Entertainment and media outlook: 2014 – 2018

South Africa – Nigeria – Kenya

5th annual edition
September 2014

An in-depth analysis of the trends shaping the entertainment and media industry in South Africa, Nigeria and Kenya

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Entertainment and media outlook: 2014 – 2018

South Africa – Nigeria – Kenya

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About the Outlook

Let us analyse the Entertainment and media outlook 2014-2018 forecast consumer and advertising spending data for you

From filmed entertainment to magazine publishing, in PwC's *Entertainment and media outlook: 2014-2018 (South Africa – Nigeria – Kenya)* (the *Outlook*) we uncover how shifts in spending are likely to shape the future of 12 entertainment and media industry segments over the next five years. We also share our thinking on the hot topics transforming the industry.

Our hope is that the *Outlook* will help you form a much clearer picture of tomorrow and make more informed business decisions based on what's ahead.

Actual historic and forecast consumer and advertising spending data for 12 industry sectors across the three countries is also available online on www.pwc.co.za/outlook.

How will consumer and advertising spending shape our industry...

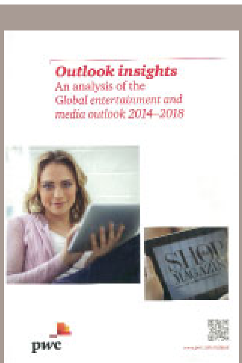
As the entertainment and media industry moves at pace – largely shaped by where consumers and advertisers spend their money – it becomes increasingly difficult to form a picture of what lies ahead. In *Outlook* we attempt to predict how industry trends will play out by analysing forecast consumer and advertising spending data, which we hope will help you form a much clearer picture of tomorrow and make more informed decisions.

... across 12 entertainment and media industry segments

Not all entertainment and media segments are the same. All segments are at different stages of transformation, growth and maturity. From filmed entertainment to magazine publishing, we uncover how shifts in spending are likely to shape the future of these 12 industry segments over the next five years:

- Internet
- Television
- Filmed entertainment
- Radio
- Music
- Magazine publishing
- Newspaper publishing
- Consumer, educational and professional book publishing
- Business-to-business publishing
- Out-of-home advertising
- Video games
- Sports

The ***online Outlook*** provides raw data and individual country commentary. To find out more about the online *Outlook*, take the tour on page 4 or visit www.pwc.co.za/outlook



Experience the global Outlook

This edition of the *Outlook* is part of a suite of PwC publications covering the global entertainment and media industry. The *Global entertainment and media outlook 2014-2018* is a comprehensive source of consumer and advertising spend data, also available via subscription at www.pwc.com/outlook. This publication provides in-depth five-year historic and five-year forecast spend data and commentary for 13 industry segments in over 50 countries around the world.

Q: *How do I access consumer and advertising spending data?*

A: Take a look around the *Outlook* 2014-2018

A comprehensive and comparable online source of consumer and advertising spending

Understanding where consumers and advertisers are spending their money in the entertainment and media industry can help inform many important business decisions. But being able to find comparable data, for multiple entertainment and media sectors and countries from a single source, can be a challenge.

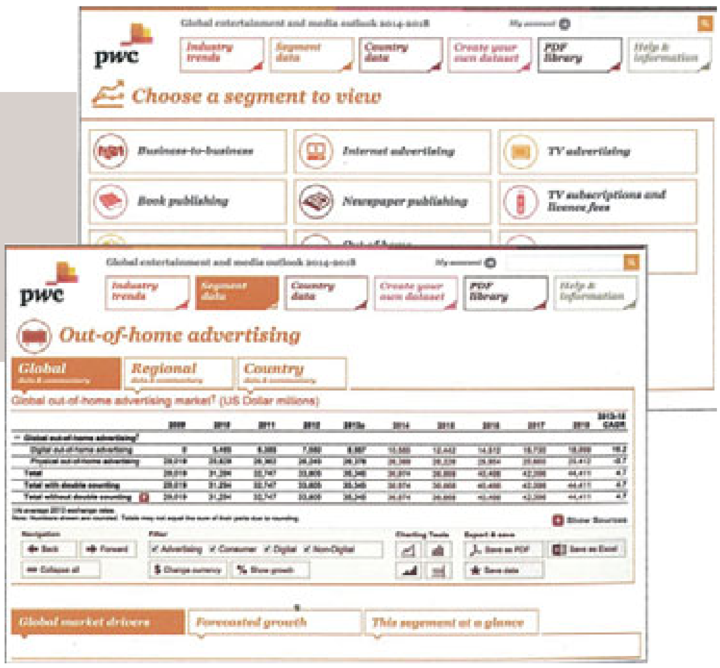
PwC's Entertainment and media outlook for South Africa, Nigeria and Kenya provides a single comparable source of consumer and advertiser spending data and analysis:

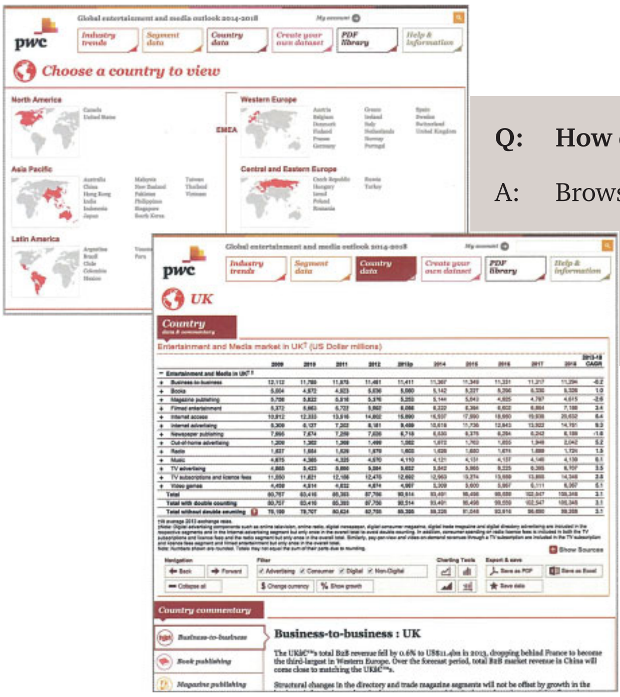
- For 12 entertainment and media segments;
- Across three countries;
- Providing five-year historic and five-year forecast spending data from 2009-2018;
- Updated annually and now in its 5th year.

The data-intuitive online functionality allows you to easily browse, compare and contrast spending, making it a powerful online tool to help answer important questions about trends that are shaping the industry.

Q: Where are consumer and advertisers spending their money now and over the next five years?

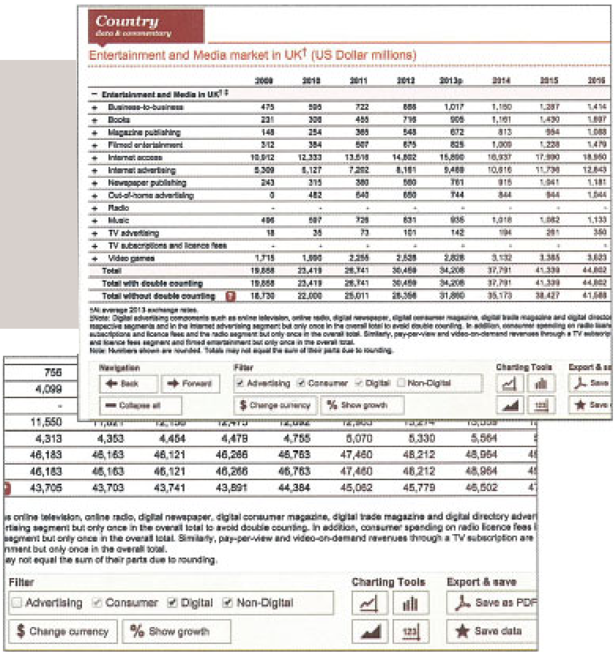
A: Browse consumer and advertising spending by segment.





