As a result, consumers must navigate between individual apps to access content from different services.
- **Operator bundles,** offered through telecom operators, combine streaming subscriptions with traditional cable, broadband, or mobile services, often at a discounted rate or included as complementary perks. These bundles are typically available only to existing customers and feature a limited selection of streaming providers, often restricting access to their ad-supported tiers.
- **Third-party aggregators** like Amazon Prime Channels and YouTube Primetime Channels act as resellers of premium DTC streaming services, consolidating multiple apps into a single interface. Unlike other bundles, super-aggregators generally don't offer discounted rates compared to purchasing services directly. Instead, their primary value lies in convenience, with unified subscription management and no need to switch between multiple apps.

FIGURE 3: Value propositions across bundles and wholesale distribution options

STREAMING DISTRIBUTION ECOSYSTEM			Consumer Value Proposition			
			Discounted Offers	Consolidated Billing	Single UI	Added-Value Services
Pure Direct-to-Consumer (DTC) Bundles						
Single-Company Bundles		Paramount+ With Showtime; Hulu on Disney+	✓	✓	✓	✗
Co-Subscription Bundles		Disney+, Hulu, Max; Starz-BritBox	✓	✓	✗	✗
Wholesale Distribution						
Operator / Telco Bundles	**MVPD / Broadband**	Xfinity StreamSaver (Netflix, Peacock, Apple TV+)	✓	✓	✓	✓
	Mobile / Wireless	Verizon myPlan (+play); T-Mobile "Netflix on Us"	✓	✓	✗	✓
Third-Party Aggregators	**Big Tech / vMVPD**	Amazon Prime Channels; YouTube Primetime Channels; Apple TV Channels; Hulu add-ons; Fubo add-ons	✗	✓	✓	✗
	Smart TV Devices / OS	The Roku Channel; Google TV	✗	✓	✓	✗
Cross-Platform Bundles	**Retail**	Walmart+ With Paramount+, Amazon Prime, Instacart+ With Peacock, DoorDash With Max	✓	✓		✓
	Other Multi-Service Bundles	Apple One, Hulu-Spotify Bundle	✓	✓		✓

In 2025, the streaming ecosystem will continue to lean into wholesale distribution

We predict that subscriptions purchased through wholesale distribution will rise, reaching as much as 60-70% of streaming subscriptions in mature markets—up from our 50-60% prediction last year.

This growth will include subscribers gained through third-party aggregation services led by Amazon Prime Channels and Roku Channels, as well as broadband operators like Comcast (Xfinity, Sky) and Spectrum (Charter), and mobile operators like Verizon.

Over time, we expect to see three to five winners emerge as “central hubs” for the next generation of TV. **In the meantime, 2025 will reveal several new deals as the industry experiments with consolidating streaming platforms through bundling and aggregation.**

Simultaneously, rising tension between content owners and third-party distributors will persist, driving DTC players to push back against platform taxes and the rise of third-party gatekeepers. As a result, we expect to see more co-subscription bundles—similar to the Disney+, Hulu, and Max bundle—emerge in 2025.

These “frenemy” bundles enable DTC players to offer greater value and convenience to consumers without sacrificing critical competitive advantages. By partnering directly with other DTC platforms, they can retain direct control over the consumer relationship, a larger share of subscription revenues, and access to valuable viewer data—tradeoffs they might forgo through wholesale partnerships with third-party aggregators.

However, while current bundling efforts are a step in the right direction toward a more simplified and streamlined viewing experience, they are not enough to be game-changing for the industry. **We believe that experimental streaming bundles are early indicators of consolidation, which we expect will begin to play out in 2025.** Bundling allows streamers to test for potential revenue synergies and operational alignment in a controlled, lower-risk environment before committing to large-scale integrations.

The market can realistically support only a limited number of profitable distributors, creating increasing competition as DTC platforms, telco operators, and third-party aggregators all vie to deliver the ultimate streaming experience.

Winning players will combine flexibility and choice with the simplicity that consumers crave—such as seamless user experiences, unified search and discoverability, and a single interface and billing system.

As we head into 2025, the streaming wars are only heating up. We will be watching closely as new developments unfold in the battle over the next generation of TV.

Traditional MVPDs aim to transform into next-generation streaming hubs

Traditional multichannel programming video distributors (MVPDs) are at a critical crossroads as the decline of legacy TV subscriptions accelerates.

According to AlixPartners' proprietary cord-cutting model, U.S. Pay TV subscribers are projected to decline by 10% in 2025, shrinking the total number of subscribers below 50 million—half of what it was just a decade ago.

As the decline of legacy TV subscriptions accelerates, traditional MVPDs are taking aggressive steps to adapt.

We predict that traditional MVPDs will reinvent themselves as leading wholesale distributors in a streaming-centric world, becoming go-to hubs for the next generation of TV.

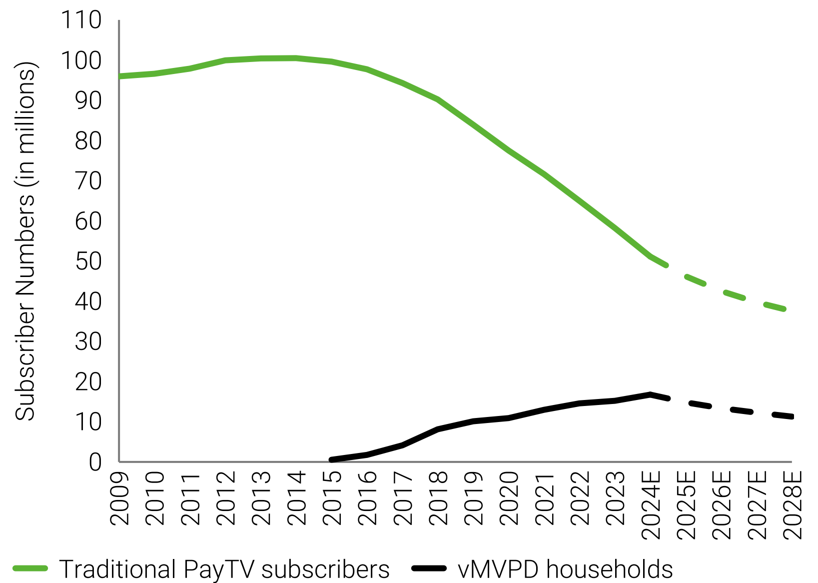
To adapt to shifting consumer preferences, MVPDs will need to dismantle the traditional Pay TV bundle and embrace a new role that prioritizes flexibility, personalization, and streaming content variety. Early initiatives like Xfinity's StreamSaver bundle—which offers internet customers Netflix with ads, Peacock with ads, and Apple TV+ for $15 a month—illustrate this strategic pivot.

By combining high-speed internet connectivity with access to multiple streaming platforms at competitive price points, MVPDs can leverage their existing infrastructure and customer relationships to provide a seamless, integrated streaming experience. This approach will help them compete against major digital distributors like Roku and Amazon.

We may also see the rise of highly customizable packages that allow customers to tailor their bundles by selecting preferred streaming services alongside broadband, wireless, or mobile offerings. An early example is Verizon's myPlan, which offers the Disney bundle of Hulu, Disney+, and ESPN+ for $10 a month, providing significant savings compared to subscribing to these services individually.

FIGURE 4: The global television industry is undergoing a seismic transformation as streaming's rise accelerates the decline of traditional Pay TV

AlixPartners proprietary cord-cutting model, U.S. households (in millions)



Source: AlixPartners analysis

2025 will mark the peak of virtual multichannel video programming distributors (vMVPDs)

Our cord-cutting model predicts that 2025 will mark the peak of vMVPDs before entering a period of decline. This projection is driven by several transformative shifts in the television landscape.

The waning competitive advantage of vMVPDs

Initially, vMVPDs attracted viewers by providing a cable-like experience at a lower cost and with greater flexibility. They provided an essential alternative for viewers seeking live content, such as sports and news, not available on SVOD platforms. However, as more content, particularly sports and news, moves toward streaming platforms, the vMVPD value proposition will begin to erode.

The disruption of DTC sports streaming

We anticipate that the launch of ESPN's flagship streaming service in early fall 2025 will significantly disrupt both traditional cable providers and virtual MVPDs.

As one of the last mainstays of live content exclusive to Pay TV, sports have been a critical driver of vMVPD subscriptions. Upon its launch, ESPN's direct-to-consumer offering will allow fans to access premium sports content independently of vMVPDs or traditional cable subscriptions, undermining one of Pay TV's last remaining value propositions.

Beyond ESPN, deep-pocketed tech companies like Amazon, Google, and Apple are actively acquiring sports broadcasting rights, often paying premium prices to secure exclusive deals. Prime Video, for instance, recently landed a **landmark 11-year deal** to stream NBA and WNBA games, becoming the exclusive streaming service for 66 regular-season NBA games beginning in 2025. This deal and ones alike pose a direct challenge to vMVPDs like YouTube TV, which has built a significant portion of its growth on sports content.

YouTube TV, with an estimated 18 million subscribers and a 40% share of the vMVPD market, owes much of its growth to its $2 billion annual deal for NFL Sunday Ticket, which allows streaming of out-of-market games across the U.S. Approximately 41% of Sunday Ticket subscribers who purchase the add-on also become new YouTube TV customers. However, as more sports content shifts to DTC platforms, YouTube TV and other vMVPDs will face growing challenges in retaining subscribers and maintaining their market share.

The rise of vMVPD alternatives is further accelerated by broadcasters like CBS and NBC, who are partnering with their respective streaming platforms, such as Paramount+ and Peacock, to provide live sports and other premium content. With the combination of over-the-air (OTA) broadcasts and streaming services, consumers can increasingly assemble their own content packages, focusing on what matters most to them.

Shifting consumer behaviors and the rise of 'cord-nevers'

vMVPD growth has been fueled largely by cord-cutters—subscribers transitioning from traditional Pay TV, with **around 27% of MVPD cancellations eventually signing up for a vMVPD service.** Now, the emerging generation of consumers, younger millennials, and Generation Z are increasingly establishing households without ever subscribing to traditional or virtual Pay TV services—earning the label "cord-nevers."

Adding to the pressure, vMVPD prices have risen significantly since their inception. For instance, YouTube TV launched in 2017 at $35 per month, but monthly fees have more than doubled to $73. These price hikes reduce the affordability and appeal that initially set vMVPDs apart from traditional Pay TV.

In 2025, vMVPD will peak

We project that vMVPDs will experience moderate growth in 2025, driven primarily by ongoing cord-cutting trends. However, the rapid shift of live sports to DTC platforms like ESPN's flagship service, coupled with changing consumer preferences and rising costs, will mark a tipping point. Beyond 2025, vMVPDs are expected to decline as their competitive edge continues to diminish.

For vMVPDs to remain competitive, they must innovate their offerings to align with the demands of a rapidly evolving media landscape.

02. SPORTS BETTING AND CASINO GAMING:

Fund tech investments or face marginalization

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The stakes are getting higher for the online sports betting and casino gaming markets, and industry players need to be careful around where they place their bets. Powerful market forces like consolidation, upstream integration, evolving user behavior, and increasing regulation are combining to exert pressure on CEO and CTO agendas.

Technology is quintessential to unlocking potential for success. From an investment perspective, executives must focus on the prevailing technological imperatives to get ahead. This means addressing long-standing **tech debt**, incorporating new AI capabilities, modernizing products, and ensuring tech stacks are compatible for post-merger integrations—all alongside investments for heightened, hyper-personalized user experiences and regulatory compliance.

As such, gaming operators must take control of their product and technology roadmaps as core differentiators while growing efficiently to sustain investments as the market becomes increasingly competitive. Smaller players and niche operators may struggle to keep up with high customer acquisition costs, compliance requirements, and advanced technology needs.

In 2025, we believe that within the online sports betting and iGaming industries, there will only be room for three to five dominant players to successfully invest at scale and grow. As others fight for market share, we predict at least one company will be forced out of the competitive arena.

Increasing regulation carries heavy implications for operators that don’t comply

Major jurisdictions are considering new affordability checks, stake limits, enhanced verification and background checks, restrictions on credit card payments, and stricter advertising rules. These measures will better protect players, but gaming operators will need to overcome increased costs and potentially reduced revenue. As jurisdictions intensify efforts to penalize offending parties, operators have no choice but to adhere or risk massive financial punishments—or even the loss of their license to operate.

Compounding the regulatory challenges is a robust black market that costs the legal gaming industry **more than $44 billion in annual revenue** in the U.S. alone. Regulators are working to mitigate the impact of illegal sports betting and online gaming by increasing legalization, which could facilitate growth in the legal sector.

To solve for this, all operators will need to invest in core platforms to ensure ongoing compliance with rising regulatory standards. This includes implementing real-time, 360-degree views of customers and their behaviors, along with identifying risk profiles and enacting responsible gaming initiatives to promote player safety.

