Global entertainment and media outlook 2014-2018

Seizing the initiative...
The industry segments
Internet and video games continue to outperform the other sectors....

Global growth in aggregate spending (2013 – 2018 CAGR)

- Internet advertising: 10.7%
- Internet access: 9.0%
- Video games: 6.2%
- TV advertising: 5.0%
- Total: 5.0%
- Out-of-home advertising: 4.7%
- Filmed entertainment: 4.2%
- Business-to-business: 3.3%
- TV subscriptions & license fees: 3.3%
- Radio: 2.5%
- Music: 1.2%
- Book publishing: 1.1%
- Newspaper publishing: -0.4%
- Magazine publishing: -1.9%
...internet and video games are increasing their relative market share for advertising

Global growth in advertising spending (2013 – 2018 CAGR)

- Video games: 11.9%
- Internet advertising: 10.7%
- Television: 5.0%
- Out-of-home: 4.7%
- Total: 4.4%
- Cinema: 3.6%
- Radio: 2.5%
- Newspapers: -1.8%
- Consumer magazines: -3.9%
- Trade magazines: -4.0%
- Directories: -12.7%

Total Advertising Market ($US bn)

2013: 515
2018: 640
24.3% growth
Digital advertising is gaining market share but not at the expense of Television

Global advertising spend by platform (share of total spend)

2013
- Television - excluding online and mobile: 12%
- Digital advertising: 31%
- Newspaper - print: 6%
- Radio: 6%
- Consumer magazines - print: 6%
- Out-of-home: 14%
- Other: 25%

2018
- Television - excluding online and mobile: 10%
- Digital advertising: 32%
- Newspaper - print: 4%
- Radio: 6%
- Consumer magazines - print: 4%
- Out-of-home: 10%
- Other: 33%

CAGR: 4.4%

up from 21% last year
Television and Internet nearly at 50% market share and growing at the expense of Newspapers

Global advertising spend by ownership (share of total spend)

Segment data here includes online/mobile advertising in the segments and excludes it from the Internet Advertising total
**Internet Access**

*Four Quadrants Geographic Breakdown (%)*

**Fixed broadband**
- Mature: 22%
- Slow Growing: 37%
- Next Wave: 9%
- Up & Comers: 31%

**Mobile Internet**
- Mature: 48%
- Slow Growing: 31%
- Next Wave: 9%
- Up & Comers: 11%

*Global Aggregate Spending ($bn)*

- 2013: 413.8
- 2014: 455.1
- 2015: 498.2
- 2016: 542.4
- 2017: 588.0
- 2018: 635.5

*CAGR (%)*
- 9.0

*Insights at a Glance*

- Internet access will generate more consumer spend than any other media product or service in the next five years.
- Mobile will generate three out of every five dollars spent on Internet access in 2018.
- 3G will drive global mobile Internet growth, despite 4G grabbing the headlines.
- China and India will account for nearly half of new mobile Internet users in the next five years.
- In the near term, penetration will grow at a faster pace than ARPU, but that trend will level out over the projected period.

*Highest growth country*  

24.6  
Nigeria  
(2013 – 2018 CAGR)

*Lowest growth country*  

-1.0  
Japan  
(2013 – 2018 CAGR)
Internet Advertising

Four Quadrants Geographic Breakdown (%)

Global Aggregate Spending ($bn)

Insights at a Glance

- Internet advertising is closing in on TV (and in some markets already dominating).
- Mobile advertising will overtake classifieds in 2014.
- Search will retain its dominant position.
- Within Internet advertising, video will see the sharpest growth.
- Advertisers are looking to programmatic buying to improve display ad performance.
- Tracking users in a multi-device world presents new challenges.

Highest growth country (2013 – 2018 CAGR) 34.6 UAE

Lowest growth country (2013 – 2018 CAGR) 4.2 Japan
Mobile overtakes classified this year. Mobile nears display and video nears classified by 2018.

Global Internet advertising spend by category

2013 – 2018 CAGR

- Classified: 8.8%
- Display: 7.4%
- Video: 21.5%
- Paid Search: 5.1%
- Mobile: 23.8%
Out-of-Home Advertising

Four Quadrants Geographic Breakdown (%)

Global Aggregate Spending ($bn)

Insights at a Glance

- DOOH advertising revenue will see significant growth in emerging markets.
- The increasing sophistication of measurement tools will help drive OOH advertising revenue growth.
- OOH advertising will be part of an m-commerce revolution.
- Rapid expansion of airports in certain key markets will provide new OOH advertising opportunities.
- Growth in OOH advertising is dependent on regulatory challenges over billboards.