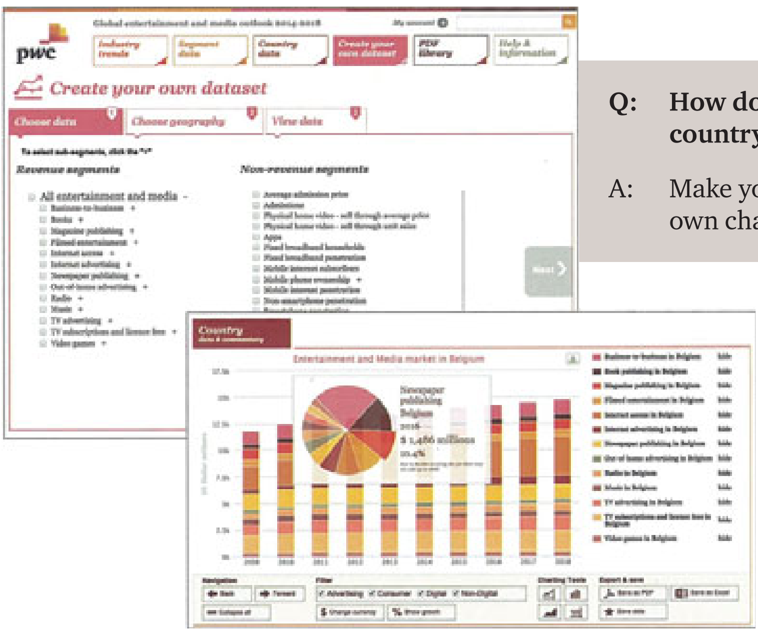
Q: How does spending vary by country?

A: Browse consumer and advertising spending by country.



Q: How is spending shifting between digital and non-digital, consumer and advertiser, historically and over the next five years?

A: Filter spending by consumer and advertising and by digital and non-digital and view results from 2009- 2018.



Q: How does spending compare by segment and by country?

A: Make your own data selections, export and create your own charts and graphs.

Q: How are shifts in segment spending shaping individual markets?

A: Read segment commentary at an individual country level and download as a PDF.

Individual and corporate-level access to PwC's Global entertainment and media outlook 2014-2018

Whether you are looking to access the full data and commentary for 13 industry segments or prefer to subscribe to individual segments and need access either across your organisation or for a single user only, there are tailored subscription options available.

Subscription options to suit your needs:

1. ***Individual** user licence with access to all data and commentary for 13 segments and 54 countries*
2. *Individual user licence **per segment** (or multiple segments) with access to data and commentary for 54 countries.*
3. ***Corporate** licence with access to all data and commentary for 13 segments and 54 countries for all employees across your organisation.*

Subscribe to the online Outlook @ www.pwc.com/outlook

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Methodology

Historic data collection

All forecasts have been built starting with the collection of historical data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from publicly-available information, including from trade association 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 held 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.

Forecasting methods

All forecasts are prepared as part of a collaborative, integrated process involving both quantitative and qualitative analysis. The forecasts are the result of a rigorous process of scoping, market mapping, data collection, statistical modelling and validation.

How we report on the data in each chapter

Segment spending consists of advertising and consumer spending directly related to entertainment and media content. Each chapter introduction begins with the definition of the spending streams that are included in that segment. We do not include spending on hardware that may be needed to access content.

Consumer spending is counted for at the consumer or end-user level, not at the wholesale level, and includes retail mark-ups where applicable.

Agency commissions

Advertising revenue is measured net of agency commissions, discounts and production costs (where applicable) in all segments, except for radio, where agency commissions are included, as is customary within the industry.

For non-revenue categories, such as TV subscriptions and Internet subscribers, all totals are considered to be at year end.

Inflation

Across all chapters, unless stated otherwise, figures are reported in nominal terms reflecting actual spending transactions and therefore include the effects of inflation. Compound annual growth rates (CAGRs) are also therefore reflected in nominal terms.

Currency conversions

Currency conversions for all amounts used in this publication are calculated at the following conversion rate to the US dollar:

- 9.651 South African rand (ZAR)
- 161.290 Nigerian naira (NGN)
- 87.464 Kenyan shillings (KES)

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- JSE
- CNBC Africa
- HeronBridge College
- CliffCentral
- MultiChoice DStv
- Yellow Pages
- TNA Media
- Africa News Network 7 (ANN7)
- Waterfall Corner
- Provantage
- Hilltop Live
- Isidingo
- Primedia Unlimited
- SABC
- Mediamark
- MTN

Use of Outlook data

The data in *PwC's entertainment and media outlook: 2014-2018 (South Africa – Nigeria – Kenya)* is a comprehensive source of consumer and advertising data, which is also available online on www.pwc.co.za/outlook.

PwC continually seeks to update the online *Outlook* data, so please note that the data in this publication may not be aligned with the data found online. The online *Outlook* is the most up-to-date source of consumer and advertising spend data.

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Without limiting the foregoing, excerpts from the publication may be used only for background market illustration, should not be the sole source of 2014-2018 information and must not form part of the majority of sourced information.

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Section 01

Our perspective on trends shaping the industry

Industry overview

South Africa

South Africa's entertainment and media market will see a CAGR of 10.2% to 2018, with Internet spend being the largest and fastest-growing segment