Effectively integrating the latest technology—as well as acquired technology—is imperative

GenAI has arrived, and all industries, including gaming, are seeking to leverage the technology for practical, scalable, operational, and commercial benefits. While emerging use cases differ in degrees of maturity at this stage, operators that have a clearly formulated strategy can harness the power of AI for short-term ROI by improving their internal efficiency, bolstering risk management and compliance efforts, and increasing player satisfaction.

A key challenge around AI implementation is effectively targeting the right use cases for a given aim, **which we highlighted in an article in September.** Eventually, we believe operators will be able to utilize GenAI to expedite the game ideation and design process and accelerate decisions around the right games to greenlight.

But while AI offers incredible possibilities, companies must not lose sight of the importance of the player experience. Hyper-personalized content is becoming table stakes to entice and retain players, and operators that can leverage technology to deliver individual, tailored gaming offerings will reap the rewards. Immersive, real-time social interactions as part of the digital gaming experience are also growing in popularity. For example, Evolution—the leading global operator of online live-casino gaming—is investing $75 million in Atlantic City to house live-dealing studios that provide online players with the atmosphere of in-house betting from the comfort of their homes.

Apart from new technology, it's critical that operators looking to acquire or partner with other companies can efficiently integrate their tech stack to not disrupt a seamless player experience. We often see M&A activity go wrong when new products and technologies are poorly integrated, operators overly customize third-party components, weak legacy architecture proves expensive to host and scale, and teams support too many platforms at once.

FIGURE 5: Increased revenue growth is visibly correlated with growing R&D expenses as a share in revenue

Revenue and R&D / revenue growth (% change, 2019 – 2023)

1. IGT includes lottery segment
Source: Company's 10K, S&P Capital IQ, AlixPartners analysis

Those that succeed will solve these tech debt and re-platforming issues by ensuring their decisions align with short, medium, and long-term business goals. Operators can start by asking themselves four key questions: To what extent do my platforms:

- Enable new products, features, and content to be delivered quickly and efficiently?
- Provide the ability to rapidly respond to ever-changing regulatory requirements?
- Allow for operational scaling to support new markets and new partnerships?
- Deliver a hyper-personalized player experience and player-centric view?

Technological advancement is largely driven by integrating B2C operators with B2B tech, solution, and content providers. When analyzing the providers that have progressively increased their commitment to R&D as a share of revenues, it's clear that these leaders have consistently achieved premium growth rates.

How will successful operators navigate the road ahead?

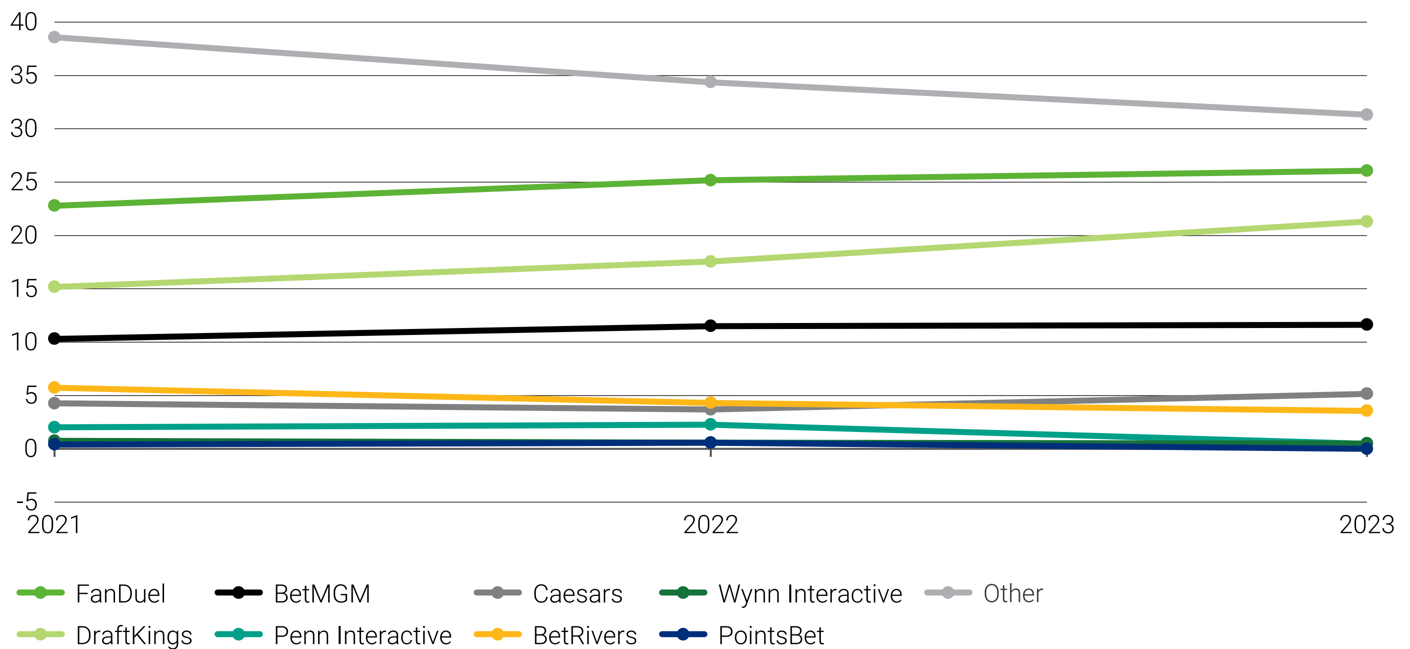
Building and maintaining scale will be crucial to fund lofty investments in technology. We expect larger operators will make the most of their economies of scale to drive market consolidation—and those with technology platforms most efficiently set up to absorb new acquisitions will jump to pole position. Smaller players will likely struggle, as they lack the scale to afford large investments.

Consolidation will continue to be part of the solution. Buyers are focused on **adding new jurisdictions and games to their portfolios,** alongside augmenting their existing gaming offerings with new capabilities. Caesars Entertainment, for example, recently acquired sports betting technology company ZeroFlucs to expand its same-game parlay offerings. DraftKings bought digital lottery app Jackpocket to enter the lottery market, while Aristocrat acquired digital gaming, sports betting, and lottery provider NeoGames to consolidate positioning for its interactive business.

Within online sports betting and iGaming, where technology advancements are more sustained, scale and R&D leadership drive growing market shares for dominant players, relegating smaller competitors to marginal positions.

FIGURE 6: Top three online sports betting and iGaming operators are increasingly consolidating their market share, reaching ~ 60% in 2023 vs. 48% in 2021

Market share of top operators (% of market, 2021 – 2023)



1. Penn entered a joint venture with ESPN in Aug 2023; PointsBet was acquired by Fanatics in Jun 2023; Wynn dropped operations outside the states of Nevada and Massachusetts

Source: AGA, Company's 10K & 10Q, S&P Capital IQ, Investor presentations, Earnings call, AlixPartners analysis

Our prediction for the sports betting and casino gaming markets in 2025

Over the next 12 months, we believe there will only be room for three to five dominant players to successfully grow and scale within the online sports betting and iGaming industries. As others fight for survival, some will be forced out of the competitive arena.

As the market witnesses fewer but much larger players thrive, we will enter a new era of tech investment that prioritizes efficiency and hyper-personalized player experiences. Consolidation will continue as industry leaders fight to differentiate themselves to customers—we'll be watching to see which all-in bets pay off.

Video gaming's cloud revolution

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Cloud gaming is set to reshape the video gaming industry in the upcoming years, allowing a much broader base of users to stream high-fidelity games (those with advanced graphics and complex game mechanics) on any device without the need for expensive gaming consoles or PC hardware. The cloud gaming market projects to expand **by a 44% CAGR** through 2030, driven by rapidly improving high-speed internet infrastructures, evolving commercial models, and improved user experiences. Beyond the gaming experience, cloud gaming will also transform all levels of the video game value chain.

We predict that in 2025, both gaming consoles and PC hardware sales will decline, as consumers choose to spend instead on displays and streaming devices. 2025 will be a critical year for building cloud gaming capabilities across the value chain, and players must consider carefully where to invest.

FIGURE 7: Cloud gaming 2025 predictions across the value chain

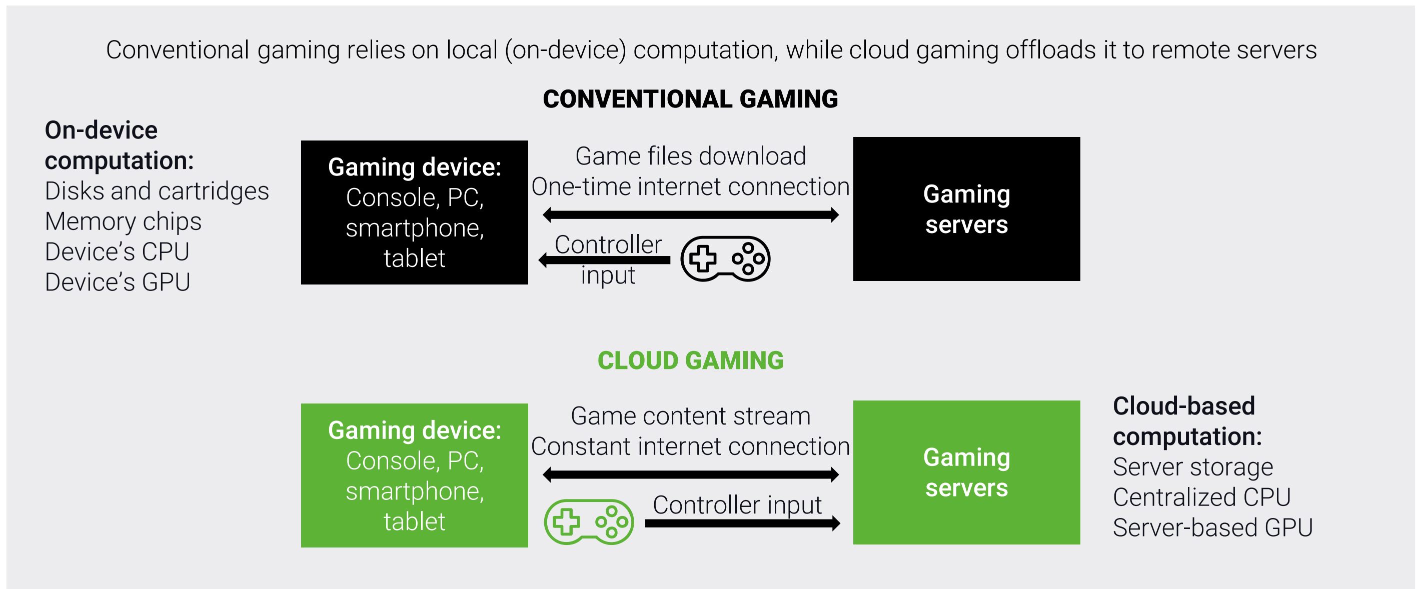
Layer	Predictions
Infrastructure layer Cloud & connectivity providers	• At-scale 5G / fiber roll-outs coupled with next-gen-AI-enabled virtualization software will further enable cloud gaming • More cloud service and content delivery network providers will enter the cloud gaming market
Development layer Developers & publishers	• Emergence of AAA games on mobile, requiring innovative user interfaces and game mechanics • Increased investment in server-native game development engines and game optimization for cloud platforms
Ecosystem layer Hardware & device providers	• Continued investment in cross-platform capabilities • Increased investment in dedicated cloud-gaming data centers • Xbox, PlayStation, et al. will continue to focus on console hardware sales in 2025, while meaningfully expanding no-console models
Distribution layer Digital storefronts	• Investments in cloud infrastructure—including partnerships with cloud service providers—will accelerate • Subscription models will continue to replace one-time purchases as the primary monetization lever for AAA games
Customer layer Gamers	• Spend will shift away from console and PC hardware to displays (TVs and monitors), accessories, and streaming devices • AAA games on smartphones and portable gaming consoles will gain traction as game and graphics processing shifts to the cloud

Source: AlixPartners analysis

How does cloud gaming work?

Cloud gaming encompasses various technologies that leverage the cloud to deliver all or part of the gaming experience. The most significant of these is cloud streaming. Cloud streaming has two components: running central processing unit (CPU) and graphics processing unit (GPU) intensive video games on powerful remote servers, and streaming the gameplay to users' devices. By shifting the considerable computing power required for gaming to the cloud, cloud streaming makes it possible to play high-fidelity games on any device with a display and an internet connection.

