News release

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| *Contact* | **Alayna Francis, PwC**Tel: +1 646-319-5474E-mail: alayna.francis@us.pwc.com |
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**Entertainment and Media Businesses Raise Agility and Insight ──
Constant Digital Innovation the New Licence to Operate**

*Eight high-growth markets drive overall spending; but mature markets remain instrumental in the global shift towards digital consumption of entertainment and media (E&M) services*

## Consumers’ access to E&M content and experiences is being democratized around the world by ever increasing access to the Internet and explosive growth in the ownership of smart devices. According to PwC’s annual *Global Entertainment and Media Outlook 2013-2017*, growth in the industry will come from spending on digitally delivered media during the next five years, although most spending will continue to be on non-digital media.

## In response, E&M businesses are continuing to heighten their customer insight and transform their business models to become more agile, as constant digital innovation becomes the industry’s new licence to operate, the *Outlook* says. Overall, *Outlook* forecasts that global E&M spending will rise from US$1.7 trillion in 2012 to US$2.1 trillion by 2017, with a 5.6% compound annual growth rate (CAGR).

China, Brazil, India, Russia, the Middle East and North Africa, Mexico, Indonesia, and Argentina will see the most growth, nearly doubling their share of total E&M revenues by 2017 to 22% from 12% in 2008. The average CAGR for these markets is more than double that of the E&M industry as a whole. In addition, the impact of a growing middle class and increased urbanisation in these markets will help reverse the fortunes of some segments of the industry.

At the same time, more mature and technologically advanced markets within North America, Western Europe and Asia Pacific, will be instrumental in driving the global shift towards digital consumption of E&M services.

**Opportunities and challenges vary by market and industry segment**

As digital innovation and growth continues to dominate the E&M industry landscape, the strong momentum behind digital spending will trigger significant tipping points in many of the more mature markets of North America, Western Europe and Asia Pacific during the forecast period.

* In 2014, mobile Internet revenues, at US$259 billion, will account for over 50% of total Internet access spending, overtaking revenues from fixed-broadband. Mobile Internet spending is expected to exceed fixed broadband spending in the US and South Korea in 2013 and the UK in 2015.
* Digital E&M spending, encouraged by widespread ownership of smart devices, will constitute 44% of all spending in the mature markets by 2017, almost double the level in 2008 and up from 34% in 2012.
* Every territory is showing double digit growth in the online TV category (from a low base) with the mature markets clearly leading the way. The top 5 in 2012 were the US, the UK, Germany, France and Canada.
* The annual value of North America’s electronic home video market—both pay-TV and over-the-top (OTT) streaming services—will surpass box office value for the first time in 2017. North America’s electronic home video market will be US$14.78 billion in 2017 compared to box office US$13.5 billion.
* Mobile advertising is becoming a reality, with growth forecast across all regions over the next five years. A 27% CAGR will ensure mobile advertising revenues in excess of US$27 billion in 2017, representing 15% of Internet advertising revenues.

China, Brazil, India, Russia, the Middle East and North Africa, Mexico, Indonesia, and Argentina will see the most growth and will challenge the existing ranking of markets by revenue.

* While there is no change in the markets in the top 10, there is considerable reshuffling. Looking solely at consumer spending on E&M, China will rise from fifth in 2012 to third in 2017. While Brazil will reach number seven. India will surpass Australia but remain just outside the top 10 consumer spending markets.
* Brazil will surpass the UK, Canada and India in 2013 to become the third largest market for TV subscriptions (excluding licence fees). Brazil is one of the fastest growing markets for consumer spending within the subscription segment at 13% CAGR.
* When including all TV revenues, China will surpass both the UK and Japan in 2014 to reach the third spot (behind the US and Germany). China will also become the second largest TV market.
* Indonesia will be the fastest-growing TV market with 21% CAGR in revenues and a market of US$1.7 billion in 2017, while Kenya, Thailand and Vietnam also all show impressive growth (13%+ CAGR). In the mature markets of Europe, growth will generally be limited to 1-3%.
* The global trade-show business will be worth over US$36 billion in 2017, up from approximately US$29.4 billion in 2012. The US, Germany, France, the UK and Japan will again be the key markets. Following a fall in spending towards the end of the last decade, the out-of-home (OOH) advertising market will enter a sustained period of growth as spending increases from US$33.8 billion in 2012 to US$42.8 billion in 2017, a 5% CAGR, helped by innovative technologies and infrastructure improvements.
* Global newspaper publishing revenues from sales and advertising were US$164 billion in 2012, down from US$187 billion in 2008. However, after a period of decline, revenues will stabilise and remain at 2012 levels for the five-year forecast period. Continued expansion in growth markets will offset the longer-term declines in mature markets. A similar trend will also emerge in consumer magazine publishing.

Marcel Fenez, Global leader, Entertainment & media, PwC, said:

“The growing affluence of a rapidly emerging middle class consumer with a propensity to spend on entertainment and media experiences -- combined with improving infrastructure in many high growth markets -- is bolstering overall growth rates in a number of key segments. Universally, E&M companies need to invest in developing and distributing content in ways that compel customers to loyalty and take advantage of their tendency to engage in sharing content experiences. This will require enhanced digital media measurement tools and business models that respond to the changing patterns of consumer behaviour.”

**Industry trends are having profound effects on key stakeholders**

To harness growth and turn it into rising digital revenues, E&M companies of all types are evaluating their competitive advantages and redefining their positions with connected consumers. Every industry participant will need to invest in constant innovation in its products and services, its operating and business models and—most importantly—its customer experience, understanding and engagement.

*Outlook* findings showcase how current industry trends are impacting consumers, advertisers, content creators and digital distributors.

