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PwC Global Media and Entertainment Outlook

2016-2020

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Key themes



“This is a bigger global disruption than the Industrial Revolution”

Mobile Internet connections worldwide are growing apace. They already outnumber fixed connections by three to one, and are projected to rise by over...

£5bn to £7bn in the next five years

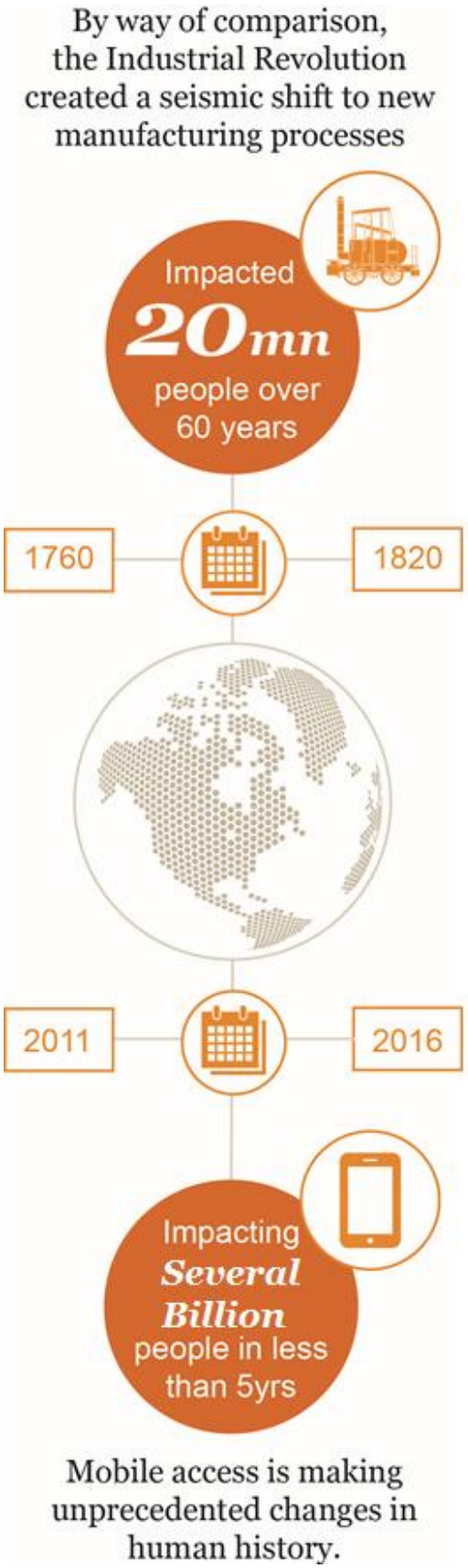
This is a bigger global disruption than the Industrial Revolution.

By way of comparison, the Industrial Revolution—the seismic shift to new manufacturing processes from about 1760 to 1820 — Impacted around ***20mn*** *people over* ***60 years****. Mobile access is now impacting* ***several billion people over less than five years, making it an unprecedented event in human history****.*

Phil Stokes, U.K. Head of Entertainment and Media, adds:

> *“It’s increasingly clear that consumers see no significant divide between digital and traditional media: what they want is more flexibility, freedom and convenience in when and how they consume any kind of content.”*