FIGURE 8: How cloud gaming differentiates from conventional gaming

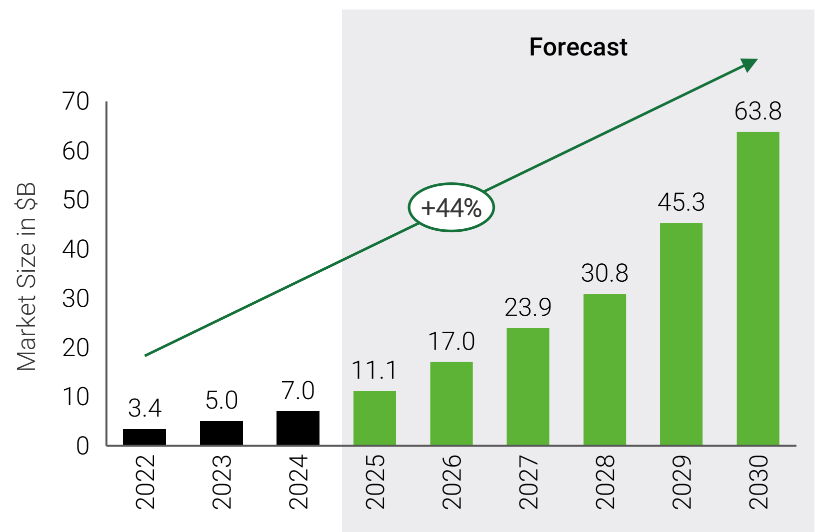


Source: GlobalData

Why is cloud gaming the future?

Cloud gaming offers vastly improved accessibility and cross-platform integration. It reduces consumer barriers to entry by eliminating the need for expensive hardware such as consoles or PCs, making high-quality games more affordable and available to a wider audience—though ongoing subscription prices will likely increase as cloud hosting and delivery costs are embedded within. This shift presents an opportunity for traditional PC and console game developers to expand their offerings on platforms such as smartphones, which account for **~50% of the global gaming market.** Additionally, cloud gaming aligns with current trends for seamless cross-platform experiences, allowing players to easily transition between devices while maintaining gameplay progress.

FIGURE 9: The cloud gaming market is poised to considerably expand



Source: Cloud Gaming – Worldwide | Market.us Forecast

What challenges does cloud gaming face?

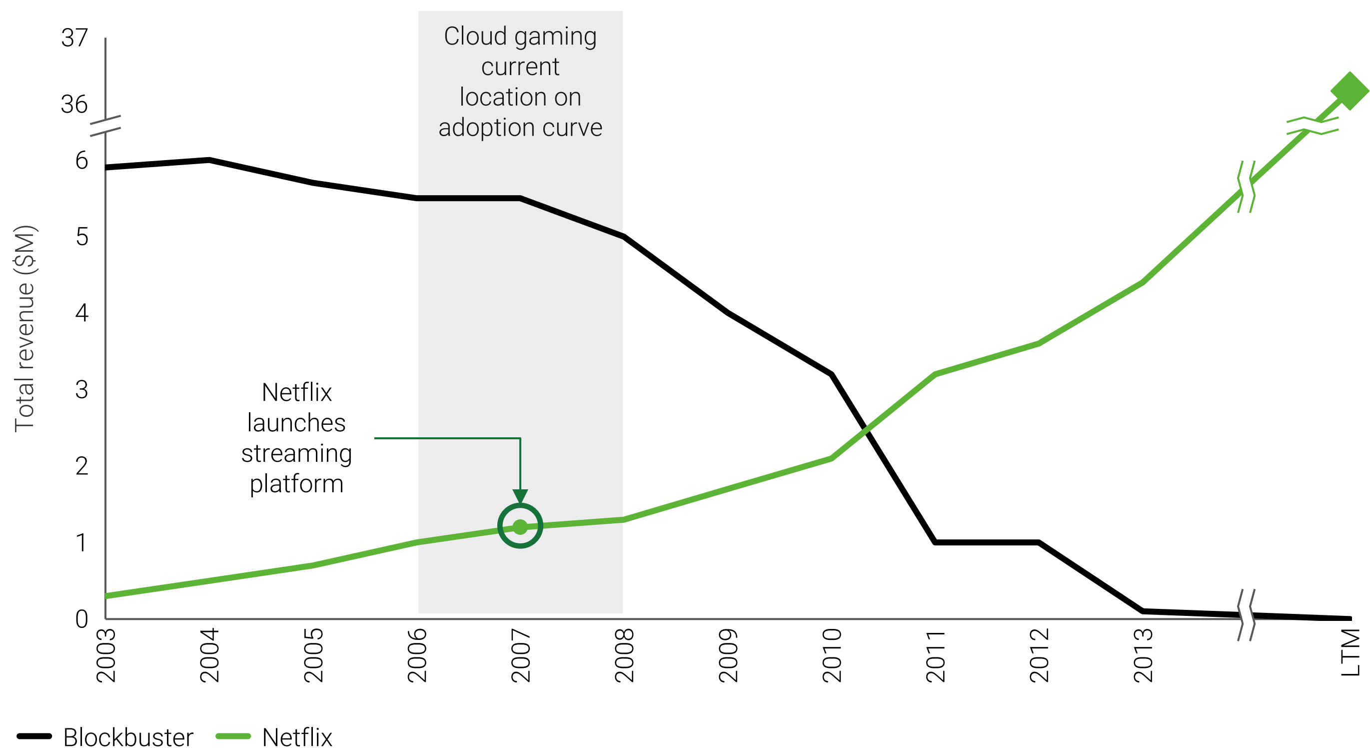
Despite its promising outlook, cloud gaming continues to face both technological and commercial constraints. On the technology front, necessary internet speeds, low latencies, and virtualization software are not yet widely available to allow for mass adoption. But 5G availability and fiber-optic infrastructure are advancing at pace, and AI and machine learning are continuously optimizing video compression and reducing buffering times, further improving the overall user experience. We therefore believe the technology constraint will soon be solved.

The transition to the right cloud-friendly commercial models, however, will prove more challenging. More specifically, four entities make up the large majority of games consumed on consoles and PCs (Microsoft, PlayStation, and Nintendo for consoles, and Steam on PC). While they are gaining momentum by bundling cloud gaming options with higher-end content subscription service offerings, these companies have not yet reached a tipping point. Cloud gaming will only see mass adoption once these storefronts incentivize it more effectively.

Xbox and PlayStation have offered cloud gaming for several years, but their focus has been on expanding cross-platform reach rather than reducing customer costs by eliminating console hardware. On Xbox Live, customers must subscribe to the most expensive "premium" plan to access cloud gaming. Steam, which makes most of its revenue by taking a percentage of one-time purchases rather than a subscription model, only offers cloud gaming via peer-to-peer, in which one player acts as the server and others connect to that player. To make a larger change, Steam would need to change its revenue model.

What may finally incentivize game distributors to prioritize cloud gaming is evidence that the **average revenue per user (ARPU) for cloud games seems to be on the rise** and set to surpass all other gaming mediums, apart from mobile, by 2027. **Once the commercial model problem has been solved, we expect a rapid shift from traditional to cloud gaming, with an adoption curve similar to that of video streaming—where over a period of 10 years, Netflix completely wiped away Blockbuster's advantage, leading to the latter's demise.**

FIGURE 10: Cloud gaming looks to follow a similar adoption curve to video streaming



Source: Company details, Capital IQ

Our prediction for the cloud gaming market in 2025

The cloud gaming market could reach $64 billion by 2030 (and $140 billion by 2032, according to Market.us), and continue to rise from there. **We predict a marked shift in consumer spending in 2025, as gamers eschew traditional hardware to instead spend on streaming devices and displays.**

Game developers, publishers, and distributors alike must focus on setting themselves up for success in both the immediate and long term to prepare for the cloud gaming revolution. Technological challenges will soon be resolved, allowing those who solve the commercial model problem to jump ahead in this lucrative, burgeoning industry.

Enhancing, rather than replacing, human creativity in TV and film

AUTHORS OF THIS CHAPTER:
Mark Endemaño and Catherine Brien

For decades, the creative industries have explored technology's potential to shape society, from the dystopian visions presented in movies like"Blade Runner" and "The Terminator" to the optimistic future of "A.I. Artificial Intelligence." But in recent years, AI has moved from on-screen fiction to real-world transformation—and with generative AI, the TV and film industries are at the epicenter of this shift. Yet AI isn't here to replace human creativity in TV and film; it's here to enhance it.

In 2025, we predict that AI will continue transforming the production cycle—not by eliminating creative jobs, but by providing new tools, redefining roles, and sparking synergies between creative teams and technology.

Rather than replacing artists, AI acts as an enabler

Pixar, a tech-born company, pioneered computer-generated imagery (CGI) to bring deeply emotional stories like "Toy Story" to life. Pixar's innovative use of CGI technology was never about replacing human artistry; it was about enhancing the production process and improving the quality of animated films. The technology was always in service to supporting character-led storytelling with heart. **We believe that AI will take on a similar supporting role with human creativity as the lead.**

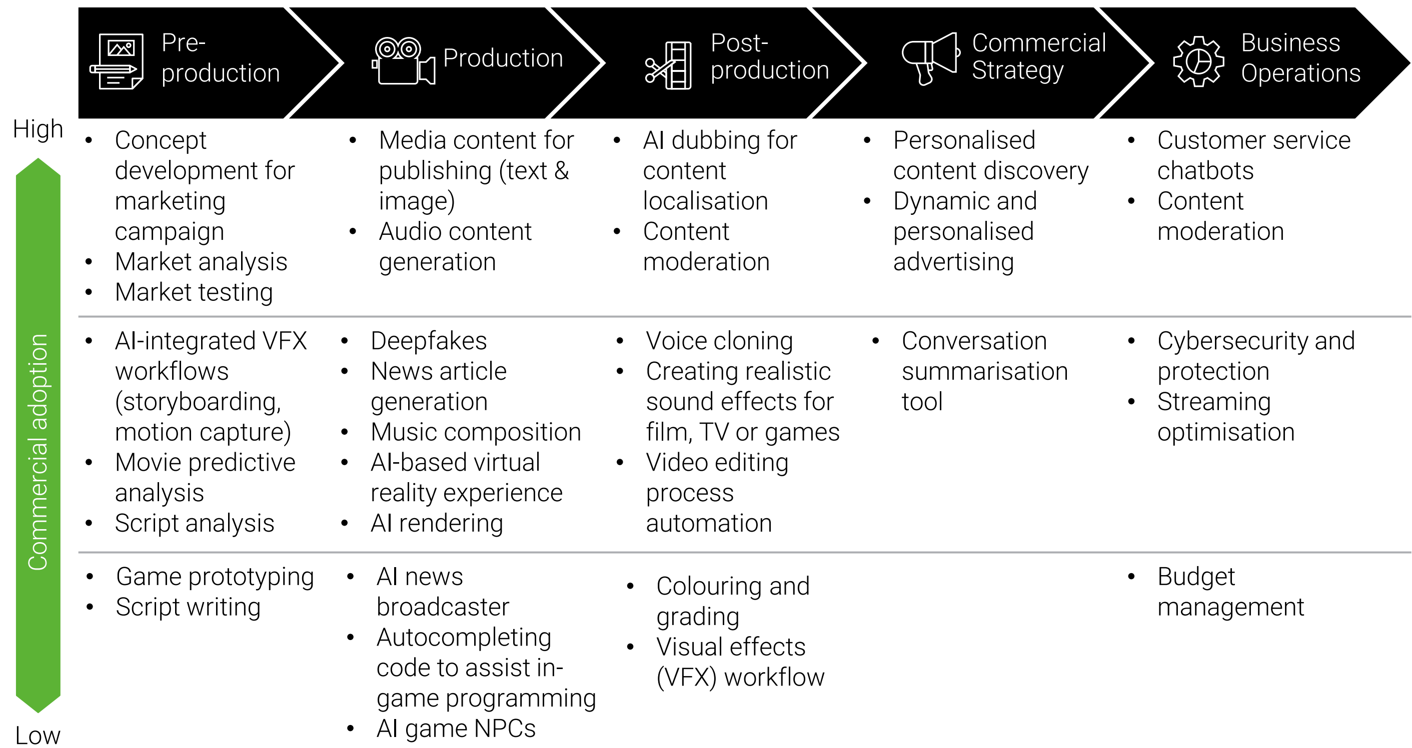
The Academy Award-winning "Everything Everywhere All at Once," described by **The New York Times** as a "metaphysical multiverse galaxy-brain head trip," provides a powerful example of AI complementing human creativity. Runway AI's green screen technology and stable diffusion were used to create the film's otherworldly scenes, seamlessly blending complex images to conjure the multiverse in visually compelling ways. Additionally, Filmmaker AI's background removal tool streamlined post-production, enabling the small visual effects team to achieve high-quality results within tight deadlines.