Highest growth country (2013 – 2018 CAGR) 10.6 China & Argentina

Lowest growth country (2013 – 2018 CAGR) -9.4 Greece
Despite the growth of digital media, TV advertising remains the place to be.

Online TV advertising will double its share of total TV advertising revenue in the next five years.

Terrestrial’s share of advertising will fall as multichannel and online grow.

Failure to embrace new audience measurement metrics will see TV lose advertising revenue to other digital media players.
**TV Subscriptions**

**Four Quadrants Geographic Breakdown (%)**

- Global Aggregate Spending ($bn)

- **CAGR (%)**
  - 3.5

- **Years:** 2013 - 2018
  - 198.5
  - 206.9
  - 215.1
  - 221.9
  - 228.8
  - 236.0

**Insights at a Glance**

- Subscription TV will not be fazed by the rise of OTT.
- Cable TV will fight back in the next five years, boosted by the switch to digital.
- China will become the second-largest TV market in 2016.
- BRIC investment in sophisticated subscription TV technologies creates big gains over the next five years . . .
- . . . but smaller emerging markets will see double-digit growth rates.

**Highest growth country** (2013 – 2018 CAGR)
- **16.1**
- **Saudi Arabia**

**Lowest growth country** (2013 – 2018 CAGR)
- **-2.2**
- **Taiwan**
OTT / Streaming revenue will drive the vast majority of growth in electronic home video

Global total electronic home video spending

2013 – 2018 CAGR

- Total electronic home video: 19.9%
- OTT - SVOD: 28.7%
- TV subscription providers: 8.6%
- OTT - TVOD: 27.1%
Video Games

Four Quadrants Geographic Breakdown (%)

Global Aggregate Spending ($bn)

Insights at a Glance

- Mobile is delivering a new generation of gamers.
- New features will sustain interest in console gaming.
- Improved online offerings will drive digital console games revenue.
- Social and casual gaming will continue to attract non-gamers, but the market is difficult to monetise.
- Microtransactions are widening gaming participation.

Highest growth country
23.7
Saudi Arabia
(2013 – 2018 CAGR)

Lowest growth country
1.8
Switzerland
(2013 – 2018 CAGR)
Filmed Entertainment

Four Quadrants Geographic Breakdown (%)

Global Aggregate Spending ($bn)

Insights at a Glance

• Global electronic home video revenue will exceed physical home video revenue in 2018.
• OTT/streaming services will deliver the fastest rates of growth.
• China will provide a challenge and an opportunity.
• Though Hollywood films will still dominate . . . we expect the distribution of video content will continue to evolve.

Highest growth country
(2013 – 2018 CAGR)

36.0
Saudi Arabia

Lowest growth country
(2013 – 2018 CAGR)

-2.4
Ireland
Box office resilience underscores the continuing popularity of the cinematic experience

Global box office spending

2013 – 2018 CAGR

- Box office: 4.9%
- Average admission price (actual): 2.2%
- Film admissions (millions): 2.7%

- 2014: $4.74, 8,024
- 2015: $4.86, 8,251
- 2016: $4.99, 8,462
- 2017: $5.11, 8,709
- 2018: $5.16, 8,890
Music

Four Quadrants Geographic Breakdown (%)

Global Aggregate Spending ($bn)

Insights at a Glance

- Digital growth is powered by streaming
- Digital recorded music revenue will surpass physical recorded revenue in 2014.
- Download sales growth may be slowing, but the format remains strong.
- Mobile music will see major gains in emerging markets.
- Live music is extending its geographical reach, growing at 2.7% CAGR.
- The music industry is starting to use 'big data' to better engage with consumers.

