News release

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Emerging Entertainment and Media segments show the importance of user experience

Rapid tech advances are driving direct-to-consumer strategies, marked by greater choice and user control

London, 7 June 2017 – Burgeoning entertainment and media industry segments such as virtual reality (VR), e-sports and music streaming illustrate an intensifying focus on users and the vital role of "fans" as a source of competitive advantage.

According to *PwC's Global entertainment and media outlook 2017-2021*, the consumer VR content market will grow at a compound annual growth rate (CAGR) of 77.0% over a five-year period and be worth US$15.1bn by 2021.[1] Meanwhile, total global e-sports revenue will rise to US$874 million in 2021, increasing at a 21.7% CAGR, and music streaming will experience a 20.7% CAGR over the five-year forecast period.

"Accelerating change in technology, user behavior and business models has opened up a gap between how consumers want to experience and pay for E&M offerings, and how companies produce and distribute them," said Deborah Bothun, PwC Global Entertainment and Media Leader. "The right user experience bridges this gap. To deliver it, companies must pursue two related strategies. First, build businesses and brands anchored by active, high-value communities of fans, united by shared passions, values, and interests. And second, capitalize on emerging technologies to delight users in new ways and provide superior user experiences."

Rapid advances in technology drive direct-to-consumer strategies

As companies compete to create the most desired user experiences, advances in technology are at the heart of their strategies. Combined with a great user experience, companies can harness technology and data to create a virtuous circle—one in which increasing consumer engagement and attention lead to the capture of more data and more insights into what users want. Increasingly the models used to achieve this monetization are founded on direct-to-consumer (D2C) strategies, enabled by technology and characterized by greater choice and user control.

[1] All figures in this release are taken from PwC's *Global entertainment and media outlook 2017-2021*.

“Amid an ever greater supply of media, businesses that are fan-centric will find themselves with audiences that are more engaged, more loyal, and spend more per capita,” said Christopher Vollmer, PwC Global Advisory Leader for Entertainment and Media. “To thrive in the experience-driven marketplace characterized by this year’s *Outlook*, companies need to attract and harness the economic, social, and emotional power of fans.”

E&M growth will lag GDP as advertising comes under pressure
PwC projects the entertainment and media will grow at a CAGR of 4.2%, lagging behind the growth of global GDP. Global advertising revenue will also grow at a CAGR of 4.2%—down from 5.1% in last year’s *Global entertainment and media outlook*. This slowdown reflects pressures on ad-supported business models, driven by consumers’ preference for ad-free experiences and advertisers’ dissatisfaction with the current measurement capabilities available with digital media. While advertisers are still willing to spend, growth in ad spend is now overwhelmingly driven by Internet advertising.

Mobile advertising is growing apace—but still needs better measurement practices
The growth of Internet advertising is being powered by mobile advertising, which grew by 58.7% in the past year, and will continue to expand at an 18.5% CAGR through 2021. But despite this growth, wired Internet advertising still accounted for 61.6% of total Internet advertising in 2016. Also, the robust growth of Internet advertising actually masks an embedded form of inertia. Without accepted measurement practices to provide transparency on the efficacy and efficiency of the major platforms, premium brands are reluctant to take on perceived risks in concentrating more of their advertising in digital mediums, resulting in larger agencies and their clients holding back their ad dollars.

Major digital tipping-points are occurring or in prospect across all segments...

- **Internet advertising now generates more revenue than TV advertising globally.** Revenue from global Internet advertising in 2016 for the first time exceeded that generated by TV advertising.
- **Internet video revenues will overtake physical home video for the first time in 2017.** Internet video revenues are projected to grow at a CAGR of 11.6% to reach US$36.7 billion in 2021, while the terminally declining market for DVDs and Blu-rays will have fallen to US$13.9 billion.
- **Global newspaper circulation revenue overtook global advertising revenue in 2016.** By 2021, global total newspaper circulation revenue will account for 54.0% of total newspaper revenue.
- **In 2016, total digital recorded music revenue overtook physical—and streamed music overtook downloads.** Music streaming services grew apace during 2016, pushing global digital revenues up by US$1.8 billion year-on-year, or 20.3%, as the physical segment declined 9.6%. Digital music streaming revenue also overtook its download counterpart in 2016, with streaming revenues rising 65.3% to US$6.6 billion, and downloading revenue slumping 18.4% to US$3.5 billion.
- **Virtual reality video revenue will exceed interactive application/gaming revenue in 2019.** Of the US$15.1 billion in total revenue projected for the consumer VR content market in 2021, US$8.0 billion will be spent on VR video (rising at a CAGR of 91.2%), surpassing interactive experiences and games in 2019.
- **Smartphone data traffic will exceed fixed broadband data traffic in 2020.** Fixed broadband will continue to account for the majority of data traffic in the 19 markets for which we

have developed detailed forecasts. By 2020, overall smartphone data traffic across these 19 markets will exceed fixed broadband data traffic for the first time.