The 2023 SAG-AFTRA and Writers Guild of America strikes set a clear precedent: AI should serve as a tool to support, not replace, human talent. A year later, AI tools are gaining traction, with advertising creatives, studios, and filmmakers experimenting with generative AI use. Inevitably, adoption varies across the industry with mixed attitudes among artists. The overarching expectation is that lower-level work will be automated, releasing humans to bring their focus and creative talent to truly make a difference on projects. **In fact, we predict that in 2025 there will be a lack of creatives with the expertise and skills required to use the new AI tools available.**

Democratizing creativity and unlocking new possibilities

We believe that with thoughtful and pragmatic usage, AI tools have the potential to blend innovation and creativity to bring stories to life faster, at lower cost, and eventually at the required level of quality.

FIGURE 11: AI use cases span the entire value chain



Use cases that we predict will grow in 2025 include:

- Applications like Runway AI's text-to-video tool and Cinelytic's analytics and predictive film intelligence platform that are designed to plug into production workflows, helping studios and filmmakers streamline production tasks and make more informed business decisions.
- Tools like Pencil AI that can create high-quality, low-cost ads in minutes, with predictive analytics to test performance. ChatGPT also provides analytical capabilities, allowing industry players to create audience archetypes to test new TV programs.
- From a post-production perspective, we expect localization AI applications that improve dubbing and subtitling solutions to see a continued increase in usage in 2025. Platforms like Speechify, ElevenLabs, and Panjaya.ai simplify and expedite the process to dub audio and create closed captioning. This enables distribution companies to unlock incremental revenues in territories where localization costs have historically been prohibitive.

GenAI is rapidly improving, but in its current state, there are still limitations to what it can do and should be used for. At the highest level, this technology is not yet capable of handling full-scale film and TV production end-to-end. In addition, vendors in the pre- and post-production space are often newer entrants, catering to specific use cases and niche applications. **We predict that the output quality and efficacy of the best of these tools will continue to evolve through 2025.**

Studios need to identify a combination of tools and seamlessly integrate them into existing and improved workflows to optimize across various stages of production. Move.ai, for example, uses advanced motion capture to track human movement without the need for traditional suits. OpenAI's Sora is still in development with the intention to offer AI-driven support for tasks like script analysis and storyboarding, enhancing efficiency in early production stages.

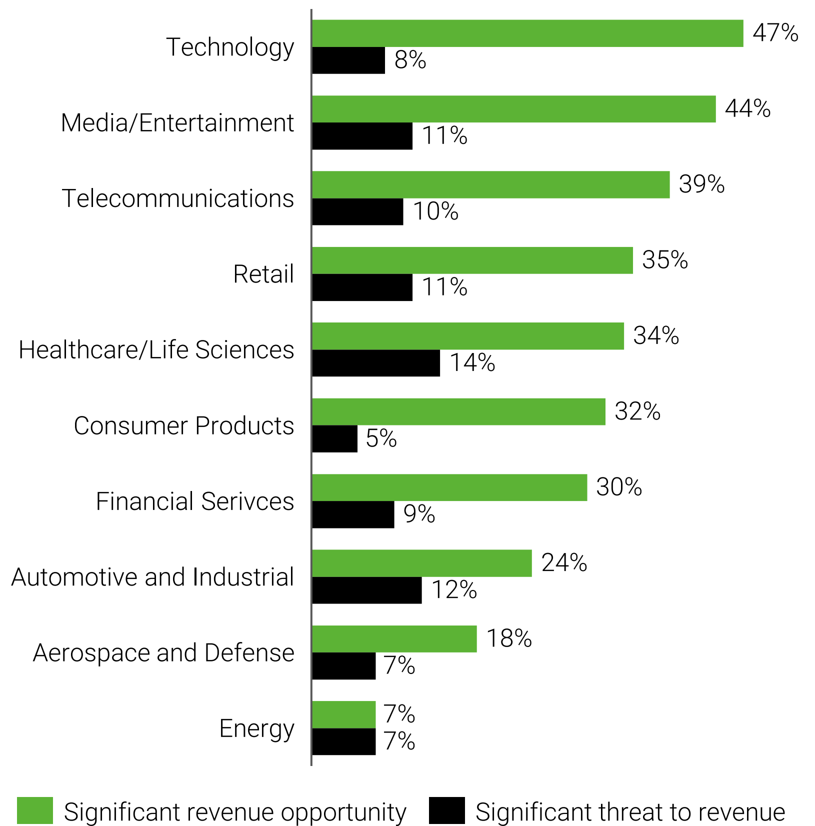
The increased stability, maturity, and improved functionality of niche, use-case-specific tools is essential. Companies need confidence that incorporating these tools into integrated pipelines doesn't create a single point of failure.

The media and entertainment sector is at the leading edge

Creative industries have always been at the forefront of new technology adoption, and this remains the case for this current wave of innovation.

According to AlixPartners' annual **Digital Disruption Survey**, 44% of media and entertainment companies see AI as a significant revenue opportunity. The companies that will thrive are those that thoughtfully embrace this disruption, adapting their business and commercial models to harness AI's potential for the future.

FIGURE 12: **Creative industry leaders see major AI upside**



Navigating IP and ethical concerns

While AI's upside potential for TV and film production is undeniable, it also raises serious legal and ethical challenges. As Deepak Chopra said, "Technology can be beautiful and diabolical, just like people." It's up to us which version of AI we create.

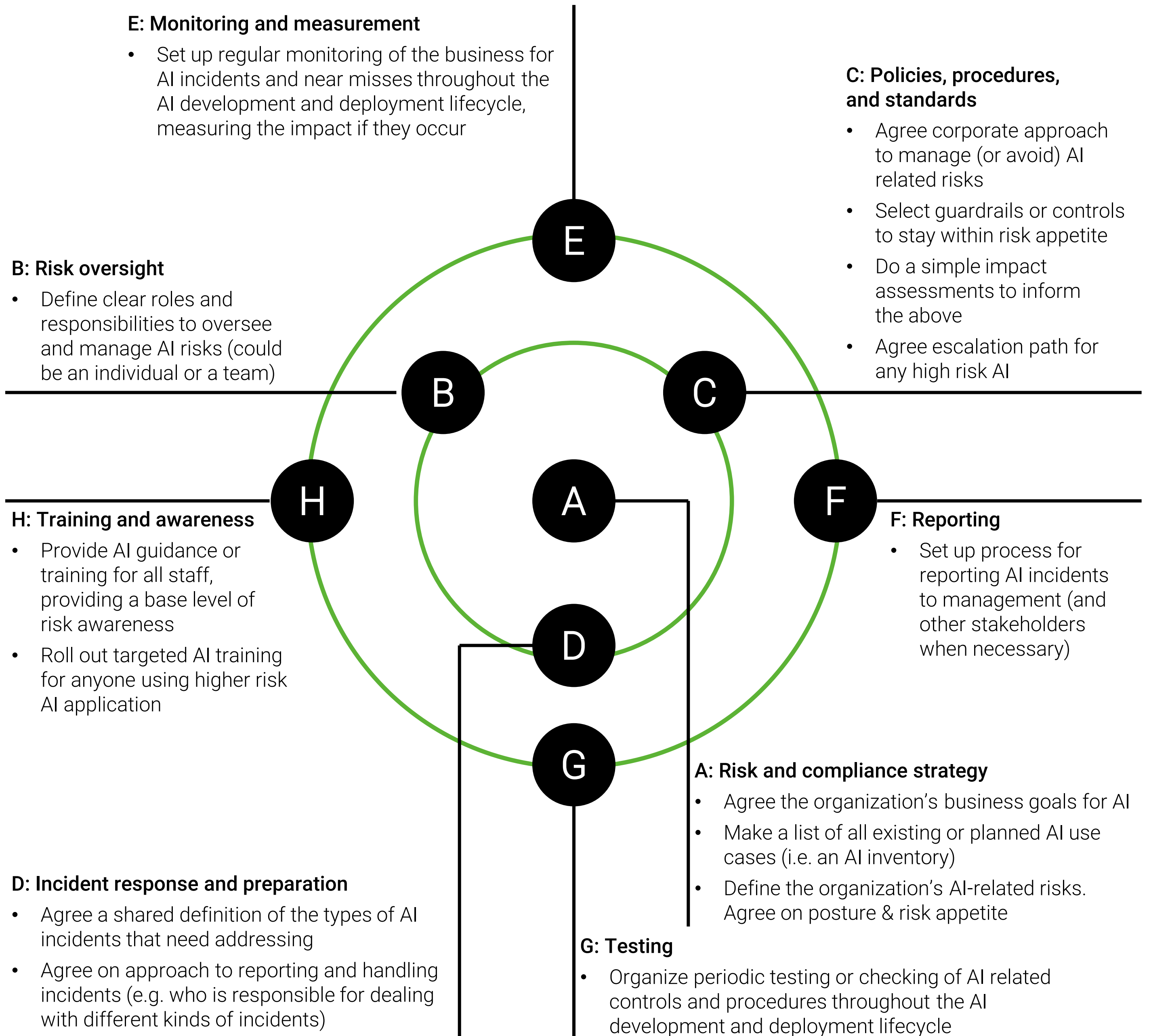
Many GenAI tools in the pre- and post-production space rely on copyrighted materials to train large language models (LLMs), raising the major issue of infringement risk. There is also the key consideration of whether the IP created using AI is afforded the same legal protections. With no clear standards, navigating these questions is complicating the use of AI in the creative landscape. A development which we expect to see take hold in 2025 is the use of proprietary LLM "walled gardens"—the concept of training an LLM with a limited database of information. For example, Lionsgate's partnership with Runway AI involves training a content LLM exclusively using cleared, in-house content.

As regulatory responses evolve in different ways around the world (**i.e. the EU's AI Act, which went into law in July**), entertainment companies will need to approach AI responsibly and within legal boundaries to ensure legal compliance and public trust. **This is a complex and thorny issue which is unlikely to be fully resolved in 2025.**

Practical steps for managing risk in the age of AI

We believe there are eight core building blocks for effective AI governance, each of which must be tailored to a company's particular AI strategy and appetite for risk. The essentials for each of these governance elements are outlined below:

FIGURE 13: Eight core building blocks for effective AI governance



E: Monitoring and measurement

- Set up regular monitoring of the business for AI incidents and near misses throughout the AI development and deployment lifecycle, measuring the impact if they occur

C: Policies, procedures, and standards

- Agree corporate approach to manage (or avoid) AI related risks
- Select guardrails or controls to stay within risk appetite
- Do a simple impact assessments to inform the above
- Agree escalation path for any high risk AI

B: Risk oversight

- Define clear roles and responsibilities to oversee and manage AI risks (could be an individual or a team)

H: Training and awareness

- Provide AI guidance or training for all staff, providing a base level of risk awareness
- Roll out targeted AI training for anyone using higher risk AI application

F: Reporting

- Set up process for reporting AI incidents to management (and other stakeholders when necessary)

A: Risk and compliance strategy

- Agree the organization's business goals for AI
- Make a list of all existing or planned AI use cases (i.e. an AI inventory)
- Define the organization's AI-related risks. Agree on posture & risk appetite

D: Incident response and preparation

- Agree a shared definition of the types of AI incidents that need addressing
- Agree on approach to reporting and handling incidents (e.g. who is responsible for dealing with different kinds of incidents)