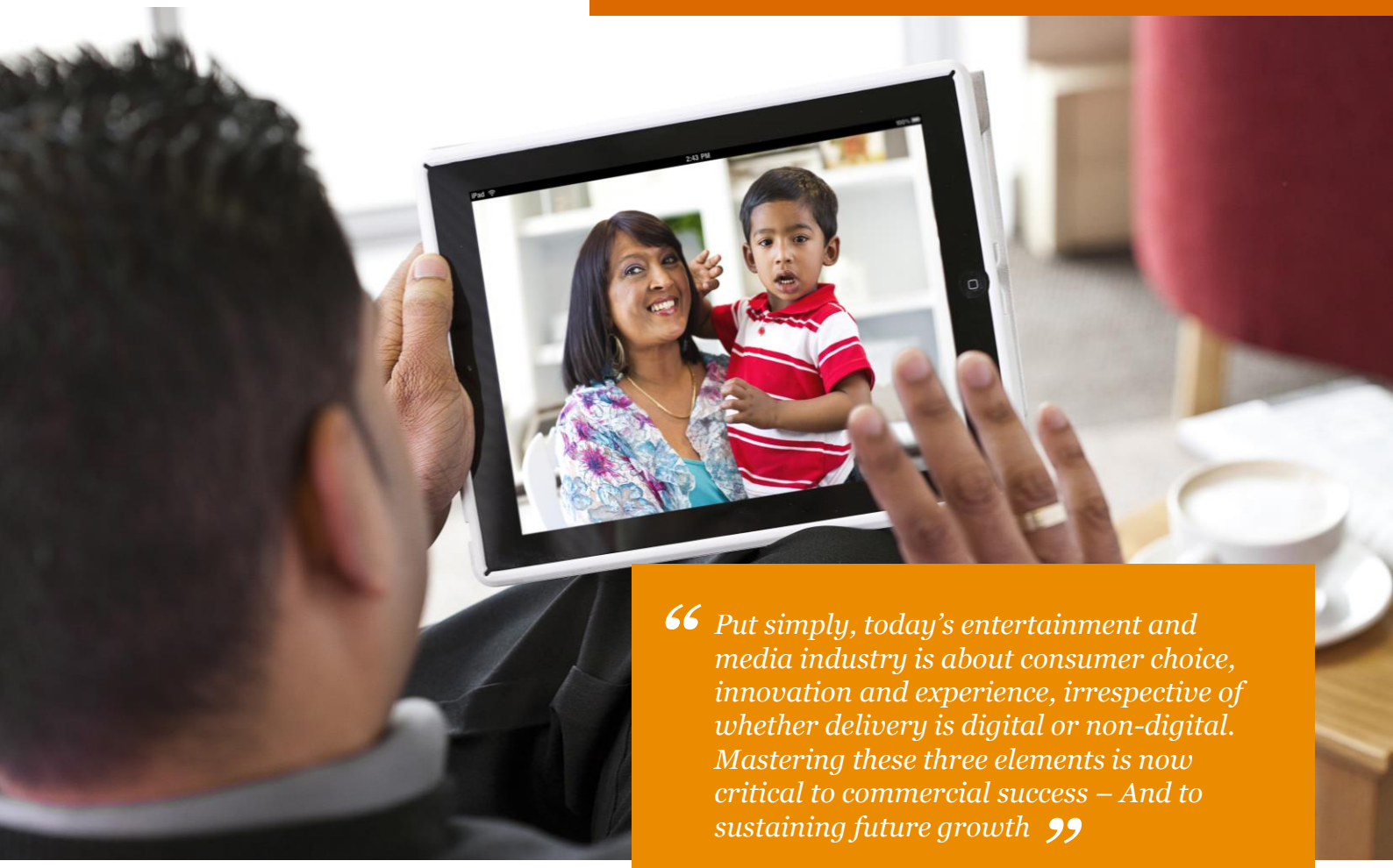


Today's entertainment and media companies need to do three things to succeed:

Innovate around the product and the user experience.

Develop seamless consumer relationships across distribution channels.

Put mobile (and increasingly video) at the centre of their consumer offerings.



> *"Put simply, today's entertainment and media industry is about consumer choice, innovation and experience, irrespective of whether delivery is digital or non-digital. Mastering these three elements is now critical to commercial success – And to sustaining future growth"*

Melding what people watch to what people buy…can unlock a treasure trove of insight for media companies across the ecosystem.

Graphics

Fig 1 – U.K. E&M total in comparison with EMEA

The U.K.'s Entertainment and Media (E&M) sector is set to overtake Germany and become the largest in Europe, the Middle-East and Africa according to PwC's latest Entertainment and Media Outlook.

The research shows that the United Kingdom's E&M sector will be worth £62.8bn in 2017, overtaking Germany's £58.6bn. This growth will continue over the following three years, by reaching a projected £68.2bn, in comparison to Germany's £61.3bn by 2020.

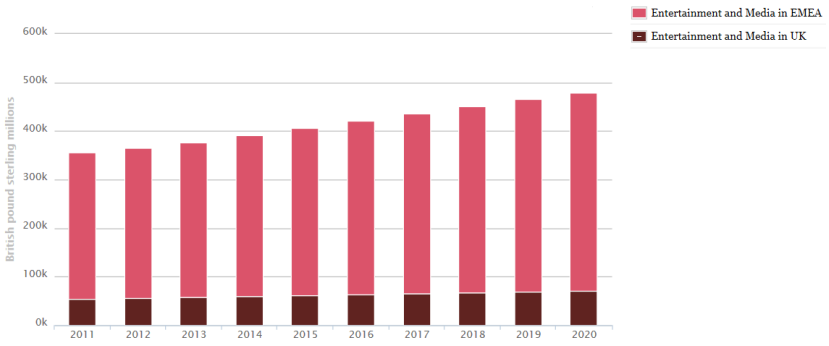


Fig 2 – U.K. Advertising Sector

The historic shift to mobile consumption that both traditional and new media companies are experiencing has yet to be reflected fully in advertising revenue.