Total South Africa entertainment and media market by segment 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Books	4 120	3 967	3 901	3 883	3 902	3 917	3 937	3 951	3 964	4 006	*0.5%*
YOY growth (%)		*-3.7%*	*-1.6%*	*-0.5%*	*0.5%*	*0.4%*	*0.5%*	*0.4%*	*0.3%*	*1.1%*	
Business-to-business	5 882	7 445	7 486	8 275	8 608	9 106	9 671	10 263	10 889	11 460	*5.9%*
YOY growth (%)		*26.6%*	*0.5%*	*10.6%*	*4.0%*	*5.8%*	*6.2%*	*6.1%*	*6.1%*	*5.3%*	
Filmed entertainment	1 735	1 818	2 126	2 263	2 428	2 588	2 755	2 949	3 172	3 425	*7.1%*
YOY growth (%)		*4.8%*	*16.9%*	*6.5%*	*7.3%*	*6.6%*	*6.4%*	*7.0%*	*7.6%*	*7.9%*	
Internet	8 516	10 223	13 833	19 023	25 742	33 186	42 039	51 458	60 921	71 619	*22.7%*
YOY growth (%)		*20.1%*	*35.3%*	*37.5%*	*35.3%*	*28.9%*	*26.7%*	*22.4%*	*18.4%*	*17.6%*	
Magazines	6 082	6 899	7 734	8 566	9 035	9 627	10 209	10 777	11 371	11 898	*5.7%*
YOY growth (%)		*13.4%*	*12.1%*	*10.8%*	*5.5%*	*6.5%*	*6.0%*	*5.6%*	*5.5%*	*4.6%*	
Music	2 411	2 363	2 259	2 186	2 127	2 056	2 041	2 064	2 112	2 180	*0.5%*
YOY growth (%)		*-2.0%*	*-4.4%*	*-3.2%*	*-2.7%*	*-3.3%*	*-0.8%*	*1.2%*	*2.3%*	*3.3%*	
Newspapers	8 878	9 291	9 774	10 347	10 992	11 587	12 192	12 813	13 453	14 155	*5.2%*
YOY growth (%)		*4.6%*	*5.2%*	*5.9%*	*6.2%*	*5.4%*	*5.2%*	*5.1%*	*5.0%*	*5.2%*	
Out-of-home	2 508	2 860	3 296	3 733	4 103	4 427	4 747	5 046	5 270	5 471	*5.9%*
YOY growth (%)		*14.0%*	*15.3%*	*13.3%*	*9.9%*	*7.9%*	*7.2%*	*6.3%*	*4.4%*	*3.8%*	
Radio	2 664	3 019	3 243	3 612	4 170	4 503	4 899	5 304	5 729	6 176	*8.2%*
YOY growth (%)		*13.3%*	*7.4%*	*11.4%*	*15.4%*	*8.0%*	*8.8%*	*8.3%*	*8.0%*	*7.8%*	
Sports	11 364	20 985	12 663	13 869	14 787	16 543	17 181	18 637	19 578	20 497	*6.7%*
YOY growth (%)		*84.7%*	*-39.7%*	*9.5%*	*6.6%*	*11.9%*	*3.9%*	*8.5%*	*5.0%*	*4.7%*	
Television	20 217	24 187	26 506	28 694	30 746	32 746	34 208	36 010	37 594	39 587	*5.2%*
YOY growth (%)		*19.5%*	*9.6%*	*8.3%*	*7.2%*	*6.5%*	*4.5%*	*5.3%*	*4.4%*	*5.3%*	
Video games	1 636	1 775	1 979	2 202	2 407	2 595	2 832	3 091	3 387	3 721	*9.1%*
YOY growth (%)		*8.5%*	*11.5%*	*11.3%*	*9.3%*	*7.8%*	*9.1%*	*9.2%*	*9.5%*	*9.9%*	
Total*	**75 113**	**93 869**	**93 542**	**105 125**	**117 115**	**130 737**	**144 222**	**159 488**	**174 126**	**190 411**	***10.2%***
YOY growth (%)		***25.0%***	***-0.3%***	***12.4%***	***11.4%***	***11.6%***	***10.3%***	***10.6%***	***9.2%***	***9.4%***	

Notes: 2009-2013 figures have been updated to reflect most recently available financial information

*
- Newspaper, directory, consumer magazine, trade magazine and online TV advertising are included in their respective segments and also in Internet advertising, but only once in the overall total.
- Pay-per-view and video-on-demand are counted in both the television and filmed entertainment segments, but only once in the overall total.
- Professional books is counted in business-to-business and book publishing, but only once in the overall total.
- Trade magazines is counted in business-to-business and magazine publishing, but only once in the overall total.

Sources: PwC, Ovum

South Africa's entertainment and media (E&M) market is forecast to be worth R190.4 billion in 2018, up from R117.1 billion in 2013, increasing at a CAGR of 10.2%. By far the largest segment will be Internet. Combined revenues from Internet access and Internet advertising will account for an estimated R71.6 billion in 2018, accounting for 37.6% of total revenues.

Within the Internet segment, mobile Internet access spending will take in the most revenue, adding over R40 billion over the forecast period. This will be driven by the increasing number of South Africans who are becoming mobile Internet subscribers – forecast to rise from 15 million in 2013 to 35.2 million in 2018.

Mobile Internet access will also prove to be a great enabler for growth in other segments, such as consumer spending on online games and digital music downloads. Fixed broadband access revenues will rise more slowly, to 2.1 million households in 2018 from 1.4 million in 2013, reflecting the difficulty in creating an infrastructure capable of connecting the country.

Television is the second-largest segment, with combined revenues from TV subscriptions and advertising reaching an estimated R39.6 billion in 2018, increasing at a 5.2% CAGR. A growing middle class with greater disposable income will lead to a rise in pay-TV households. This, alongside regular increases in the licence fee and the perennial popularity of television as a mass medium for advertisers, will account for growth.

Outside of the Internet segment, video games and radio will enjoy the fastest growth rates, at 9.1% and 8.2% respectively. Improved Internet access will lead to rapid growth in mobile and online games revenue, while the new generation of consoles will ensure healthy growth in the console segment. Meanwhile, radio's reach across a wide demographic will keep it at the forefront of advertising campaigns.

All segments will see growth over the forecast period, even if, in the case of music and book publishing, that growth comes in at CAGRs of just 0.5%.

In the music segment, sharp falls in physical recorded music revenue will only just be compensated for by growth in live music and digital recorded music, while relatively low literacy rates and multiple language requirements will account for sluggish growth in book publishing revenues.

Total advertising spend will rise at a 7.0% CAGR

South Africa, entertainment and media advertising spend 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Business-to-business	3 191	3 807	3 792	4 245	4 442	4 731	5 040	5 351	5 670	5 902	*5.8%*
YOY growth (%)		*19.3%*	*-0.4%*	*12.0%*	*4.6%*	*6.5%*	*6.6%*	*6.1%*	*6.0%*	*4.1%*	
Filmed entertainment	308	363	522	563	607	652	699	747	797	851	*7.0%*
YOY growth (%)		*17.7%*	*43.8%*	*8.0%*	*7.7%*	*7.5%*	*7.2%*	*6.9%*	*6.7%*	*6.7%*	
Internet	561	624	883	1 207	1 581	2 071	2 623	3 200	3 747	4 401	*22.7%*
YOY growth (%)		*11.5%*	*41.4%*	*36.7%*	*30.9%*	*30.9%*	*26.8%*	*21.9%*	*17.1%*	*17.5%*	
Magazines	3 116	3 213	3 489	3 740	3 926	4 093	4 246	4 413	4 628	4 784	*4.0%*
YOY growth (%)		*3.1%*	*8.6%*	*7.2%*	*5.0%*	*4.2%*	*3.8%*	*3.9%*	*4.9%*	*3.4%*	
Music	169	190	202	208	223	240	259	280	304	331	*8.2%*
YOY growth (%)		*12.7%*	*6.1%*	*3.3%*	*7.2%*	*7.5%*	*7.8%*	*8.2%*	*8.5%*	*8.9%*	
Newspapers	6 201	6 587	7 132	7 656	8 219	8 730	9 249	9 781	10 342	10 979	*6.0%*
YOY growth (%)		*6.2%*	*8.3%*	*7.4%*	*7.3%*	*6.2%*	*5.9%*	*5.7%*	*5.7%*	*6.2%*	
Out-of-home	2 508	2 860	3 296	3 733	4 103	4 427	4 747	5 046	5 270	5 471	*5.9%*
YOY growth (%)		*14.0%*	*15.3%*	*13.3%*	*9.9%*	*7.9%*	*7.2%*	*6.3%*	*4.4%*	*3.8%*	
Radio	2 664	3 019	3 243	3 612	4 170	4 503	4 899	5 304	5 729	6 176	*8.2%*
YOY growth (%)		*13.3%*	*7.4%*	*11.4%*	*15.4%*	*8.0%*	*8.8%*	*8.3%*	*8.0%*	*7.8%*	
Sports	2 723	6 127	4 085	4 639	5 089	5 944	6 224	6 929	7 351	7 631	*8.4%*
YOY growth (%)		*125.0%*	*-33.3%*	*13.6%*	*9.7%*	*16.8%*	*4.7%*	*11.3%*	*6.1%*	*3.8%*	
Television	8 078	10 341	11 168	12 296	13 219	14 409	15 203	16 268	17 164	18 367	*6.8%*
YOY growth (%)		*28.0%*	*8.0%*	*10.1%*	*7.5%*	*9.0%*	*5.5%*	*7.0%*	*5.5%*	*7.0%*	
Video games	13	17	21	25	29	35	40	46	53	60	*15.4%*
YOY growth (%)		*37.5%*	*20.2%*	*19.9%*	*18.3%*	*17.4%*	*16.3%*	*15.1%*	*14.2%*	*14.2%*	
Total advertising	**28 900**	**36 497**	**37 082**	**40 988**	**44 355**	**48 450**	**51 613**	**55 463**	**58 810**	**62 347**	**7.0%**
YOY growth (%)		***26.3%***	***1.6%***	***10.5%***	***8.2%***	***9.2%***	***6.5%***	***7.5%***	***6.0%***	***6.0%***	

