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**News release**

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## **PwC report: Convergence, connections and trust are key factors now in the global entertainment & media market**

According to PwC's [Global Entertainment & Media Outlook 2018-2022](#) (*Outlook*), the ongoing rapid evolution of the industry has entered a dynamic new phase. Amid growth that is broad-based and consistent – but unevenly distributed – three imperatives are affecting every company in the industry: convergence, connecting with consumers and the need to build trust.

“Convergence 3.0” is redefining the competitive playing field. As this wave of change plays out, the borders that once separated the entertainment and media, technology and telecom industries are dissolving. Large Internet access providers and delivery platforms are integrating vertically, and online giants are expanding horizontally into content. Traditional segment distinctions are blurring – between print and digital, video games and sports, wireless and fixed access, cable and online, social and traditional media.

### **Continued overall revenue growth...**

All of this is happening against a backdrop of continued global growth in industry revenue. The *Outlook* – which provides revenue data and forecasts for 15 industry segments across 53 territories – projects that total global spending on entertainment and media will rise at a compound annual growth rate (CAGR) of 4.4% over the next five years. This boost will see the industry's global revenue reach US\$2.4 trillion in 2022, up from US\$1.9 trillion in 2017.

### **...but with stark differences among segments...**

Within this overall increase, the fastest revenue growth will be in digitally driven segments. Virtual reality will lead the way, albeit from a low base, at a five-year CAGR of 40.4%. OTT video follows at 10.1%. By contrast, newspapers and magazines will see revenues decline over the next five years. Books, radio and traditional TV and home video will each grow at a CAGR of less than 2%.

### **...and between countries**

Similar contrasts are evident in countries' overall entertainment and media spending. The fastest-rising markets through 2022 will be Nigeria and Egypt, with total entertainment and media revenue growing at CAGRs of 21.1% and 17.2%, respectively, driven largely by surging spending on Internet access. But strip out Internet access, and India becomes the fastest-growing country, with a 10.4% CAGR, followed by Indonesia at 8.4%. On the same measure, no market in Western Europe or North America will exceed 3% CAGR growth to 2022. And China will all but match the US in terms of absolute growth, placing the two on an equal footing in terms of global importance, even though the US remains a larger market in absolute terms.

Ennèl van Eeden, Global Entertainment & Media Leader, PwC Netherlands, comments: “The story behind the *Outlook's* global figures is a near-infinite accumulation of micro-stories, and a dizzying array of different trends, at a territory and segment level. For almost every trend, there's a counter-



trend somewhere among the 15 segments and 53 territories. Also, the pace of change isn't going to let up: technologies such as artificial intelligence (AI) and augmented reality will continue to redefine the battleground. Across all segments, technology is enabling content delivery to become progressively cheaper and more personalised. This heightens the urgency for companies to invest in technologies that will enable them to compete more effectively.”

### **Drivers of the new ecosystem**

So, what are the forces behind the latest wave of convergence reshaping the industry? The *Outlook* pinpoints five key drivers:

- **Ubiquitous connectivity:** The number of high-speed mobile Internet connections will increase by 2.2 billion globally by 2022, vastly expanding the market for mobile content consumption at faster speeds. A symbolic tipping point will occur in 2020, when total global data consumption via smartphones overtakes fixed-broadband data consumption.
- **The mobile consumer:** The worldwide explosion in mobile access is seeing the connected mobile device become consumers' primary means of accessing content and services across virtually all markets. This makes mobile an increasingly important focus for advertisers. And again, a key tipping point underlines this shift: 2018 will be the first year in which global mobile Internet advertising revenue will exceed its wired equivalent.
- **Need for new sources of revenue growth:** E&M companies are looking to expand beyond traditional revenue sources, which in some cases are declining. At the same time, telecom companies are targeting entertainment and media content to revitalize their growth. As a result, every player in the ecosystem is racing to develop new revenue streams. Consider that OTT spending will grow at a CAGR of 10.1% through 2022, compared with just 2.3% for broadcast TV advertising.
- **Value shift to platforms:** Social media and technology platforms are outpacing traditional content creators in capturing consumers' attention and a rising share of their spending, trends that have fuelled the rise of supercompetitors. Now some traditional content companies are fighting back by developing their own platform-like businesses.
- **Personalisation:** Today's empowered consumers reject one-size-fits-all content experiences. As a result, it's vital for companies, ranging from supercompetitors to fan-focused niche players, to use data analytics and AI to personalise their offerings. And the appeal of the live experience endures. For example, ticket sales for e-sports events will rise at a CAGR of 21.1% through 2022.

### **Winning – and then retaining – trust is vital**

Across all the drivers and trends examined in the *Outlook*, one overarching imperative emerges: the absolute need to earn and sustain the trust of consumers and ecosystem partners. We're in an era in which trust in many industries is at a historically low ebb and regulators are targeting media businesses' use of data. As a result, a company's ability to maintain trust is becoming a vital differentiator. This can be especially challenging for entertainment and media companies, because they must demonstrate their trustworthiness across many dimensions, including content, data, monetisation, social impact and the appropriateness of advertising content. When building trust, content and brand form the foundation, starting with delivering on the promise of quality.

Given the vision of the industry's future presented in the *Outlook*, how can companies position themselves for sustained success?

Christopher Vollmer, Global Advisory Leader for Entertainment and Media, PwC US, comments: “To succeed in the future that's taking shape, companies must revisit every aspect of what they do and how they do it. This means going 'above and beyond' in how they envision their business, generate



revenues, create and organise their capabilities and build and retain trust. And given the pace and scale of change under way, speed is vital. For many companies, the models, assets, practices and capabilities that support their businesses today will simply not be enough in the future. Standing still is not an option.”

–ENDS–

**About the *Global Entertainment & Media Outlook***

PwC’s 19th annual edition of the *Global Entertainment & Media Outlook* is a comprehensive online source of global analysis for consumer and advertising spending. With like-for-like, five-year historical and five-year forecast data and commentary for 15 defined industry segments in 53 territories, the *Outlook* makes it easy to compare and contrast consumer and advertising spending across segments and territories. Find out more at [www.pwc.com/outlook](http://www.pwc.com/outlook).

**Segments covered by the *Global Entertainment & Media Outlook***

Books; Business-to-business; Cinema; Data consumption; Internet access; Internet advertising; Magazines; Music, radio and podcasts; Newspapers; Out-of-home; OTT video; Traditional TV and home video; TV advertising; Video games and e-sports; Virtual reality

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