Highest growth country (2013 – 2018 CAGR) 9.3 Nigeria

Lowest growth country (2013 – 2018 CAGR) -9.7 Romania

CAGR (%)

2013 2014 2015 2016 2017 2018

Total 1.2
Non-digital 0.0
Digital 5.8
Digital music downloading nears physical recorded music by 2018

Global music spending by category

- Live music ticket sales
- Live music sponsorship
- Digital music downloading
- Digital music streaming
- Mobile music
- Physical recorded music

2013 – 2018 CAGR

- Live music ticket sales: 3.0%
- Live music sponsorship: -8.0%
- Digital music downloading: 3.3%
- Digital music streaming: 1.7%
- Mobile music: 13.4%
- Physical recorded music: 1.5%
Radio

**Four Quadrants Geographic Breakdown (%)**

- 20%
- 33%
- 9%
- 37%

**Global Aggregate Spending ($bn)**

- 2013: 44.5
- 2014: 45.7
- 2015: 47.0
- 2016: 48.4
- 2017: 49.6
- 2018: 50.7

**CAGR (%)**

- Total: 2.7
- Non-digital: 2.5
- Digital: 9.8

**Insights at a Glance**

- Total radio revenue will surpass US$50bn in 2018, but growth will slow as music streaming continues to pose challenges.
- The US leads the way, despite China’s gains.
- Free music has implications for radio advertising revenue.
- In-car convergence will impact upon the ‘heartland’ of radio.
- The innovators of digital radio are under threat.

**Highest growth country**
- **14.0**
- (2013 – 2018 CAGR)
- Venezuela

**Lowest growth country**
- **-3.8**
- (2013 – 2018 CAGR)
- Netherlands
**Insights at a Glance**

- Digital gains returned global consumer books revenue to growth in 2013.
- China will become the second-largest book market in 2017.
- Growth in consumer e-books is strong, but slowing.
- Educational e-books have yet to gain traction.
- But educational publishers continue to invest in digital publishing.
- Professional books will see the fastest migration to digital.

**Digital Revenue—Share of Total (%)**

- **2013:** Digital - 12.3%, Non-digital - 87.7%
- **2018:** Digital - 25.8%, Non-digital - 74.2%

**Four Quadrants Geographic Breakdown (%)**

- Saudi Arabia: 31%
- Russia: 31%
- Total: 24%
- Non-digital: 31%

**Global Aggregate Spending ($bn)**

- **2013:** 121.5
- **2014:** 122.5
- **2015:** 123.8
- **2016:** 125.3
- **2017:** 126.7
- **2018:** 128.0

**CAGR (%)**

- Total: 1.1%
- Non-digital: -2.3%
- Digital: 17.3%

**Highest growth country**

- **8.0%** Saudi Arabia

**Lowest growth country**

- **-3.6%** Russia

**Notes:**

- The chart illustrates the geographical breakdown of book publishing spending, with Saudi Arabia and Russia being the largest sectors.
- Digital revenue has grown significantly from 12.3% in 2013 to 25.8% in 2018, indicating a strong trend towards digital publishing.
- The overall CAGR for the total market is 1.1%, with digital books showing the strongest growth at 17.3%.

PwC LLP
Global Aggregate Spending ($bn)

- Digitally, total magazine revenue will resume growth in 2015.
- While digital consumer magazine circulation revenue will see the fastest growth, digital consumer magazine advertising revenue is much larger.
- All-you-can-read subscription services are yet to take off but will be transformational.
- But total consumer magazine circulation revenue will continue to decline.
- Emerging economies will see fastest growth in trade magazines.

Four Quadrants Geographic Breakdown (%)

- "Lowest growth country" (2013 – 2018 CAGR) -12.5 Romania
- "Highest growth country" (2013 – 2018 CAGR) 13.0 Peru

Digital Revenue—Share of Total (%)

- 2013
  - Digital: 10.5%
  - Non-digital: 90.5%
- 2018
  - Digital: 25.7%
  - Non-digital: 74.3%
Newspaper Publishing

Four Quadrants Geographic Breakdown (%)

Global Aggregate Spending ($bn)

Insights at a Glance

- Globally, the newspaper industry’s revenue decline will finally end in 2015.
- But the future of newspapers will vary significantly by market.
- Circulation revenue will almost match advertising revenue by 2018.
- Digital payments are taking off, but won’t prove transformational.
- Growth in digital advertising revenue is slowing down.

Digital Revenue—Share of Total (%)

Highest growth country (2013 – 2018 CAGR)

12.3

Peru

Lowest growth country (2013 – 2018 CAGR)

-8.1

Greece
Business-to-Business

Four Quadrants Geographic Breakdown (%)

Global Aggregate Spending ($bn)

Insights at a Glance

• Professional books revenue will surpass directories in 2015 as digital spurs growth

• And directories providers need to adapt.

• Trade shows will grow at a 4.4% CAGR by using social media to complement the sustained appeal of face-to-face meetings.

Highest growth country
(2013 – 2018 CAGR)

12.8
Peru

Lowest growth country
(2013 – 2018 CAGR)

-0.2
UK