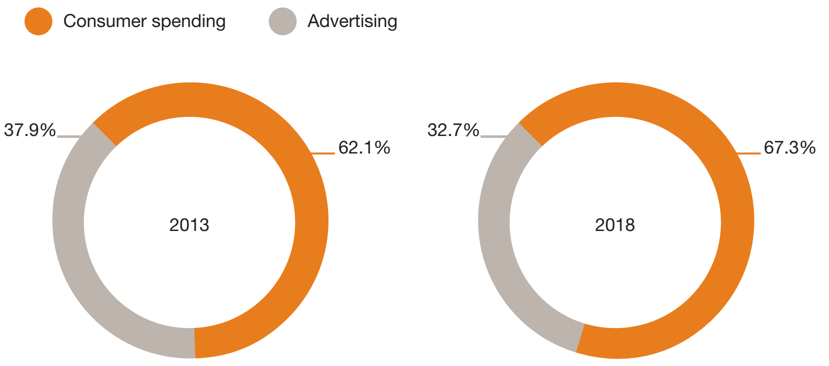
Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

Advertising constituted 38% of the South African E&M market in 2013, although this share will fall to 33% in 2018, as a result of Internet access increasing its market share significantly over the same period.

Despite its share decreasing, revenue generated through advertising will still increase by R18 billion between 2013 and 2018, with the fastest-growing segment – Internet advertising – showing a double-digit CAGR as a result of the substantial increase in Internet access over the period.

Advertising to lose ground

Fig. 1: Share of total E&M market, advertising vs consumer revenues, 2013 vs 2018 (%)



Sources: PwC, Ovum

Internet advertising's anticipated CAGR of 22.7% will be driven by search and mobile advertising, with Google, the most visited site in the country, holding the vast majority of the South African search market. Mobile advertising will be driven by an increase in smartphone penetration.

Display advertising will grow at a CAGR of 18.8%, driven principally by the second most visited site, Facebook, while video advertising will grow substantially from a very low base of R2 million in 2013 to reach R9 million in 2018, as broadband speeds gradually improve and Internet access widens.

The second-fastest-growing advertising segment is video gaming, albeit from a low base of R29 million, which is expected to grow at a CAGR of 15.4% to reach R60 million in 2018. This growth will be inextricably linked to the number of video gamers who play online, as video games advertising's main asset is its ability to target users based on their playing behaviour while online.

Radio advertising, the third-fastest-growing segment, will enjoy a healthy CAGR of 8.2% thanks to radio still being widely consumed throughout South Africa.

TV advertising remains comfortably the largest South African advertising sector. It will grow at a CAGR of 6.8% over the forecast period, reaching a projected R18.4 billion in 2018. This growth will largely be driven by more competition and larger broadcasting audiences, as broadcast television continues to have the largest reach of any media format.

Magazine and newspaper total advertising revenues will show growth of 4.0% and 6.0% respectively, and in both cases the advertising spend from printed editions will consume the overwhelming majority of total advertising revenues.

Printed newspaper advertising growth can be attributed to locally-distributed, free newspapers that build a strong connection between consumers and brands, while print magazine advertising will be driven by niche magazines covering topics such as home improvement, which tend to suit luxury goods advertisers. Digital advertising in both instances is still in its infancy, but will see a double-digit CAGR over the forecast period.

Consumer spending will be buoyed by Internet access revenue

South Africa, entertainment and media consumer spend, 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Books	4 120	3 967	3 901	3 883	3 902	3 917	3 937	3 951	3 964	4 006	*0.5%*
YOY growth (%)		*-3.7%*	*-1.6%*	*-0.5%*	*0.5%*	*0.4%*	*0.5%*	*0.4%*	*0.3%*	*1.1%*	
Business-to-business	2 691	3 638	3 694	4 030	4 166	4 375	4 631	4 912	5 219	5 558	*5.9%*
YOY growth (%)		*35.3%*	*1.5%*	*9.1%*	*3.4%*	*5.1%*	*5.8%*	*6.1%*	*6.3%*	*6.5%*	
Filmed entertainment	1 427	1 455	1 604	1 700	1 821	1 936	2 056	2 202	2 375	2 574	*7.2%*
YOY growth (%)		*2.0%*	*10.2%*	*6.0%*	*7.1%*	*6.3%*	*6.2%*	*7.0%*	*7.9%*	*8.3%*	
Internet	7 955	9 599	12 950	17 816	24 161	31 115	39 416	48 258	57 174	67 218	*22.7%*
YOY growth (%)		*20.7%*	*34.9%*	*37.6%*	*35.6%*	*28.8%*	*26.7%*	*22.4%*	*18.5%*	*17.6%*	
Magazines	2 966	3 686	4 245	4 826	5 109	5 534	5 963	6 364	6 743	7 114	*6.8%*
YOY growth (%)		*24.3%*	*15.2%*	*13.7%*	*5.9%*	*8.3%*	*7.7%*	*6.7%*	*6.0%*	*5.5%*	
Music	2 242	2 173	2 057	1 978	1 904	1 816	1 782	1 784	1 808	1 849	*-0.6%*
YOY growth (%)		*-3.1%*	*-5.4%*	*-3.9%*	*-3.7%*	*-4.6%*	*-2.0%*	*0.1%*	*1.4%*	*2.3%*	
Newspapers	2 677	2 704	2 642	2 691	2 773	2 857	2 943	3 032	3 111	3 176	*2.8%*
YOY growth (%)		*1.0%*	*-2.3%*	*1.9%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*2.6%*	*2.1%*	
Sports	8 641	14 858	8 578	9 230	9 698	10 599	10 957	11 708	12 227	12 866	*5.8%*
YOY growth (%)		*71.9%*	*-42.3%*	*7.6%*	*5.1%*	*9.3%*	*3.4%*	*6.9%*	*4.4%*	*5.2%*	
Television	12 139	13 846	15 338	16 398	17 527	18 337	19 005	19 742	20 430	21 220	*3.9%*
YOY growth (%)		*13.9%*	*10.8%*	*6.9%*	*6.9%*	*4.6%*	*3.6%*	*3.9%*	*3.5%*	*3.9%*	
Video games	1 623	1 758	1 958	2 177	2 378	2 560	2 792	3 045	3 334	3 661	*9.1%*
YOY growth (%)		*8.3%*	*11.4%*	*11.2%*	*9.2%*	*7.7%*	*9.0%*	*9.1%*	*9.4%*	*9.8%*	
Total consumer	**46 213**	**57 372**	**56 461**	**64 137**	**72 760**	**82 286**	**92 608**	**104 025**	**115 316**	**128 064**	**12.0%**
YOY growth (%)		***24.1%***	***-1.6%***	***13.6%***	***13.4%***	***13.1%***	***12.5%***	***12.3%***	***10.9%***	***11.1%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

Consumer spending in South Africa will rise at a 12.0% CAGR over the next five years from R72.8 billion in 2013 to reach an estimated R128.1 billion. This will be driven in large part by the 22.7% increase in consumer spend on Internet access, which is predicted to grow from R24.1 billion to R67.2 billion over the forecast period. In 2018, Internet access will account for 52.5% of overall consumer spend. Excluding spend on Internet access, consumer growth would come in at a 4.6% CAGR to 2018.