G: Testing

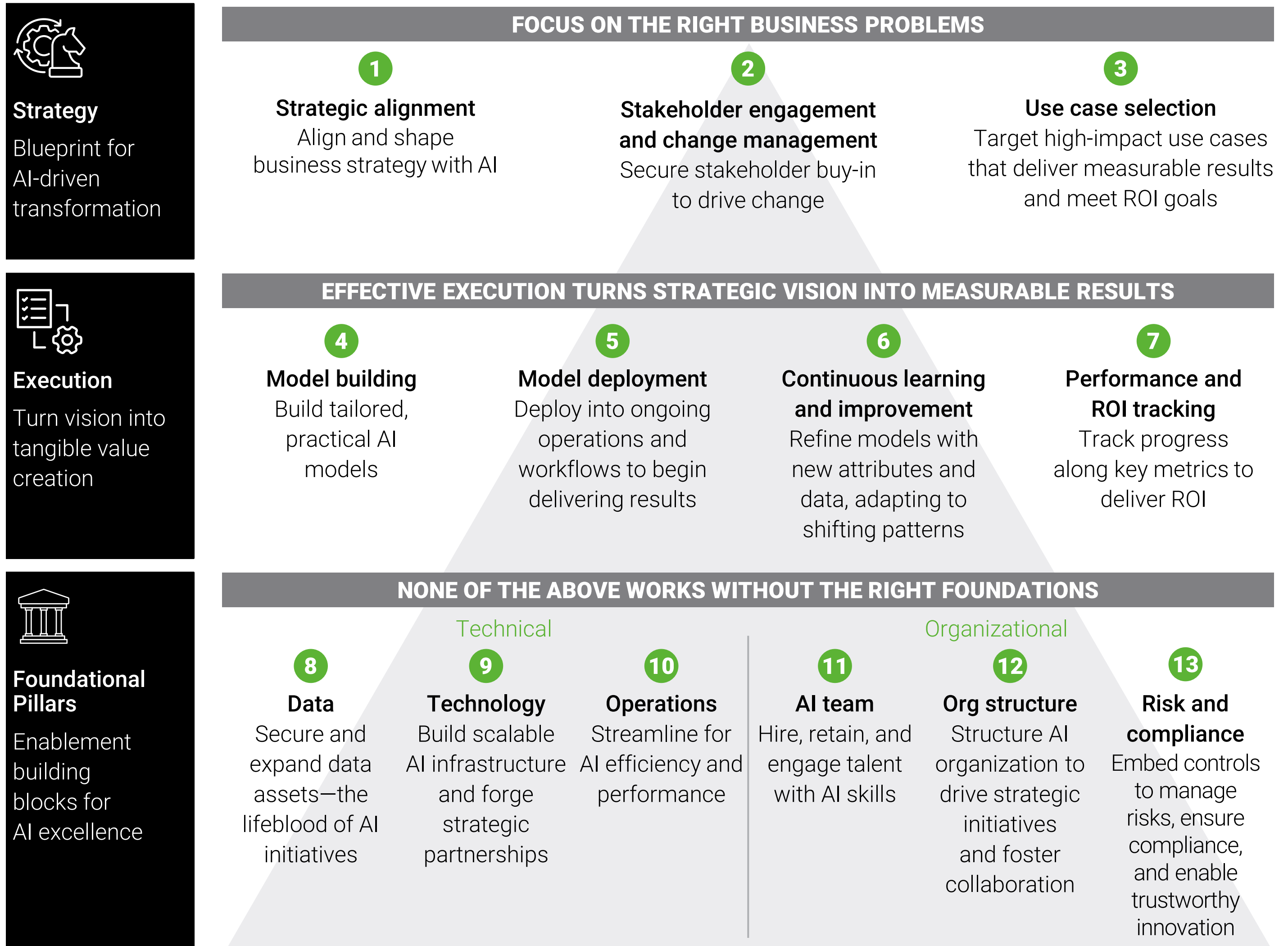
- Organize periodic testing or checking of AI related controls and procedures throughout the AI development and deployment lifecycle

Seizing the AI opportunity

It all starts with strategy—focus on the business problems that matter.

Success will depend on ***how*** companies embrace AI for high-impact use cases, prioritizing practical applications that deliver tangible results. No single tool can do it all, so choosing the right vendors—or more likely, a combination of them—to augment the existing creative toolset is essential across the production cycle.

FIGURE 14: AlixPartners' AI framework



AlixPartners' **"Practical AI for CEOs" playbook** digs into how to pragmatically apply AI to drive immediate value, while keeping an eye on emerging long-term use cases. In our experience, to succeed you must:

- Start by analyzing your **business strategy** and determine where AI fits.
- Focus on a finite set of **use cases** that are impactful—those that are feasible and scalable in the present.
- Get the **technology and data foundations** right—AI is nothing without quality data. And without a technology architecture and vendor strategy that lets you test, learn, and scale, you won't get far.
- Consider the **buy, build, and partner options**—look for available solutions that can get you there faster rather than falling into the "build-first" trap.
- Most importantly, take your **people on the journey** with you. This isn't just about technology—it's about transformation.

In 2025, we expect to see the greatest AI utilization across the TV and film industry for simple, measurable creative opportunities.

Our prediction for AI in the creative industries in 2025

Real magic can happen when human creativity and technological innovation come together in thoughtful ways.

Collaboration and interaction between AI models and creative people are key to harnessing the power of the tools. Will there be a labeled distinction in the future between AI vs. human content? Or will it quickly become hybrid content where it is indistinguishable where the human begins and the machine ends? This also requires commercially safe, ethically trained models with no risk of IP infringement to the creative output.

We don't foresee layoffs from AI integration in 2025 as production studios and filmmakers expand consideration and experimentation with GenAI use. Instead, this technology will drive efficiency, enable better decision making, and enhance storytelling. **In fact, we believe that in 2025 there will be a lack of creatives that possess the expertise and skills to effectively use the new AI tools available.**

At this stage, AI isn't here to replace human creativity. It's here to amplify it.

05. RETAIL MEDIA'S NEXT FRONTIER:
Transforming the advertising landscape

AUTHORS OF THIS CHAPTER:
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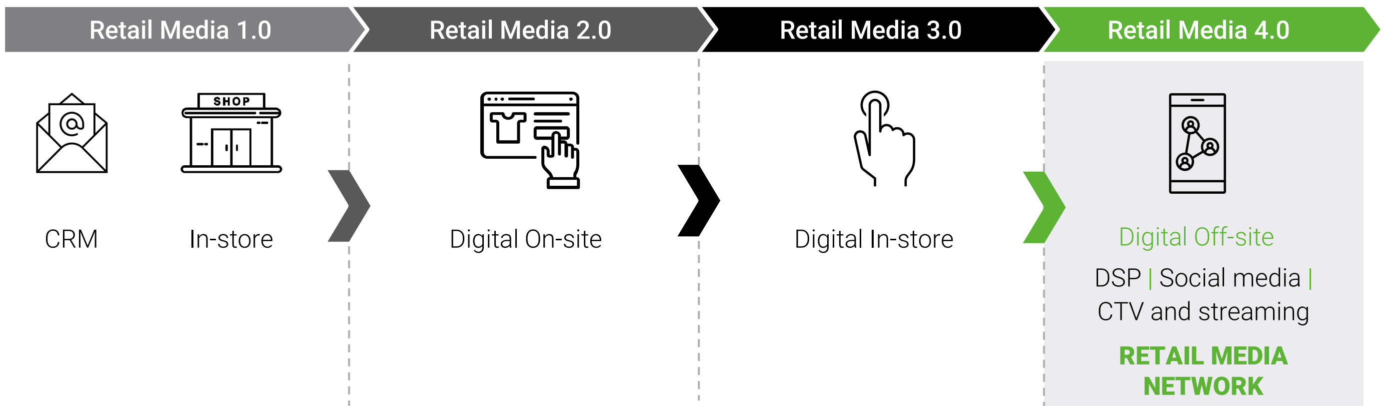
In our 2024 predictions report, we highlighted the shift in advertiser budgets toward digital platforms—particularly streaming services (from live and catch-up TV to pure streaming platforms) and retail media—at the expense of traditional channels. **Today, we observe the convergence of the streaming services and retail media trends, accelerating disruption within the media industry.**

The definition of retail media is evolving fast—and so is the revenue

Retail media, as defined by the Interactive Advertising Bureau (IAB), "encompasses the digital advertising space, retail data, and in-store opportunities that retailers or marketplaces own and make available for brands to run powerful ad campaigns."

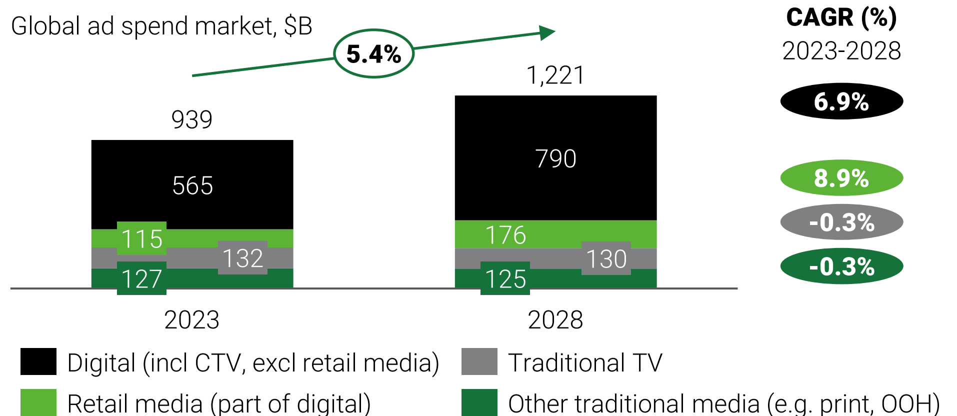
Retailers' first-party data—collected directly from their customers—enables hyper-targeted campaigns that don't just sell but resonate, boosting brand loyalty. But retailers are no longer confined to their own assets; they're reaching further, and the impact is huge. What started as basic ad placements on retailers' sites and in stores has transformed into a dynamic ecosystem where online, in-store, and third-party channels are interconnected, creating a holistic advertising powerhouse fueled by rich first-party data.

FIGURE 15: The retail media ecosystem



Retail media is one of the fastest-growing segments in digital advertising, projected to reach 18% of total digital ad revenue by 2028[1]. The momentum is undeniable: Amazon Advertising has clocked an impressive 23% CAGR over the last three years, outpacing Google's 13% and Meta's 12%[2]. And it's not just the digital giants—traditional retailers such as Walmart ($4 billion), Target ($1.2 billion), and Tesco ($0.7 billion)[3] have made substantial investments and are poised to ride the wave. As a result, retail media is on track to surpass traditional TV advertising by 2026.

FIGURE 16: Retail media will overtake traditional TV



Source: Statista, Dentsu, eMarketer data and AlixPartners analysis

1. Statista, Dentsu, eMarketer data and AlixPartners analysis
2. Quartr Research
3. Company financials and IR reports

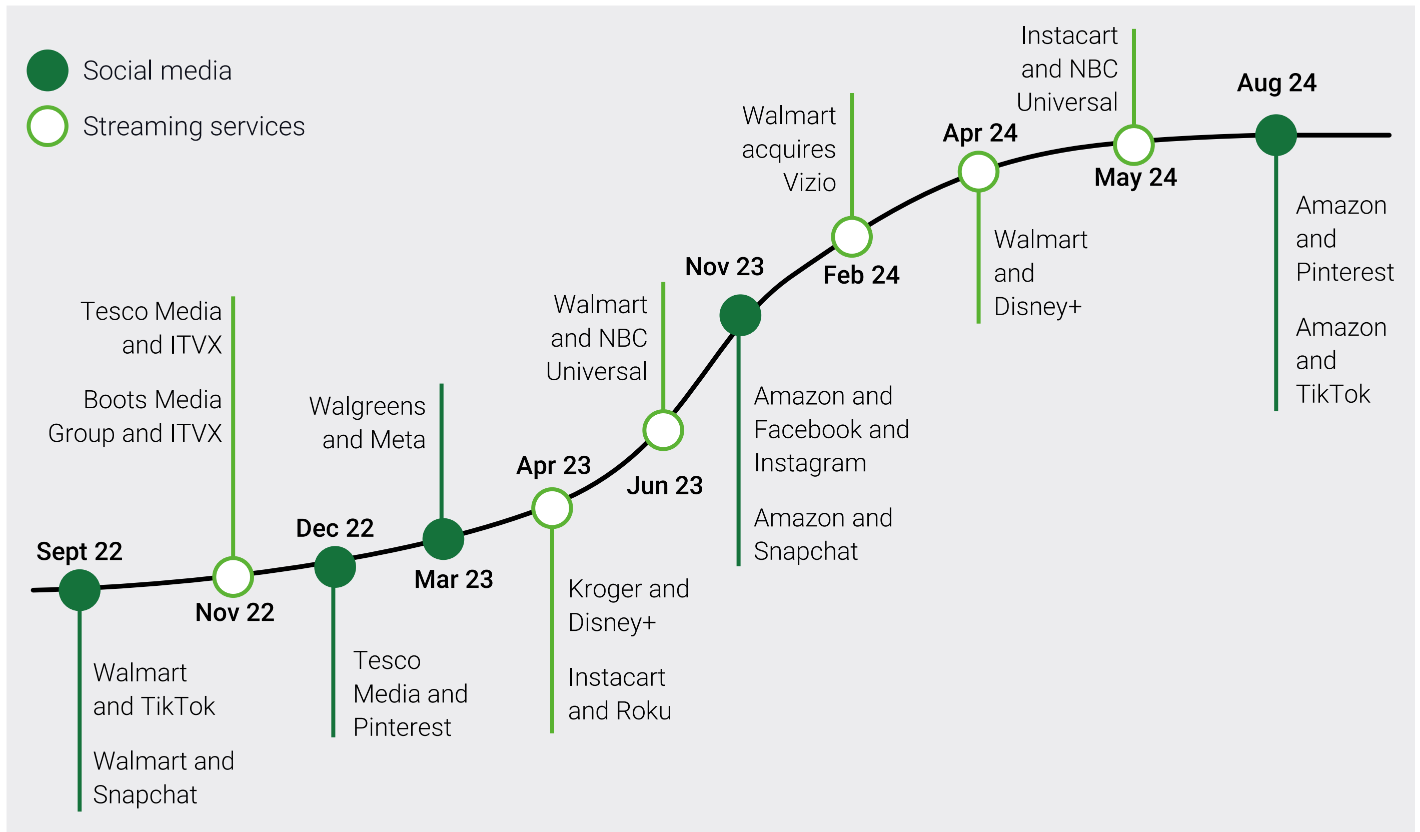
Retail media is at a pivotal moment. Between the e-commerce boom during the pandemic, the diminishing use of third-party cookies, and the quest for new revenue streams, retailers now stretch beyond their natural boundaries. **Here's what's next:**

Retail media and streaming services: The new frontier for advertising

In 2024, U.S. retail media spend is expected to soar to $55 billion, with CTV advertising following at $28 billion[4].