* ***Understanding new consumers is key***

Over the next five years and beyond, all E&M businesses will increasingly engage with a new and more diverse global customer base, with different needs and expectations. According to this year’s *Outlook*, a new middle class is emerging that increasingly accesses the Internet via mobile devices*. Outlook* predicts that Brazil, China, India and Russia alone will account for 45% of fixed-broadband subscriptions and 50% of mobile-Internet users by the end of 2017. E&M companies that profit will be those with the speed, flexibility and insight to engage an ever more diverse global base of connected consumers⎯by delivering personalised, relevant, and indispensable content.

* ***Consumers are increasingly in control but also increasingly confused***

Over the past five years, consumers have seen an explosion in their media choices. This year’s *Outlook* finds that this blizzard of consumption choices is creating confusion in the minds of the consumer and this extends to the legitimacy of the content they access.

PwC believes companies across the E&M industry must revisit their business and operating models. Smart and flexible distribution strategies based on consumer understanding will also help deter piracy.

### *From ‘mass media’ to ‘my media’*

Consumers increasingly want personalised experiences: *their* content on *their* chosen devices when *they* want it. This move to ‘my media’ can be seen in ‘cord-cutting’⎯where consumers abandon their pay TV subscriptions and instead access the content they want via cheaper, Internet-based content services. Although revenues from OTT services are forecast to reach just 6% of overall pay-TV revenues by 2017, operators must adapt their services to changing consumer expectations for more on-demand content. A further manifestation of ‘my media’ is consumers’ growing use of the ‘second screen’⎯smartphones and tablets⎯to comment on and share the experience of TV and other content with others, often via social media.

* ***Multi-platform analytics drive advertiser insights into the connected consumer***

*Outlook* found that advertising spending continues to migrate to new digital platforms. However, the traditional tendency to separate digital from other forms of advertising is questionable. The ability to attract advertising revenues in the future will depend on offering advertisers credible, cross-platform metrics that define and measure audience reach, engagement, and relevance.

* ***Content creators must understand what kind of content customers will pay for***

Content creators need to get closer than ever to the behaviours and needs of connected consumers. This includes harvesting data from social media, adapting the way products are created and distributed, and embracing new business models⎯including partnerships. The central role of content in attracting, engaging, and retaining consumers has been strengthened by the fragmentation of media choices.

* ***The race for content***

The rising value of content has fired the starting-gun on an industry-wide race to acquire it. There have been several major acquisitions of content assets in recent years, as consumers’ rising expectation access drives companies to focus on licensing and/or acquiring content, while developing deeper customer engagement and insights.

* ***Characteristics of new business models for content creators to engage connected consumers***

To ensure their content remains relevant and valuable, content companies must build new business models around five imperatives:

1. *Harnessing the power of second screens****⎯*** exploiting connected portable devices to deepen engagement and access the primary content.
2. *Continuing evolution of the windowing of video content*⎯meeting the needs of connected consumers.
3. *Bundling, in order to add value for content providers, operators and consumers*⎯ including a bundle of services for a ‘discounted’ rate.
4. *Overcoming the challenges of personalisation*⎯ understanding consumers while respecting their privacy.
5. *Encouraging and facilitating content discovery and recommendation*⎯helping confused, connected consumers navigate to the content they want.
* ***Digital distributors must deliver a differentiated experience to help deter piracy***

Tackling piracy in the connected era cannot rely just on consumer education and tighter regulation and enforcement. It means understanding consumers in order to deliver the right content to the right people, at the right time, place and price⎯via the right experience. It’s also vital to sign-post where the legitimate content is available.

Marcel Fenez concluded:

“The old rationale of the E&M industry was to achieve complete control over the content life cycle from development through distribution. The connected consumer is the ultimate game changer—control is now in the homes and hands of E&M customers. Now E&M companies have to not only offer engaging content, but also an exceptional digital experience. This puts a tremendous burden on E&M companies of all kinds to find that ideal balance of the right content at the right price at the right time through the right medium.”

**Notes to Editors**

**About the *Outlook***

PwC’s 14th annual update of the *Global Entertainment and Media Outlook 2013-2017*, is a comprehensive online source of global analysis for consumer and advertising spend. With like-for-like, five-year historical and forecast data across 13 industry segments in 50 countries, the *Outlook* makes it easy to compare and contrast regional growth rates and consumer and advertising spend. New this year, it also contains individual country commentary for all segments.Find out more at <http://www.pwc.com/outlook>.

**Press access to *Outlook* content online**

To request press access to the online *Global Entertainment and Media Outlook 2013-2017*, contact Katrina Jahnke at Katrina.e.jahnke@uk.pwc.com. This will allow you to illustrate this and other media stories both by extracting detail from the *Outlook* dataset and analysis at a segment and country level, and by creating charts on-screen that can be exported for use with your stories.

**Segments covered by the *Outlook***

TV subscriptions and licence fees, TV advertising, Internet access, Radio, Out-of-home advertising,
Video games, Filmed entertainment, Newspaper publishing, Consumer magazine publishing, Business-to-business, Internet advertising, Consumer and educational book publishing
and Music.

**About *Outlook insights***

Much of the content in this press release is taken from *Outlook insights,* which is drawn from data in the online *Global entertainment and media outlook 2013-2017*. PwC continually seeks to update the online *Outlook* data, therefore please note that the data in *Outlook insights,* and this press release,may not be aligned with the data found online. The online *Global entertainment and media outlook 2013-2017* is the most up to date source of consumer and advertising spend data.

**Digital Spending**

Digital spending consists of fixed broadband and mobile Internet access; satellite radio subscriptions; digital PC and console gaming; online and mobile gaming; electronic home video; digital newspaper circulation spending; digital consumer magazine circulation spending; digital trade magazine circulation spending; consumer, educational and professional eBooks; online and mobile Internet advertising and digital music.

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