TV subscriptions and licence fees accounted for 24.1% of consumer revenue in 2013, but this share is forecast to diminish as Internet access takes an ever-increasing slice of the pie. In 2018, TV will account for just 16.6% of consumer revenue, despite growing at a CAGR of 3.9%.

By 2018 there will be a forecast 6.8 million pay-TV subscriptions in South Africa, up from 4.8 million in 2013, thanks to healthy competition between MultiChoice and StarSat (formerly TopTV), and households in general enjoying increased discretionary spend.

Sports will account for more than 10% of consumer revenue throughout the forecast period, aided by the expansion of Super Rugby in 2016 to feature a new South African team, which will boost both gate revenues and media rights.

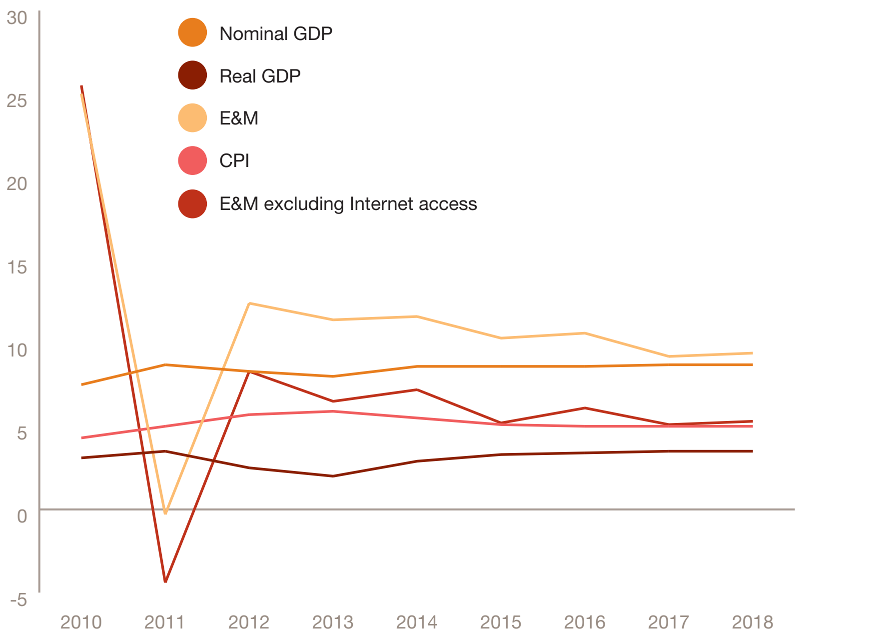
The country's swelling middle class will have a positive impact on segments such as magazines, filmed entertainment and video games, with the recent release of the PlayStation 4 and imminent release of the Xbox One also proving integral to the success of the latter segment.

The E&M market will outperform the overall economy

Music is the only consumer sector that will see decline over the forecast period, falling at a CAGR of -0.6% to R1.85 billion in 2018. The sheer proliferation of free online alternatives is having a seismic impact on the recorded music sector and the vibrancy of South Africa's live music scene cannot quite compensate for the decline.

Overall growth in E&M revenue will outstrip both nominal GDP and real GDP growth over the forecast period, albeit with growth dipping slightly to 2018 to fall into line with nominal GDP. However, taking away revenues from Internet access – not a traditional form of E&M revenue – shows a different picture, with growth sandwiched between nominal and real GDP.

Fig. 2: E&M growth rate vs nominal GDP vs real GDP vs CPI, 2010-2018 (%)



Sources: PwC, Ovum

The Internet segment, comprising Internet access revenues and Internet advertising revenues, will dominate growth to 2018. In 2013, Internet actually lagged television (comprising TV advertising and TV subscriptions), but in 2014 will become the largest segment, with revenues of R33.2 billion against television's R32.7 billion.

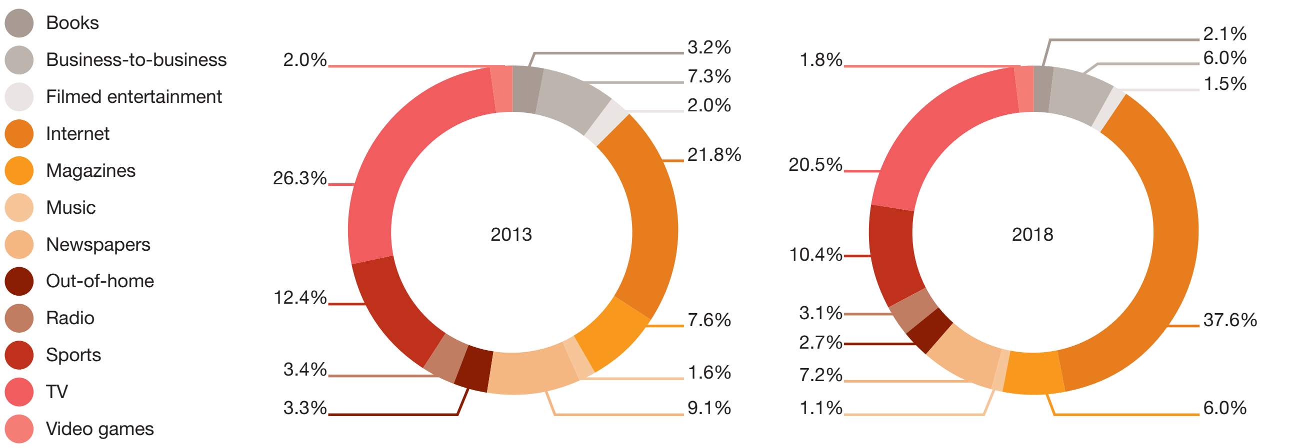
Again, it is worth remembering that all segments will see growth to 2018 – it is just that Internet's growth will be the most spectacular, leading to a market share of 37.6% in 2018. As a result, every other segment will see its overall share of the pie decline by 2018, with television in particular falling to just a 20.5% share in 2018, down from 26.3% in 2013.

Internet access revenue alone will add R43 billion over the forecast period. With access treated as a discrete category, it will move from accounting for 21% of the E&M market in 2013 to 35% in 2018.

Both advertising revenue and consumer revenue (excluding Internet access) will suffer declines in their share of the market, with consumer revenue particularly hard hit as individual consumers find that the package provided by Internet access removes the need for further expenditure.