- **Global physical OOH revenue will slip into decline in 2019.** As an ever-growing share of advertising spend is diverted to digital out-of-home (DOOH), global growth in physical out-of-home (OOH) revenue continues a downward trend, and will slip into decline in 2019, falling by -0.2%. By 2021, the rate of year-on-year decline will have accelerated to -0.8%.

...and in geographies worldwide

- **Without exception, low-spending markets will be the fastest-growing.** The world's fastest-growing E&M market over the coming five years will be Nigeria at a 12.1% CAGR (albeit strongly influenced by surging spending on mobile Internet access), while the slowest-growing will be Japan, growing at a 1.7% CAGR.
- **China's total number of cinema screens now exceeds those of the US.** China's 41,056 cinema screens in 2016, compared to 40,928 in the US, underlines the growing popularity of cinema among Chinese audiences of different ages and demographics. Box office revenue in Asia-Pacific is expected to rise at a 7.9% CAGR in the next five years. By 2021, Asia-Pacific box office revenue will significantly eclipse that of North America.
- **Data consumption in Russia will overtake Japan in 2020, but the US and China together will account for nearly half of all data traffic.** PwC's analysis of data traffic in 19 countries shows that the US and China will continue to dominate traffic globally. However, the fastest levels of market growth will come from elsewhere, notably Russia and Brazil.
- **By 2020, Asia-Pacific will be the most digitised OOH region.** High public transport usage and surging infrastructure investment across Asia-Pacific creates increased room for growth in DOOH. As a result, Asia-Pacific is projected to overtake North America as the most digitised OOH region in 2020; by 2021, Asia-Pacific DOOH will account for 47.7% of OOH revenue in the region.

"In many of the largest markets, and hence in the industry as a whole, entertainment and media businesses are approaching or have reached a form of saturation," said Bothun. "This effectively puts us on an industry plateau—one where some traditional, mature segments are in slow growth or decline, the Internet and digital E&M content are growing but at a slowing rate, and the next wave of content and entertainment is in areas such as e-sports and virtual reality that are just beginning to ramp up."

There are immense opportunities for navigating and thriving within the challenges of a mature market, technological change and regulatory uncertainty. Not all markets or segments are slowing or in decline. Moreover, not all growth opportunities are captured in E&M revenue spend categories. The data, analysis and perspectives in our *Global entertainment and media outlook* provide compelling insights into how companies are adapting, investing, experimenting, and innovating to succeed in this new world.

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Press access to *Global entertainment and media outlook* content online
To request press access to the online *Global entertainment and media outlook 2017-2021*, contact Nicholas Braude at nicholas.braude@pwc.com. This will allow you to illustrate this and other media stories both by extracting detail from the *Global entertainment and media 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.

About the *Global entertainment and media outlook*
PwC's 18th annual edition of the *Global entertainment and media outlook 2017-2021*, is a comprehensive online source of global analysis for consumer and advertising spend. With like-for-like, five-year historical and five-year forecast data and commentary across 17 industry segments in 54 countries, the *Outlook* makes it easy to compare and contrast consumer and advertising spend across segments and countries. Find out more at www.pwc.com/outlook.

Segments covered by the *Global entertainment and media outlook*
Books, Business-to-business, Cinema, Data consumption, E-sports, Internet access, Internet advertising, Internet video, Magazines, Music, Newspaper, Out-of-home advertising, Radio, Traditional TV and home video, TV advertising, Video game, Virtual reality.

About *Global entertainment and media outlook* data
Much of the content in this press release is taken from data in the *Global entertainment and media outlook 2017-2021*. PwC continually seeks to update the online *Global entertainment and media outlook* data. Therefore, please note that the data in this press release may not be aligned with the data found online. The online *Global entertainment and media outlook 2017-2021* is the most up-to-date source of consumer and advertising spend data.

About PwC
At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.