With the ways of measuring and tracking ad performance on new platforms still evolving, advertisers have been reluctant to migrate their spending from more tried and tested media. But that will shift as the market matures, and we forecast that by the end of 2017 advertising revenue from mobile devices will exceed that from online services delivered to PCs and laptops.

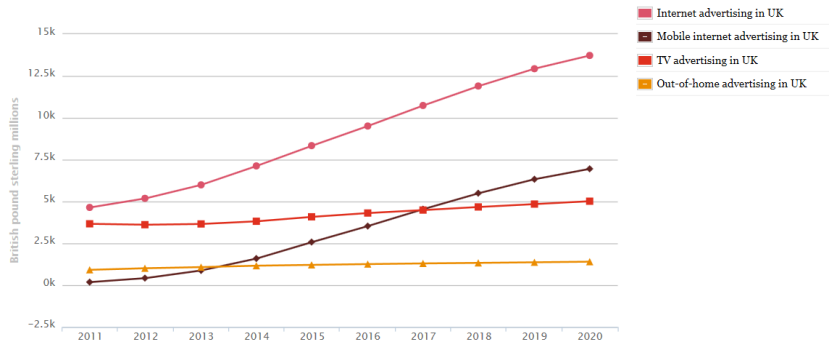
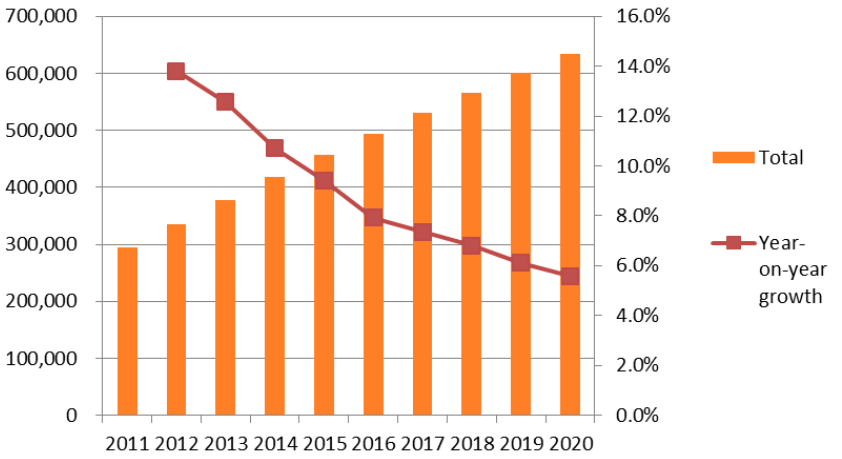


Fig 3 – Global Mobile Internet Access

By 2020, mobile will account for over 50% of Internet access revenue in more than three-quarters of countries.

Total global Internet access revenue will increase at a 6.8% CAGR to US$634.8bn in 2020, as broadband – both fixed and mobile – becomes an essential utility in emerging as well as developed markets. Between 2015 and 2020, 13 countries – mostly emerging markets – will see double-digit CAGRs. And more than 1.3bn people will start paying for mobile Internet access for the first time, taking the total to 3.8bn.



U.K. entertainment and Media outlook
Sector by Sector

Business-to-Business:

The UK is the second-biggest B2B market in Western Europe after Germany and recorded total revenue of £6.7bn in 2015, a year-on-year increase of 0.7%. The UK's economy has been growing slowly but relatively steadily in recent years and this is expected to continue, with the IMF predicting real GDP expansion to stabilise at an average 2.2% over the forecast period.

This will benefit the B2B market (in particular business information) as growing household consumption will spur demand for business-focussed data, intelligence and market research. Moreover, the UK overtook the US in 2015 to take sixth place in the World Bank's ease of doing business survey, making it the top country in the G7. The business-friendly environment and relative health of the economy will attract more business. This will prompt total B2B revenue to grow at a 1.6% CAGR over the forecast period to £7.2bn.