As both areas continue growing, we're witnessing new partnerships form between retailers and streaming services to create a seamless, connected experience for consumers. Imagine an ad journey that blends online shopping behavior with streaming habits—retail media is turning that vision into reality.

FIGURE 17: Retailer and media player partnership development timeline



By integrating the two, brands can leverage first-party retailer data for precise, personalized ad targeting and dynamic ad experiences This convergence offers brands a complete view of the customer journey, positioning retail media as a full-funnel solution.

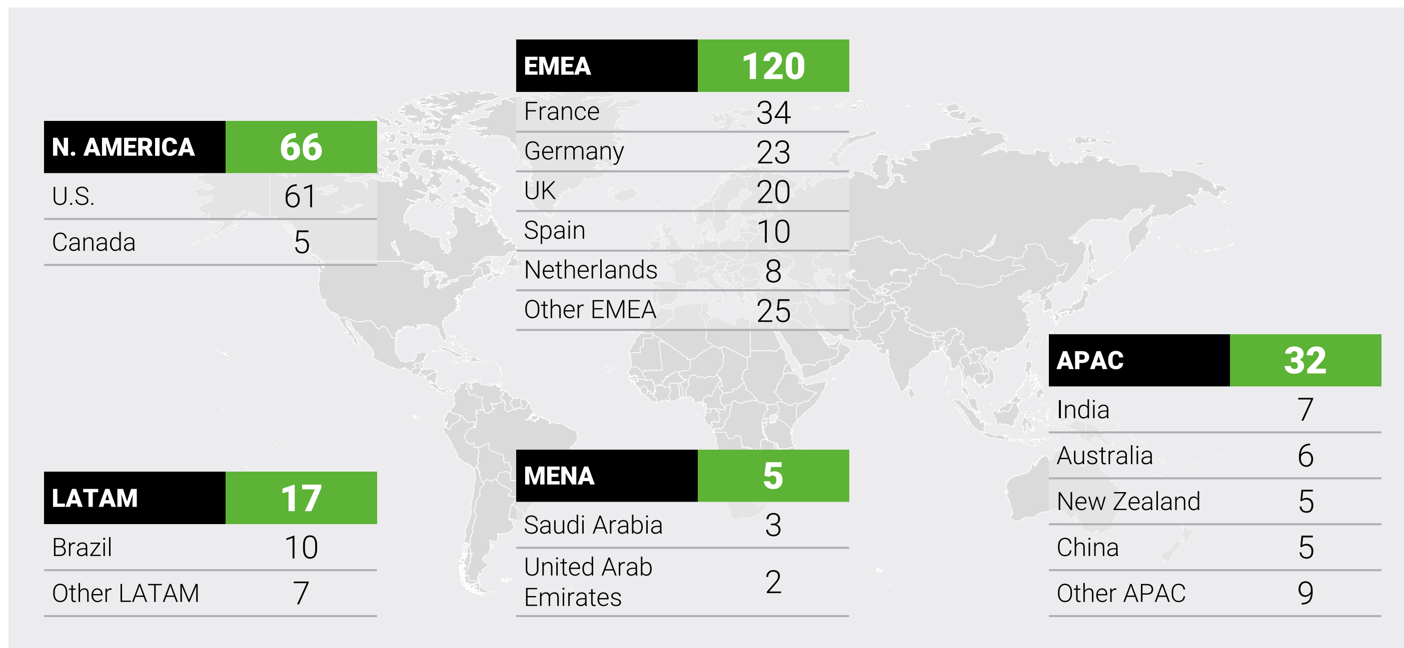
As more alliances form between retailers and streaming giants, they will redefine the industry landscape. And retailers are not stopping there. In the past couple of years, they have also partnered with social media networks to capitalize on social shopping trends, even forging unlikely alliances such as Amazon with Pinterest and Meta[5]

4. Statista, Dentsu, eMarketer data and AlixPartners analysis
5. Company press releases, AlixPartners research

The global play: Retail media goes worldwide

The majority of the 220[6] retail media networks today are located in North America (66) and Western Europe (95). Retail media networks first emerged in the U.S. 20 years ago and reached Western Europe within five years. This eastward expansion continues, and we believe will pick up pace in the near future, as e-commerce and digital transformation accelerate across the globe. More retailers will create retail media networks, leveraging their unique customer data pools to connect brands with audiences, offering new ways for advertisers to engage consumers.

FIGURE 18: Retail media networks by country in 2024



2025 will be the year media agencies double down on retail media

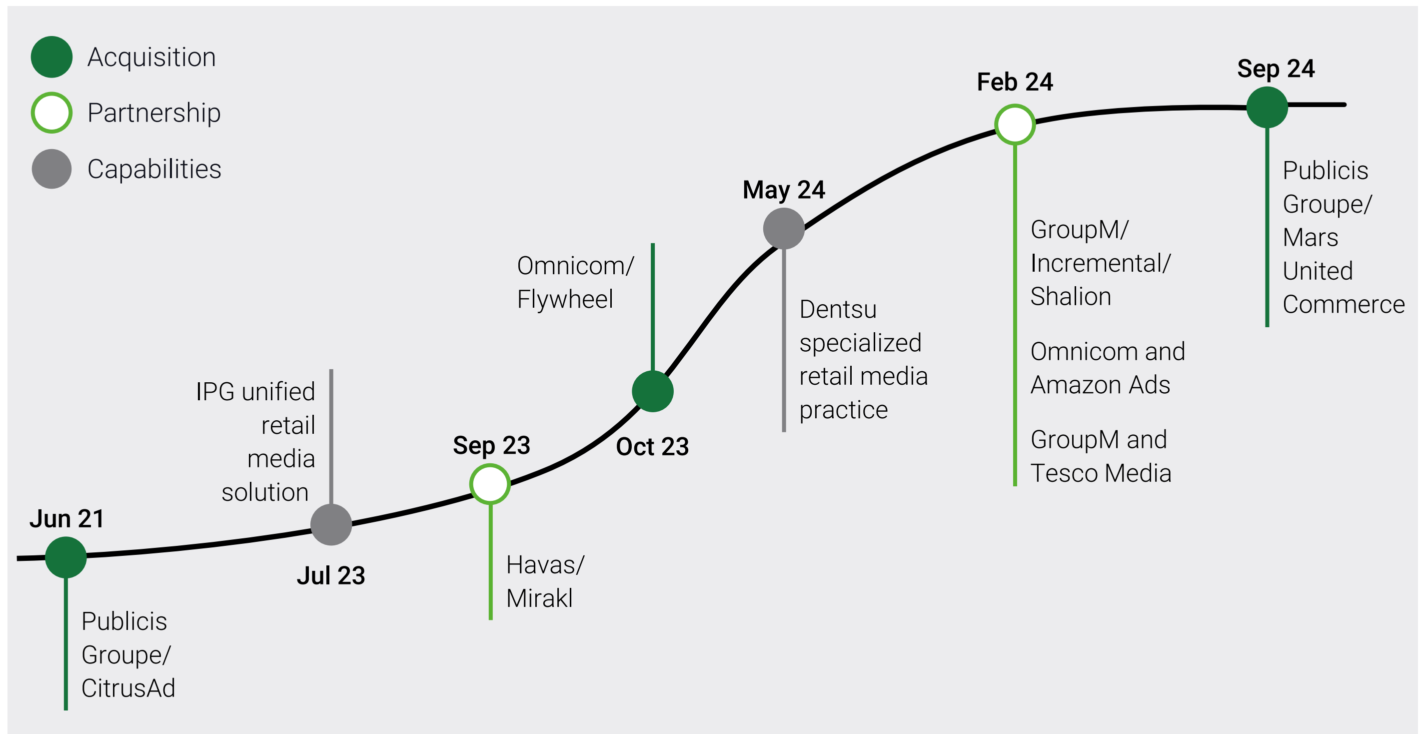
As retail media disrupts the advertising landscape, agencies need to juggle fragmented platforms, varying ad formats, inconsistent data structures, and differing targeting capabilities—all while developing and mastering new metrics and KPIs. This requires specialized skills and advanced data management systems.

In the past 18 months, agencies have stepped up to tackle these challenges head-on and integrate retail media into broader ad ecosystems by:

- **Building in-house expertise:** Agencies are cultivating specialized teams dedicated to retail media, ensuring they stay agile and meet the fast-evolving market demands (i.e., Dentsu's retail media practice). Some are even acquiring niche talent and companies to bolster their capabilities (i.e., Publicis Groupe and CitrusAd, Omnicom and Flywheel).
- **Investing in technology:** By developing proprietary tools, agencies are enhancing their targeting precision, streamlining integration processes, and improving measurement metrics, all to offer a more data-driven approach (i.e., IPG's unified retail media solution).
- **Partnering with platforms:** Collaborating directly with retail media networks, agencies gain exclusive access and optimized operations, which creates seamless experiences for their clients and maximizes media impact (i.e., Tesco Media and GroupM, Amazon Ads and Omnicom).

6. Mimbi

FIGURE 19: Acquisitions, partnerships and capabilities development timeline - Big Six agencies



In 2025, we expect the Big Six and regional media agencies to pursue more strategic acquisitions, partnerships, and capability development while they reevaluate their operating models and technology to fully leverage the potential of retail media across the globe.

Our predictions for retail media in 2025

The growth of retail media is transforming the advertising industry, offering significant opportunities but also introducing new challenges. As retail media expands to include streaming services and social media, media agencies and brands face increasing operational difficulty. Evolving operating models and capabilities will be essential to manage fragmented platforms, varied ad formats, and inconsistent data structures, alongside heightened data privacy requirements. Those that can adapt to navigate this complexity will gain a competitive edge, driving the future of digital advertising.

Our three core predictions for the retail media industry in the year to come are:

1. **Expect a surge of retailers strategically partnering with streaming platforms and social networks, expanding their digital footprint and impact on the media world.**
2. **Expect retail media to expand into new regions and countries as retailers increasingly invest in this high-margin revenue stream.**
3. **Expect to see more strategic acquisitions and partnerships, as well as evolving operating models, as agencies aim to strengthen their foothold in the competitive retail media landscape.**

The shake-up is happening, and it's going to be big. We're watching closely. Are you?

06. THE FUTURE OF SEARCH:

AI-driven disruption and diversification

AUTHORS OF THIS CHAPTER:
Lexie Perrotta, Stefan Hennessy, and Grace Lee

The rise of generative AI signals a paradigm shift for the search industry

In 2025, the worldwide search market is poised for transformation, driven by:

1. The rise of generative AI, which has introduced disruptive tools and formats.
2. Evolving consumer behavior, which shifts how people discover information online.
3. New challengers, which are gaining traction and threatening Google's long-standing dominance.

While it's still early days, the potential impacts on the search advertising landscape, search engine optimization (SEO) strategies, and the overall search experience are significant.