The Internet segment will see the biggest growth to 2018

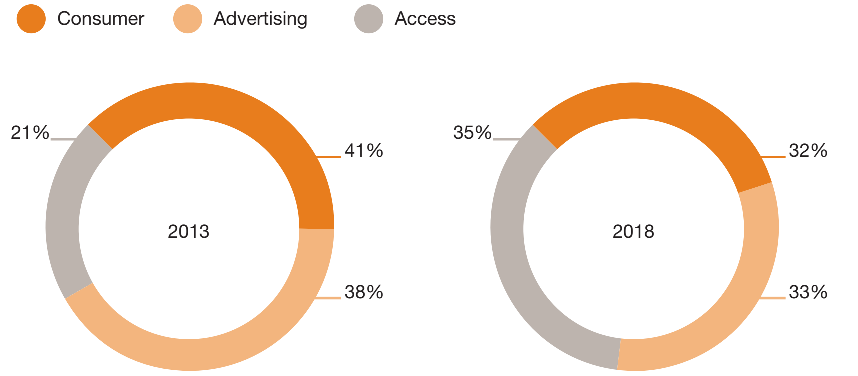
Fig. 3: E&M revenues by share of market, 2013 vs 2018 (%)



Sources: PwC, Ovum

Consumer revenue share to decline by a fifth by 2018

Fig. 4: Consumer (excluding Internet access) vs access vs advertising revenues, 2013 vs 2018 (%)



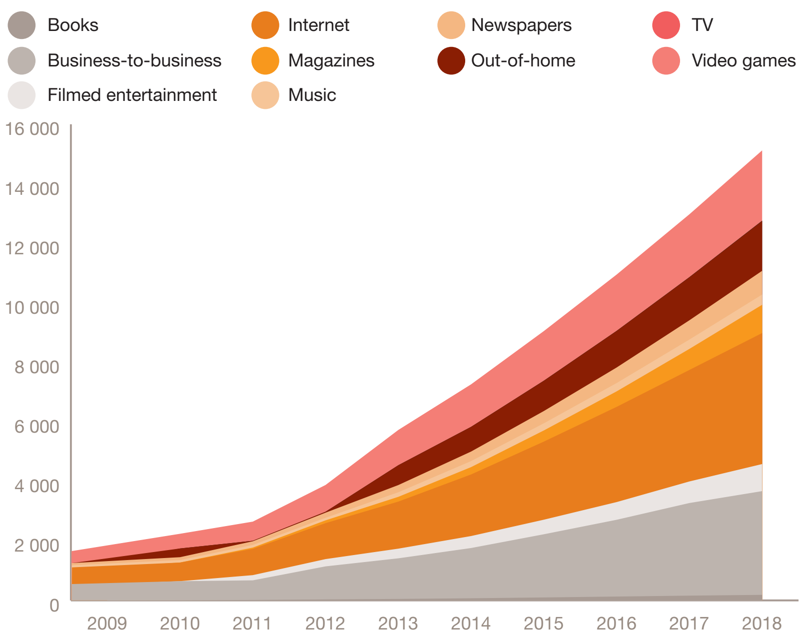
Sources: PwC, Ovum

Digital

Although there is dramatic change in the way consumers spend their money, digital revenues in other segments remain relatively small. Internet access provides the potential for expenditure on digital content, yet outside of Internet access revenue itself, digital revenues will still only account for a fraction of the overall E&M market in 2018.

Digital media revenues will increase rapidly, but from a low base

Fig. 5: Digital entertainment and media revenues, 2009-2018 (R millions)



Sources: PwC, Ovum

Nevertheless, digital is on the rise both in terms of consumer and advertising revenues. Without Internet access included, digital consumer revenues will increase from 2.1% of total consumer revenue in 2013 to 2.7% in 2018.

Digital consumer revenue will overtake non-digital consumer revenue in 2016 and will account for 55.3% of the market in 2018, helped by dramatic increases in the number of mobile Internet subscribers.

Digital advertising

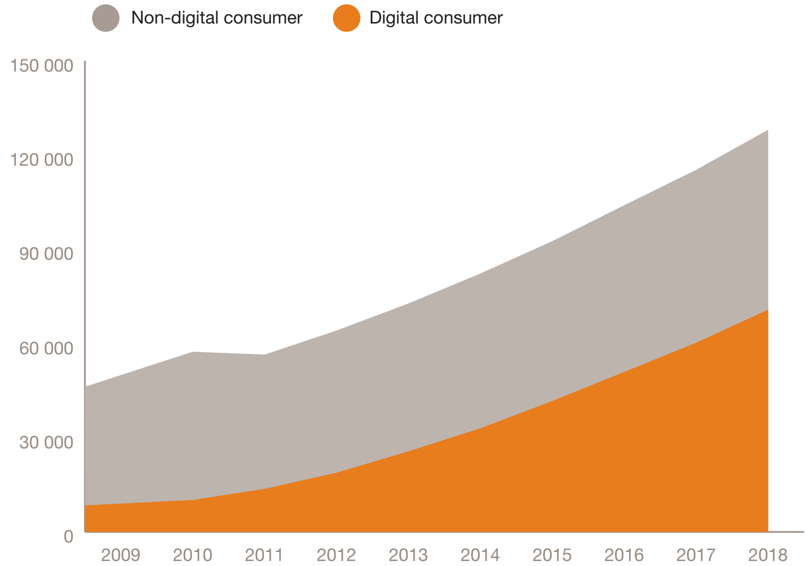
In 2009, digital advertising revenues comprised just 1.9% of overall E&M advertising revenue. Advertisers have since seized upon the measurability and spending guarantees of Internet advertising, with digital advertising constituting 5.1% of 2013 revenues and forecast to make up 9.7% of revenues in 2018.

Despite dramatic growth, traditional advertising media will still prevail, with the likes of television and radio revenues still guaranteeing the kind of captive mass audiences that the Internet cannot yet offer.

Internet access revenues aside, the tipping point from traditional media to digital media remains a long way off in South Africa, in terms of revenue at least. Companies and advertisers would still do well to focus on the digital consumer, who may well have greater disposable income, but for the time being traditional media will still constitute the majority of revenues.

Digital consumer spending (including Internet access) to overtake non-digital in 2016

Fig. 6: Consumer spend on E&M (including Internet access), digital vs non-digital, 2009-2018 (R millions)

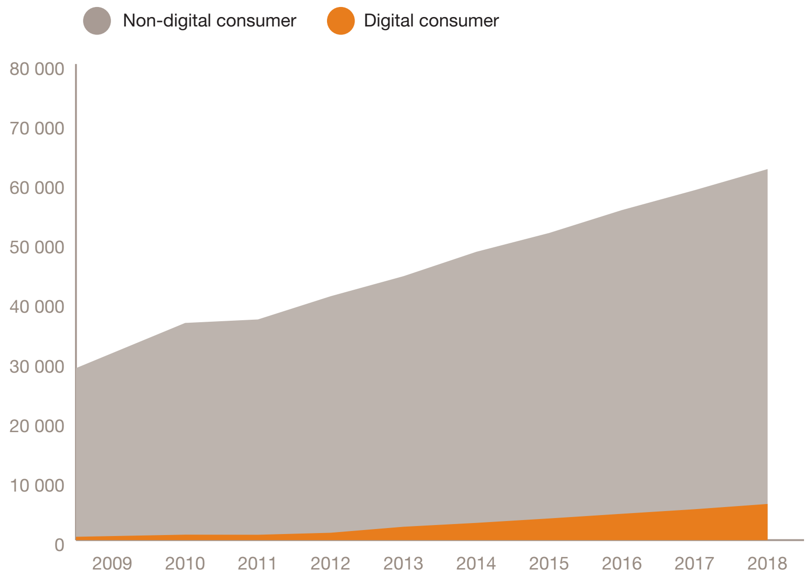


Sources: PwC, Ovum

With the segments examined in isolation, the relative move towards digitisation can be seen more clearly. Video games has made the swiftest transition to digital thanks to the popularity of mobile gaming in particular, but also because of the increased potential for digital distribution of console games – 27% of console revenues are forecast to be digital in 2018. Digital revenue from video games will overtake physical purchases in 2014 and by the end of the forecast period 63% of video games revenue is forecast to be digital.