Publishing books

Total consumer books revenue in the UK stood at £2bn in 2015 and will rise to £2.4bn in 2020, increasing at a 3.4% CAGR. This will be entirely driven by growth in e-books revenue, with print revenue continuing to fall, albeit at lower rates than previously anticipated.

Colouring books were a major trend in the UK book industry in 2015, accounting for five of the top 20 bestselling books on Amazon, including the top-seller.

Magazines

Total consumer magazine revenue in the UK stood at £2.5bn in 2015, down from £2.9bn in 2011. It will continue to fall to £2.3bn in 2020, declining at a (1.8)% CAGR.

Despite the growth in digital revenue and the continuing decline in print consumer circulation and advertising revenue, print still accounts for the bulk of revenue in the consumer magazine sector, with 84% of the market in 2015. This will only fall to 73% by 2020.

Cinema

The UK cinema market is set to rise marginally over the forecast period, although this comes from a high starting base — 2015 being a very strong year for film. Admissions in 2015 were at 171.8mn, a substantial increase on the 2014 figure of 157.5mn. They are expected to reach 173.2mn in 2020, at a 0.2% CAGR.

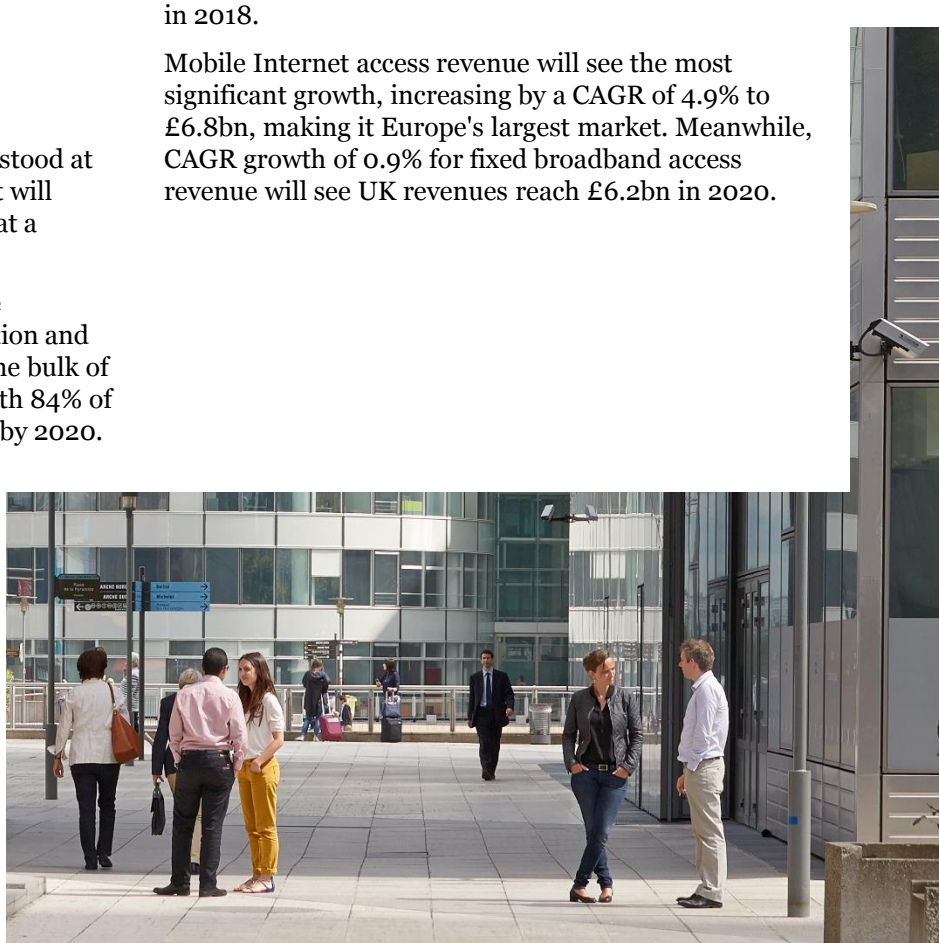
2015 was an extremely strong year at the UK box office, with certain tent poles performing very powerfully. Two 2015 releases, Star Wars; the Force Awakens and Spectre, are now the first- and third-highest grossing films at the all-time UK box office. Jurassic World, another 2015 release, is now the tenth-highest grossing film. These three films' combined gross accounted for nearly 15% of box office revenue in 2015. Such is the effect of the top films on box office performance.