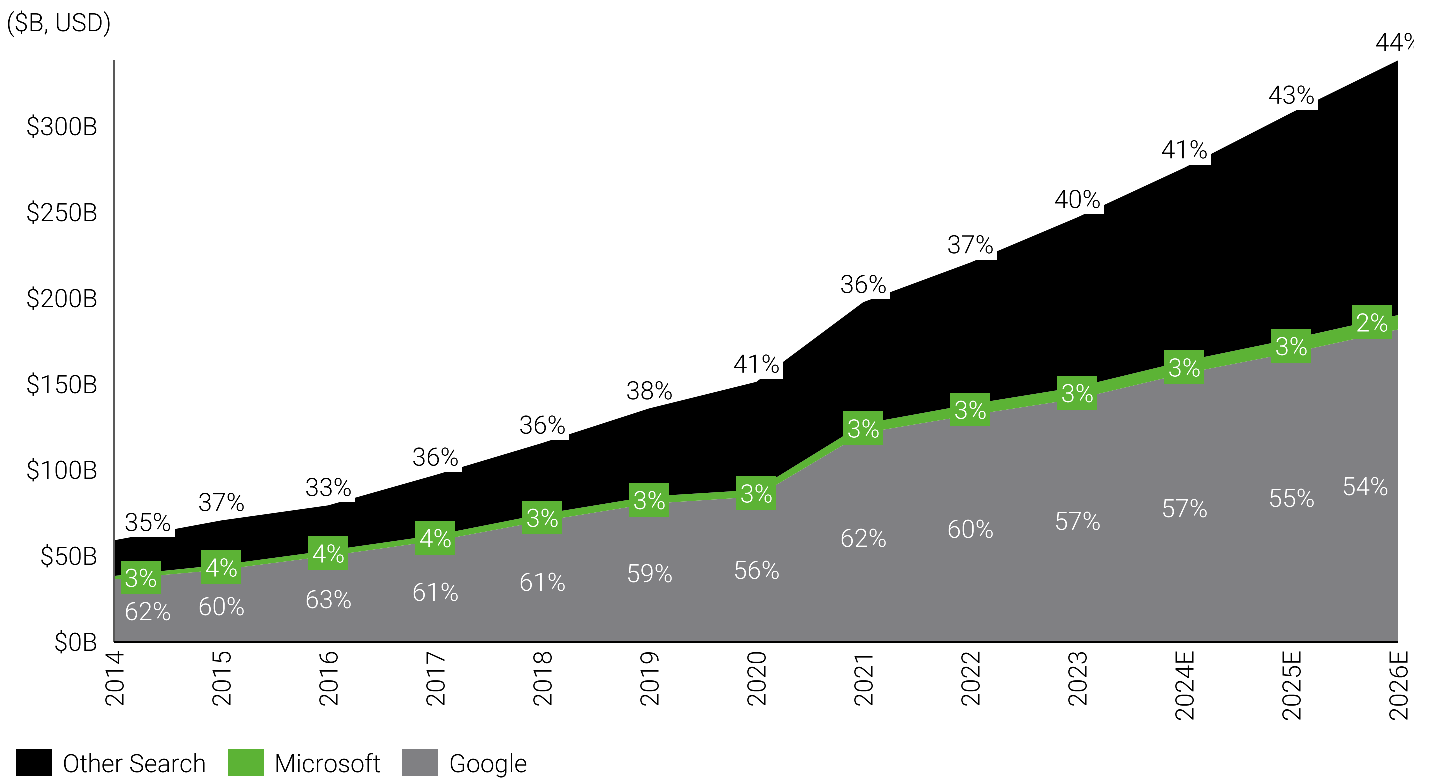
Google's decades-long dominance

Google has dominated search for over two-plus decades, claiming more than 90% of traditional search queries and processing two trillion searches annually.

However, the landscape is changing, and Google is now facing pressure from emerging challengers such as OpenAI, Perplexity, Amazon, and TikTok, in addition to fierce regulatory forces.

As of 2024, Google commands 57% of the $300 billion global search advertising market. However, this share is projected to decline as emerging search platforms gain traction in 2025 and 2026, signaling a new era of competition in the search industry.

FIGURE 20: Global search advertising revenues



Source: Insider Intelligence, eMarketer

Generative AI is at the center of search disruption

Generative AI democratizes search innovation, enabling new players to enter the market and reshape the user experience. While traditional leaders like Google and Bing are integrating generative AI into their platforms, they face increased competition from AI-native challengers—such as Perplexity, OpenAI, and Anthropic—that are moving fast to innovate in this space. Users can even set ChatGPT's search extension as the default search engine on all Chromium-based browsers, including Chrome, Edge, Brave, Opera, and more. Apple has also entered into a partnership with OpenAI to integrate ChatGPT into its iOS operating system.

At the same time, the emergence of open-sourced AI models is lowering the barriers to entry for social and retail platforms to develop advanced search tools. The result is a proliferation of options for finding information online, which is causing disruption in the search landscape.

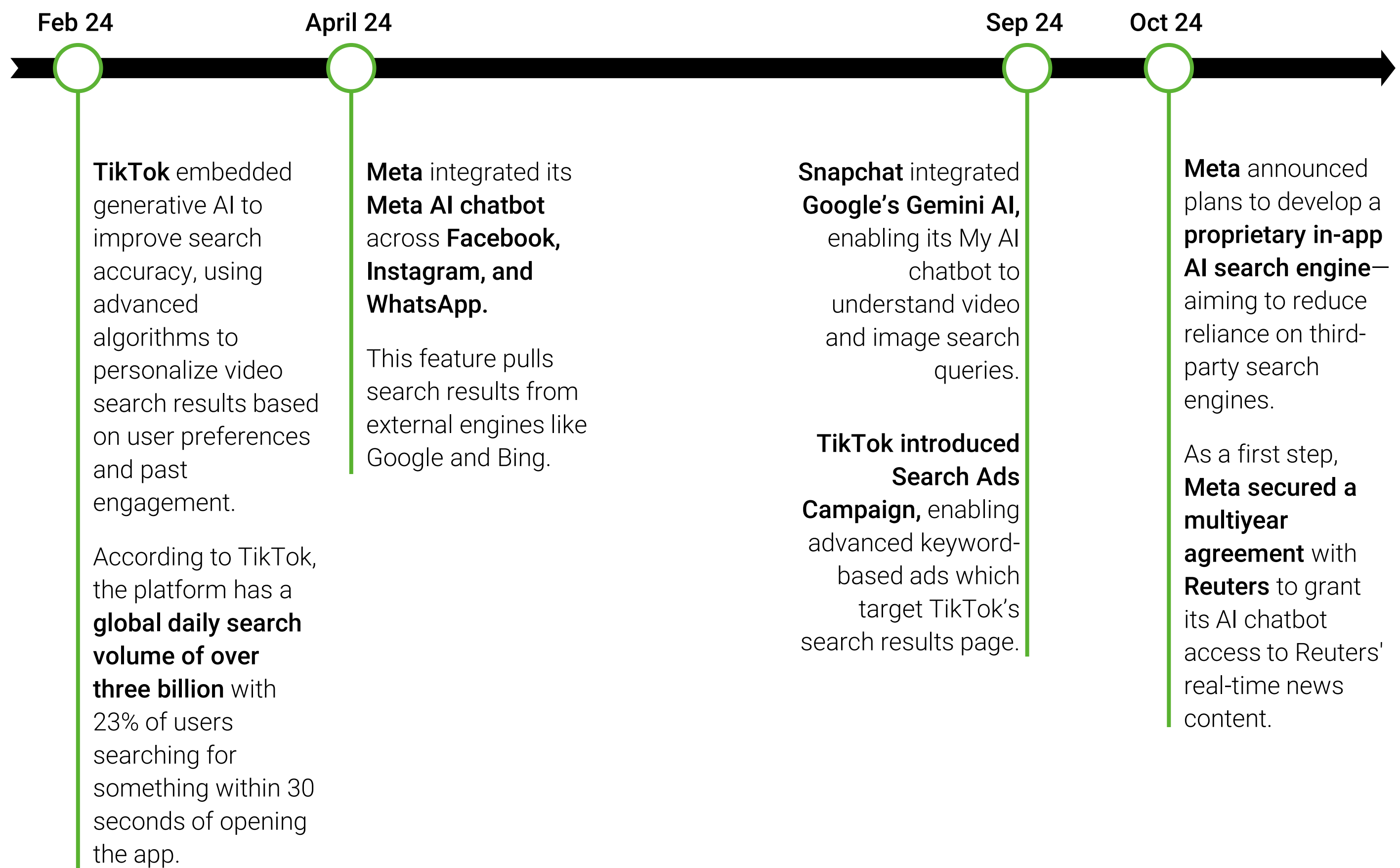
As users diversify their search habits—utilizing different platforms for shopping, recommendations, and information gathering—Google will face incremental competition. However, Google will remain the leading search provider and continue to grow its ad revenues in absolute dollars, expanding at an 8% CAGR over the next two years.

A diversifying search landscape

Social media platforms such as Instagram and TikTok have emerged as primary sources for real-time news, product recommendations, and community-driven content. In the age of AI, platforms like Meta, TikTok, and Snapchat are enhancing their in-app search features using generative AI to compete more directly with search giants. This strategic move aims to boost in-app search engagement and strengthen competitive positionings in the evolving search landscape.

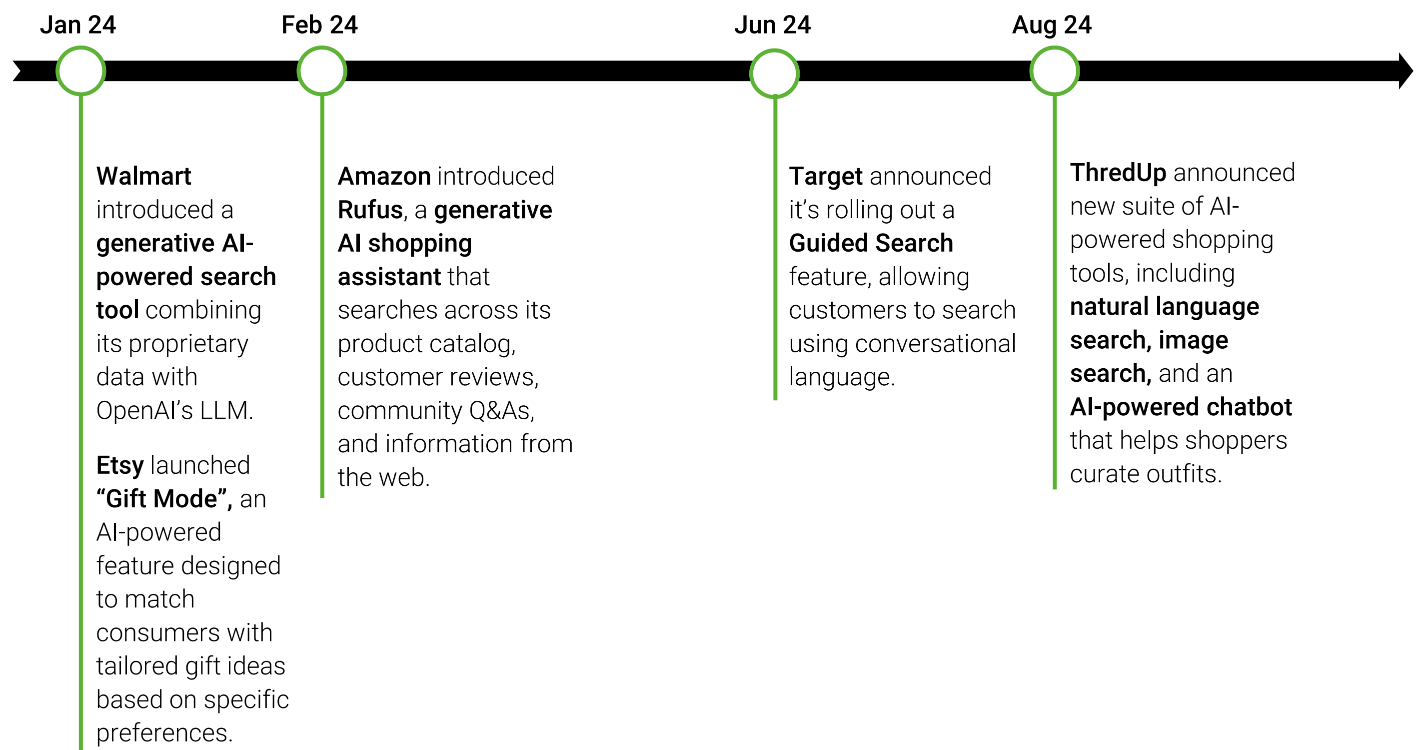
Meanwhile, retail giants like Amazon, Walmart, Target, and Etsy are transforming the online shopping experience through the use of generative AI search tools. By leveraging proprietary data and open-sourced LLMs, these companies are developing engaging, natural language search experiences that are tailored to their specific product ecosystems. For instance, Amazon has introduced Rufus, a generative AI shopping assistant that combines insights from its product catalog, customer reviews, community Q&As, and information sourced from the web. This innovation improves product discovery, enabling smarter and more intuitive searches directly on the retailers' platforms.

FIGURE 21: Recent GenAI search innovations by social apps



Source: WSJ, company press releases

FIGURE 22: Recent GenAI search innovations by major retailers



Source: News reports, company press releases

Looking ahead to 2025, Amazon and TikTok are best positioned to gain share of product search advertising revenue from Google. Both platforms are making strides by integrating advanced search capabilities as well as shoppable content and live shopping experiences—key trends shaping the evolution of search behaviors.

Emerging disruptive tools and formats

As the search landscape evolves, innovative tools and formats are beginning to arise. AI-powered chatbots like Google's Gemini, Microsoft's Copilot, ChatGPT, and Perplexity unlock a new era of possibilities for how consumers can search online.

Large language models (LLMs) are transforming traditional search by moving beyond keyword-based algorithms to conversational AI. These AI-powered search engines interpret natural language, understand context, and respond to complex queries with greater relevancy.