Digital to make up nearly 10% of advertising revenue in 2018

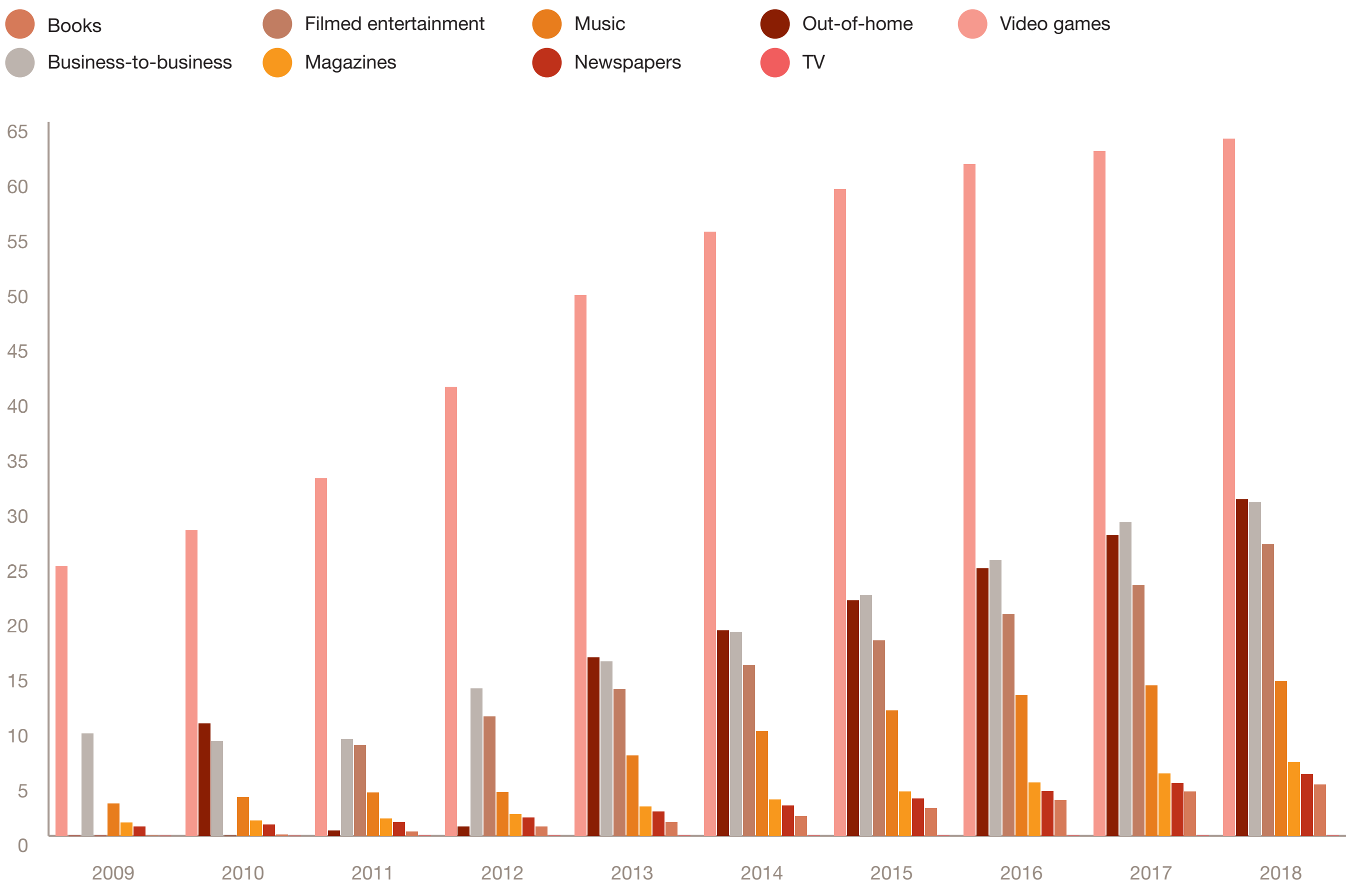
Fig. 7: Advertising spend on E&M, digital vs non-digital, 2009-2018 (R millions)



Sources: PwC, Ovum

Video games lead the way for South African digitisation

Fig. 8: Revenues from digital as a percentage of total spending by segment, 2009-2018 (%)



Sources: PwC, Ovum

Out-of-home advertisers are also forecast to be quick adopters of digital, encouraged by the enhanced possibilities offered by the medium, while in the business-to-business segment, the rise of digital directories in particular is driving digital growth.

Electronic home video is catching on rapidly to boost digital revenues in the filmed entertainment segment, with 26.6% of revenues coming from digital in 2018. Consumers are gradually shifting their viewing patterns in filmed entertainment, spurred on by a reduction in bricks and mortar stores stocking physical home video. But again, there is a resilience to the physical home video segment, with just a -1.9% CAGR decline forecast to 2018, compared to a global figure of -4.8%.

Far less digital take-up will be witnessed in the magazine, newspaper and book segments, with digital revenues for each forecast to be under 7% of the total, even in 2018. Again, though consumers may well be browsing newspapers and magazine-style websites online, monetising these consumers presents much more difficulty for E&M businesses. The future may well be digital in South Africa, as with the rest of the world, but progress will be gradual and there are still plenty of opportunities for 'old' media yet.

Nigeria

Internet propels a vibrant market

Nigeria's entertainment and media revenues will reach an estimated US$8.5 billion in 2018, more than doubling from the 2013 figure of US$4.0 billion at a CAGR of 16.1%. This represents one of the fastest growth rates in the world.

The market will be overwhelmingly skewed towards consumer revenues, with Nigeria's 175 million-plus population accounting for US$7.1 billion of revenues in 2018 – 84.2% of the total.

As in South Africa, Internet will be the key driver for Nigeria, in a country where the number of mobile Internet subscribers is forecast to surge from 7.7 million in 2013 to 50.4 million in 2018.

Mobile Internet access revenue alone will add more than US$2.2 billion over the forecast period, while mobile also dominates Internet advertising revenue. But an increasingly Internet-connected populace will create new possibilities elsewhere in the E&M market.