Internet access

The UK market is growing steadily in revenue terms, but the competitive landscape is poised to change dramatically, with one merger approved in January 2016, and another under scrutiny by the relevant authorities.

The UK's total Internet access revenue is expected to increase by a steady CAGR of 2.9% to £13bn over the forecast period, remaining one of Europe's largest markets, although it will be overtaken by France in 2018.

Mobile Internet access revenue will see the most significant growth, increasing by a CAGR of 4.9% to £6.8bn, making it Europe's largest market. Meanwhile, CAGR growth of 0.9% for fixed broadband access revenue will see UK revenues reach £6.2bn in 2020.



Internet advertising

The UK is the largest Internet advertising market in Europe, and will remain so for the next five years, with a forecast overall CAGR of 10.5% between 2015 and 2020, and revenue growing from £8.3bn to £13.7bn in the period.

Although the UK's Internet advertising market is relatively mature compared even to some of its European neighbours, and although growth is still positive, there is room for further expansion.

While hot topics – such as the shift to mobile, the rise of video and new forms of measurement – are uppermost in the minds of many industry executives, and while most UK consumers are now regularly accessing media through a variety of platforms and devices, the potential of digital has arguably yet to be fulfilled.

The UK is the largest Internet advertising market in Europe, and will remain so for the next five years, with a forecast overall CAGR of....



Newspaper publishing

The UK's newspaper industry has been in long-term decline, but an increasingly effective migration from print to digital is slowing the decline in revenues and putting it on the path to eventual stability in the years ahead. The UK is set to stay as Western Europe's number two market for average daily unit circulation print and market for total newspaper revenue, behind Germany.

Total newspaper revenue has fallen more than £0.5bn from £4.7bn in 2011 to £4bn in 2015. But the next few years look more promising, as publishers emerge from earlier economic challenges and as their digital strategies approach a tipping point. Total newspaper revenue is now forecast to fall by a (1.6)% CAGR to 2020, reaching £3.7bn in that year.

Out-of-home advertising

The UK is the largest out-of-home (OOH) advertising market in Europe, with total revenue of £1.2bn in 2015. This also makes the UK the fourth-largest OOH market in the world, behind only the US, Japan and China.

The UK market is expected to maintain a steady, albeit slowing, growth rate over the forecast period, reflecting the general economic climate, but also, with many of the gains from early digitisation already realised, an element of diminishing returns on DOOH growth will start to settle in. The net effect will be a modest CAGR of 2.9% over the next five years, slightly above the regional average. Total OOH revenue will reach £1.4bn by 2020.

Radio

Boosted by growth in radio advertising expenditure, the UK's total radio revenue rose by 1.8% in 2015 to £1.1bn. The mature radio market is ranked the second-largest in Europe and the fourth-largest market globally. The UK's rankings are forecast to remain unchanged over the forecast period, as total radio revenue is expected to rise by a steady 1.0% CAGR between 2015 and 2020 to reach £1.2bn.

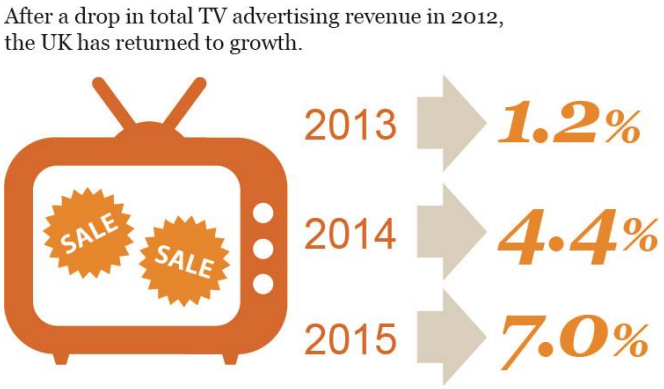
Music

The UK's music market was worth £2.6bn in 2015, down from £2.7bn in 2011. Total music revenue is forecast to rise marginally to £2.64bn in 2020, for a 0.7% CAGR, due primarily to very strong uptake in digital music streaming revenue.



TV advertising

After a drop in total TV advertising revenue in 2012, the UK has returned to growth. This was initially modest at 1.2% in 2013, although stronger growth of 4.4% and 7.0% was evident in 2014 and 2015 respectively.