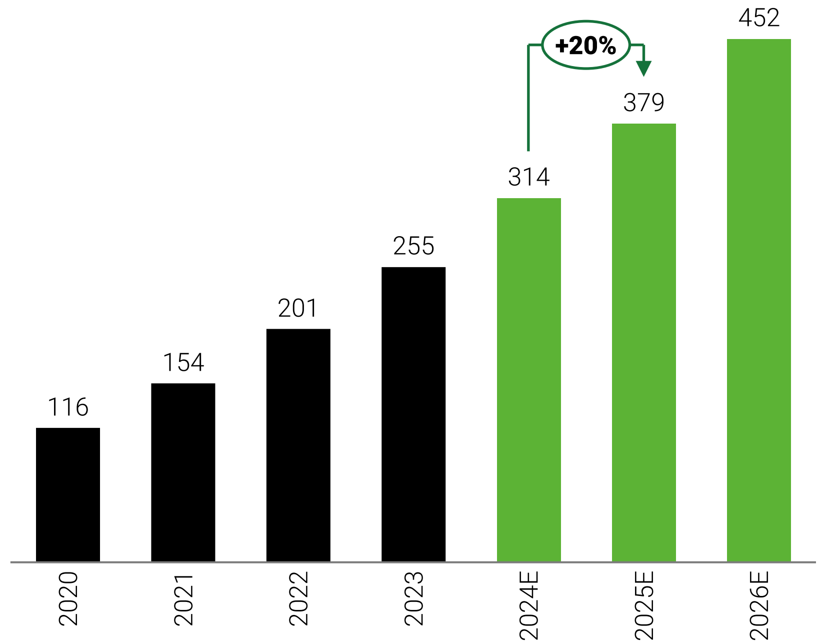
Unlike traditional search engines that generate a static list of links, AI-driven features—such as Google's AI Overviews—provide personalized, concise answers summarized at the top of search results. This change influences search behavior, as users may find information directly within summaries without scrolling down the results page or clicking on links, ultimately reducing direct traffic to websites. According to initial research, click-through rates for paid ads drop significantly when AI Overviews appear in search results **(from 21% CTR with no AI Overviews to 10% CTR with AI Overviews).**

In 2024, it is estimated that Google's AI Overviews will handle close to 60 billion search queries. While this is only 3% of its two trillion annual search queries, it's likely to increase rapidly over the next few years.

In comparison, Perplexity processes approximately **100 million queries per week,** translating to more than five billion annually. This represents nearly 9% of Google's 60 billion AI-driven queries.

The adoption of generative AI tools is projected to grow by 20% year-over-year in 2025, reaching 379 million users globally. This will directly correlate with an increase in AI search queries.

FIGURE 23: Global generative AI tool users



Source: Statista Market Insights

We predict that OpenAI and Perplexity will gain a larger share of AI-powered search queries in 2025, even though they will not surpass Google's volume of AI-driven search queries.

Impact on search advertising and SEO

To boost its growth, Google is experimenting with embedding ads directly in AI-generated search summaries. These native ads provide contextually relevant product and brand recommendations based on user queries. According to **New Street Research**, AI Overviews advertising is poised to account for a growing share of Google's search advertising revenues, generating 1% in 2025, 3% in 2026, and 6-7% in 2027.

We won't speculate on the outcome of the U.S. Department of Justice's decision regarding Google; however, the success of AI Overviews depends on various uncertain factors. This includes its ability to compete against emerging competitors that are experimenting with innovative monetization models and advertising formats.

Perplexity is notable amongst these competitors, and recently introduced "sponsored" follow-up questions and paid media positioned alongside AI-generated answers. This new format has gained initial interest from major advertisers like PMG, Indeed, and Whole Foods.

Related

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How can I tailor my resume for different job applications +

What are some common mistakes to avoid when writing a cover letter +

How can I make my LinkedIn profile more attractive to potential employers +

What are some effective strategies for following up after applying for a job +

Additionally, **Perplexity is adopting a revenue-share model** with its publishing partners for sponsored follow-up questions, including Fortune, Time, Entrepreneur, and WordPress. This innovative approach to monetization allocates a flat percentage of advertising revenue to publishing partners on a per-article basis. This means that each time a "sponsored" answer cites content from one of its partners, those publishers receive a share of the revenue.

Multimodal search

The future of search is increasingly multimodal, seamlessly combining voice, visual, and text-based queries to create more intuitive interactions between humans and technology.

Voice assistants are evolving with the integration of generative AI features. For instance, Apple is updating Siri to include ChatGPT, which enhances conversational search capabilities and improves accessibility to LLMs on devices. These rapid advancements will lead to greater user reliance on voice-enabled search as users demand more “hands-free” and natural exchanges.

Additionally, LLM features enhance visual search tools like Google Lens and Pinterest Lens. These improvements increase the accuracy of image-based queries and enable users to quickly identify products, objects, and other visual content.

The rise of multimodal search is introducing innovative advertising formats like dynamic visual ads that combine images, videos, and text to match user queries with relevant and engaging sponsored content.

The emergence of AI-powered search and innovative AI ad formats necessitates a shift in SEO strategies. In 2025, marketers will move to focus on optimizing content for AI-generated summaries and voice and visual search.

Traditional SEO tactics like keyword optimization, backlinks, and site speed are evolving to focus on optimizing content for LLMs and multimodal search. This shift emphasizes the importance of natural language processing and contextual relevance, making conversational tones and long-tail keywords critical for inclusion in AI-generated summaries.

At the same time, the deeper indexing of visual content underscores the need to optimize metadata—such as alt text, file names, and captions—to ensure seamless alignment with both visual and text-based search queries.

Our predictions for the search market in 2025

The transition to AI-powered search is still in its early stages. Users are unlikely to abandon traditional search methods entirely over the next few years, as they are valued for their simplicity, reliability, and effectiveness—not to mention, these habits have become engrained behaviors over decades. However, traditional search will be increasingly supplemented by AI chatbots and other innovative tools. With time, we will see habits shift as consumers adjust to the quality of search results via new platforms.

As the volume of AI-powered search queries increases and user adoption grows, search behaviors will change. In response, advertisers will cautiously and gradually experiment with AI ad formats, testing and refining their strategies as the landscape continues to evolve.

As a former Baidu chief product manager of search and corporate VP noted **about the future of search:** *"People won't come to search just for a query or a list of links—they'll come to complete tasks. By combining different tools, agents can do much more than search alone."*

In 2025, we predict that:

1. Google's share (percentage) of the search advertising market will continue to shrink, decreasing by low single digits (from 57% in 2024 to 55% globally and from 51% to 48% in the U.S.). This market shift is due to consumers increasingly adopting a multi-platform approach to search.
2. Amazon and TikTok will capture more share of product search advertising revenue, driven by their integration of shoppable content and live shopping experiences which appeal to Gen Z.
3. OpenAI and Perplexity will gain a larger share of AI-powered search queries in 2025, even though they will not surpass Google's volume.
4. Marketers will shift SEO strategies to focus on optimizing content for AI-generated summaries and voice and visual search.

07. M&A IN MEDIA:

An environment ripe for dealmaking

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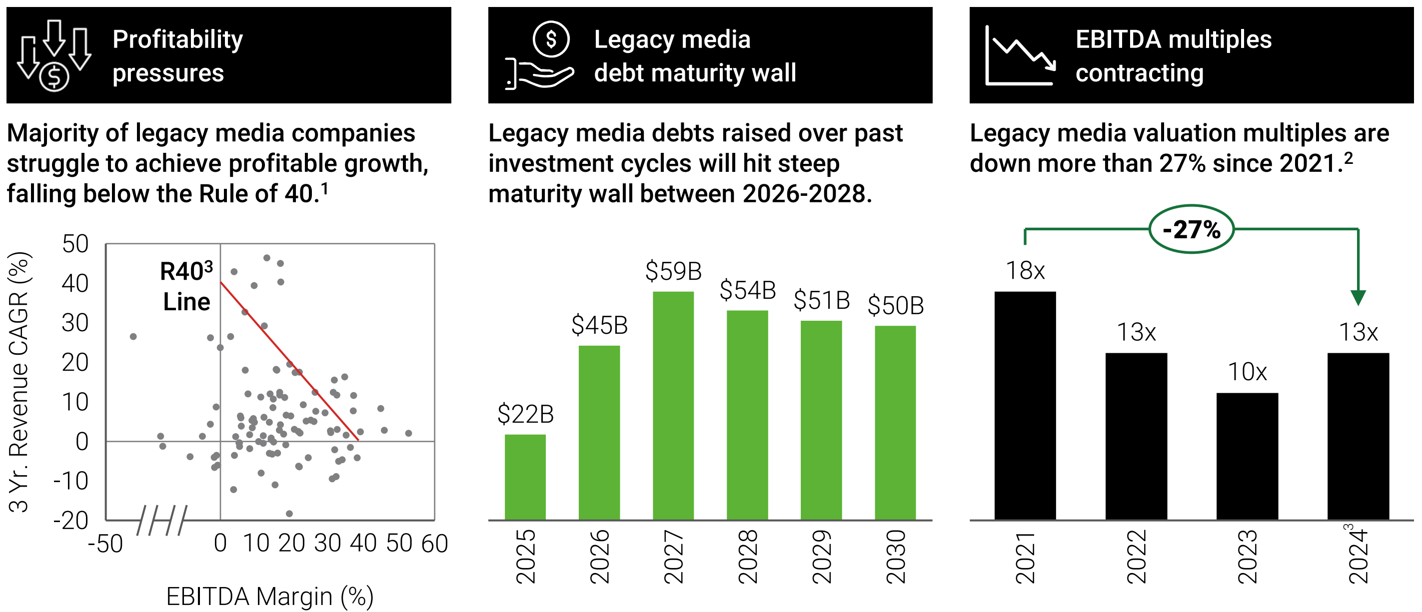
We expect media consolidation to rebound in 2025, driven by reduced regulatory scrutiny and lower capital costs

Each year, we evaluate the dealmaking landscape in the media industry, and this year's outlook is significantly more optimistic than last. Easing interest rates are expected to improve financing availability compared to the past two years, making M&A more feasible. Additionally, consumer purchasing power is stabilizing, which increases the attractiveness of B2C media assets to prospective buyers, creating a more favorable environment for deal activity.

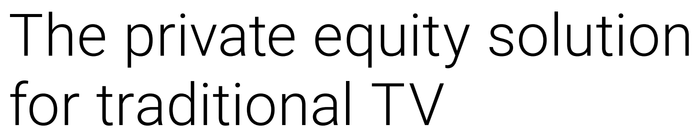
We also anticipate a shift in the regulatory landscape under the incoming U.S. administration. For instance, during Trump's first term, Disney acquired 21st Century Fox for $71.3 billion in a transaction many believe would not have succeeded under the Biden administration. In contrast, under Biden, the Federal Trade Commission (FTC) blocked the much smaller $2.2 billion sale of Simon & Schuster to Penguin Random House. These factors collectively set the stage for a more dynamic year in media M&A.

Improved conditions for dealmaking are likely to drive traditional media companies to divest underperforming assets. When coupled with fresh capital and a revitalized strategy, these carve-outs can unlock value and drive growth for both sellers and buyers.

FIGURE 24: We see three factors driving the opportunity for legacy media consolidation and carve-out activity



1. R40, or Rule of 40, states that healthy companies should have a combined growth rate and EBITDA margin of 40% or more
2. YoY comparison of EV/Revenues as of 11/21
3. LTM as of CQ3 2024
Source: Capital IQ, AlixPartners analysis based on ~100 public legacy media companies



The private equity solution for traditional TV

Traditional TV networks face significant challenges as their value continues declining despite generating substantial cash flow. With streaming services from companies like Disney, Warner Bros. Discovery (WBD), and Paramount Global reporting profitability, these companies are considering how to handle their legacy TV assets. One potential solution is to partner with private equity firms to extract value from these declining assets.

An example of how such assets can be repositioned through strategic dealmaking is TPG's acquisition of DirecTV. In 2021, AT&T sold a 30% stake in DirecTV to TPG, which helped slow the business's decline and generate significant dividends for both TPG and AT&T. TPG demonstrated that the company could benefit from operating independently, free from the constraints of a corporate parent. This success led TPG to acquire the remaining 70% stake in September 2024, underscoring its confidence in the model.

Major media companies like Disney, Comcast, WBD, and Paramount Global will likely adopt this strategy. In fact, as we prepared to publish this report, Comcast announced the spinoff of its cable channels including MSNBC and CNBC, positioning the assets for acquisition. **We predict that in 2025 at least one other such deal from a major network will be announced.** By collaborating with private equity firms, large media companies can offload their declining TV networks, allowing these firms to manage and potentially enhance their profitability. These partnerships help media companies clean up their balance sheets and offer private equity firms a lucrative opportunity for substantial returns. TPG's success with DirecTV highlights the potential benefits of this approach, and we expect this trend to gain momentum, especially in a new regulatory environment that may support such transactions.

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Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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