TV advertising revenue in the UK increased from £3.8bn in 2014 to £4.1bn in 2015. Growth will continue at a 4.2% CAGR through to 2020, with total TV advertising revenue reaching £5bn. The BBC's role in broadcasting major TV events (such as the 2016 European Championship football in France, shared with commercial broadcaster ITV) means that the impact on TV advertising will continue to be less than in those territories where these types of event are major generators of revenue. The BBC also broadcasts the Olympic Games, although from 2022 the rights will be taken over by Discovery, owner of Eurosport, producing stronger opportunities for advertising expansion. The BBC will continue to broadcast the Olympics as a licensee until at least 2024, however.



TV and video

Subscription TV is mature in the UK, but innovation and increased competition will see the number of subscription TV households rise from 16.3mn at the end of 2015 to 18.0mn by the end of 2020, with TV subscription revenue growing from £4.9bn to £5.4bn over this period, a CAGR of 2.0%.

Subscriber numbers have been growing progressively slower in recent years, although competition from the burgeoning online video segment is fuelling innovation and providing access to households previously outside the traditional pay-TV market.

Operators have been adapting strategies to increase revenues from existing subscriber bases as well as seeking new customers. Beyond pushing premium products such as HD packages and 4K channels, there is a key focus on triple-play. It is no coincidence that the four largest pay-TV operators are also the four largest broadband providers.

The satellite sector, led by BSkyB, remains the leading platform with 9.8mn satellite TV households in 2015. Growth is slowing and the sector will expand at a 0.3% CAGR to reach 9.9mn households in 2020. IPTV households will increase more quickly than cable, but total cable TV households will remain the second-largest platform in 2020, reaching 4.0mn in 2020, compared with 3.6mn for IPTV households.

Video games

The market for video games in the UK was worth £3.7bn in 2015, up from £3.2bn in 2011. Total video games revenue is forecast to grow by a 3.3% CAGR to reach £4.3bn in 2020.

PwC's U.K. media and Entertainment team

Spokespeople Information



Phil Stokes

Phil leads PwC's Entertainment and Media practice in the UK.

An assurance partner by trade, he has worked with and advised companies within the FTSE100, FTSE250, privately owned, private equity backed and UK subsidiaries of inbound groups.

He is on the editorial panel of PwC's annual Global Entertainment and Media Outlook publication which forecasts advertising and consumer spending trends across E&M sectors for each following five year period.

He works across a wide range of media industry specialisms including magazine and newspaper publishing, television and film production, television and radio broadcasting, cinemas, music, sports, event management and conferences, online and traditional advertising and market research.



Mark Maitland

Mark is a partner in PwC's Strategy practice, specialising in Technology, Media and Telecoms, with extensive experience carrying out strategy and commercial due diligence assignments.

Mark has worked across most media sectors, with a particular focus in TV (channels, production, cable companies and OTT), digital advertising and B2B media (information, events and publishing). Mark advises many large media companies as well as private equity companies considering media investments.

Mark led our US TMT Strategy team for two years, and prior to PwC, worked at ITV and Telewest. He has an economics degree from Durham University and an MBA from the University of St Gallen in Switzerland.



Adam Edelshain

Adam is a Senior Manager at PwC UK and currently sits across two teams – PwC's media measurement team and PwC's London Risk Assurance practice, focussing on helping businesses navigate through major change.

As a former journalist, editor and MD of a publishing company, Adam's primary interest has always been the media sector. He has spent the last 5 years helping publishers to calculate the de-duplicated audience of their publications across multiple platforms, according to a methodology. A main focus has been advising businesses on their control environment and whether it is in line with the maturity of the business, as well as specialising in supporting businesses looking to list on AIM and the Main market.

Adam has a Master of Arts in Economics from the University of Cambridge.

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Frequently asked questions



1 What is the Outlook?

PwC's 17th annual edition of the Global entertainment and media outlook 2016-2020, 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 13 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.

2 What are the thirteen industries covered in the Outlook?

TV and video, TV advertising, Internet advertising, Internet access, Radio, Out-of-home advertising, Video games, Cinema, Newspaper publishing, Magazine publishing, Business-to-business, Book publishing and Music.

3 How do we get our figures?

All the forecasts have been built by starting with the collection of historical data from a variety of sources. A base line of accurate and comprehensive historic data is collected in the first instance from publicly available information including from trade associations and government agencies. When this data is used directly, these sources are cited accordingly. In addition to this, interviews with relevant associations, regulators and leading players have been conducted to gather insights and estimates not available in the public domain. When this information is collected, it is used as part of the calculations and the sources are proprietary.

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