Nigeria's E&M market will approach US$8.5 billion in 2018

Entertainment & media market, 2009-18 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Books	19	21	24	22	22	22	22	22	22	22	*0.3%*
YOY growth (%)		*13.0%*	*11.5%*	*-5.6%*	*-1.2%*	*0.2%*	*0.2%*	*0.1%*	*0.3%*	*0.6%*	
Business-to-business	15	18	18	19	21	23	25	27	29	32	*8.6%*
YOY growth (%)		*18.5%*	*3.2%*	*3.7%*	*10.6%*	*8.4%*	*8.2%*	*8.3%*	*8.8%*	*9.4%*	
Filmed entertainment	131	142	166	172	178	188	200	214	235	258	*7.4%*
YOY growth (%)		*8.2%*	*17.0%*	*3.1%*	*4.7%*	*4.9%*	*6.0%*	*7.0%*	*9.3%*	*10.0%*	
Internet	349	571	794	1 133	1 696	2 294	2 989	3 744	4 476	5 141	*24.8%*
YOY growth (%)		*64.6%*	*39.1%*	*42.7%*	*49.8%*	*35.2%*	*30.3%*	*25.3%*	*19.6%*	*14.8%*	
Magazines	144	203	215	230	250	276	297	323	347	372	*8.2%*
YOY growth (%)		*40.5%*	*5.9%*	*7.3%*	*8.6%*	*9.9%*	*8.0%*	*8.5%*	*7.6%*	*7.1%*	
Music	47	49	49	51	53	55	58	63	70	81	*9.3%*
YOY growth (%)		*2.8%*	*2.7%*	*2.8%*	*1.6%*	*3.8%*	*6.3%*	*9.1%*	*12.2%*	*15.6%*	
Newspapers	223	214	206	205	205	203	204	204	205	207	*0.2%*
YOY growth (%)		*-3.9%*	*-4.0%*	*-0.9%*	*-0.1%*	*0.0%*	*0.1%*	*0.1%*	*0.4%*	*0.4%*	
Out-of-home	131	154	165	178	193	207	220	234	247	261	*6.1%*
YOY growth (%)		*17.6%*	*6.6%*	*8.0%*	*8.9%*	*6.8%*	*6.2%*	*6.6%*	*5.7%*	*5.3%*	
Radio	75	79	81	86	89	92	95	98	101	105	*3.3%*
YOY growth (%)		*5.6%*	*2.6%*	*5.0%*	*4.0%*	*3.5%*	*3.1%*	*3.2%*	*3.3%*	*3.5%*	
Sports	216	499	335	433	494	572	609	676	725	799	*10.1%*
YOY growth (%)		*131.3%*	*-32.9%*	*29.6%*	*14.0%*	*15.7%*	*6.5%*	*11.2%*	*7.2%*	*10.0%*	
Television	583	644	665	697	766	836	895	945	997	1 059	*6.7%*
YOY growth (%)		*10.4%*	*3.3%*	*4.9%*	*9.8%*	*9.3%*	*7.0%*	*5.6%*	*5.4%*	*6.3%*	
Video games	25	33	44	55	71	87	104	124	148	176	*20.1%*
YOY growth (%)		*32.2%*	*32.5%*	*27.7%*	*26.2%*	*22.8%*	*20.2%*	*19.6%*	*18.9%*	*18.9%*	
Total*	**1 944**	**2 600**	**2 736**	**3 252**	**4 004**	**4 816**	**5 673**	**6 627**	**7 550**	**8 455**	**16.1%**
YOY growth (%)		***33.8%***	***5.2%***	***18.9%***	***23.1%***	***20.3%***	***17.8%***	***16.8%***	***13.9%***	***12.0%***	

Notes: 2009-2013 figures have been updated to reflect most recently available financial information

* • Newspaper, directory, consumer magazine, trade magazine and online TV advertising are included in their respective segments and also in Internet advertising but only once in the overall total.

- Pay-per-view and video-on-demand are counted in both the television and filmed entertainment segments but only once in the overall total.
- Professional books is counted in business-to-business and book publishing but only once in the overall total.
- Trade magazines is counted in business-to-business and magazine publishing but only once in the overall total.

Sources: PwC, Ovum

Internet advertising to see 32.7% CAGR growth

Television, in the form of advertising and subscriptions & licence fees, will also become a US$1 billion-plus market in 2018, while the sports market will grow steadily. When it comes to advertising, television remains the largest contributor to E&M revenues, followed by OOH.

Internet advertising was the sixth-largest revenue segment in 2013, but thanks to a CAGR of 32.7%, it will be the fourth-largest by 2018, overtaking both newspapers and radio as this new advertising media is embraced. Indeed, newspaper advertising revenue is forecast to decrease at a -3.8% CAGR as advertisers migrate their dollars elsewhere.

Piracy-proof revenue streams show greatest growth

Consumer revenues in Nigeria are hampered by piracy. In the book publishing market, for instance, the photocopying of books is widespread, while the World Bank estimates that 90% of DVDs in circulation are pirated, which prevents filmed entertainment revenues from taking off further.

Anti-piracy initiatives are one way of tackling the issue, with the Nigerian Government developing measures such as a source identification code to aid the filmed entertainment market. But such measures require resources that are not always available.

The Nigerian Publishers' Association Anti-Piracy Committee lacks the budget to make a significant impact on piracy in the books market, as does the Nigerian Copyright Commission. Currently there are no government initiatives to deal with online piracy and so in the music market, Apple's iTunes, which launched in Nigeria at the end of 2012, will struggle to generate any meaningful growth.

Nigeria advertising expenditure, by entertainment & media segment, 2009-18 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2014-18
Business-to-business	4	4	4	4	4	4	4	4	4	4	2.2%
YOY growth (%)		-0.7%	0.5%	6.2%	1.2%	2.4%	2.1%	2.1%	2.0%	2.7%	
Filmed entertainment	1	2	1	1	1	1	1	2	2	2	9.7%
YOY growth (%)		1.2%	-7.5%	-8.6%	2.4%	3.4%	7.5%	11.0%	13.4%	13.4%	
Internet	6	13	19	28	38	53	72	93	121	160	32.7%
YOY growth (%)		136.1%	48.6%	46.0%	39.2%	36.4%	34.4%	31.3%	30.5%	30.9%	
Magazines	24	24	25	27	28	30	30	31	31	32	2.5%
YOY growth (%)		1.6%	2.7%	8.2%	4.1%	2.9%	2.8%	2.5%	2.0%	2.2%	
Music	1	1	1	1	1	1	1	1	1	1	1.5%
YOY growth (%)		8.1%	1.6%	-2.5%	0.1%	0.2%	0.5%	0.9%	1.9%	3.9%	
Newspapers	95	89	83	78	73	69	66	64	62	61	-3.8%
YOY growth (%)		-6.4%	-6.8%	-7.0%	-6.0%	-4.6%	-4.2%	-3.9%	-3.0%	-3.1%	
Out-of-home	131	154	165	178	193	207	220	234	247	261	6.1%
YOY growth (%)		17.6%	6.6%	8.0%	8.9%	6.8%	6.2%	6.6%	5.7%	5.3%	
Radio	75	79	81	86	89	92	95	98	101	105	3.3%
YOY growth (%)		5.6%	2.6%	5.0%	4.0%	3.5%	3.1%	3.2%	3.3%	3.5%	
Sports	23	126	81	120	145	181	197	232	255	290	14.9%
YOY growth (%)		452.3%	-35.9%	48.7%	20.8%	24.8%	8.8%	18.1%	9.7%	13.6%	
Television	234	242	281	292	310	336	356	376	401	437	7.1%
YOY growth (%)		3.4%	16.2%	3.8%	6.2%	8.7%	5.7%	5.7%	6.6%	9.1%	
Total advertising	**590**	**730**	**736**	**807**	**876**	**966**	**1 032**	**1 125**	**1 215**	**1 338**	**8.8%**
YOY growth (%)		***23.7%***	***0.8%***	***9.7%***	***8.6%***	***10.3%***	***6.9%***	***9.0%***	***8.0%***	***10.1%***	

Notice: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

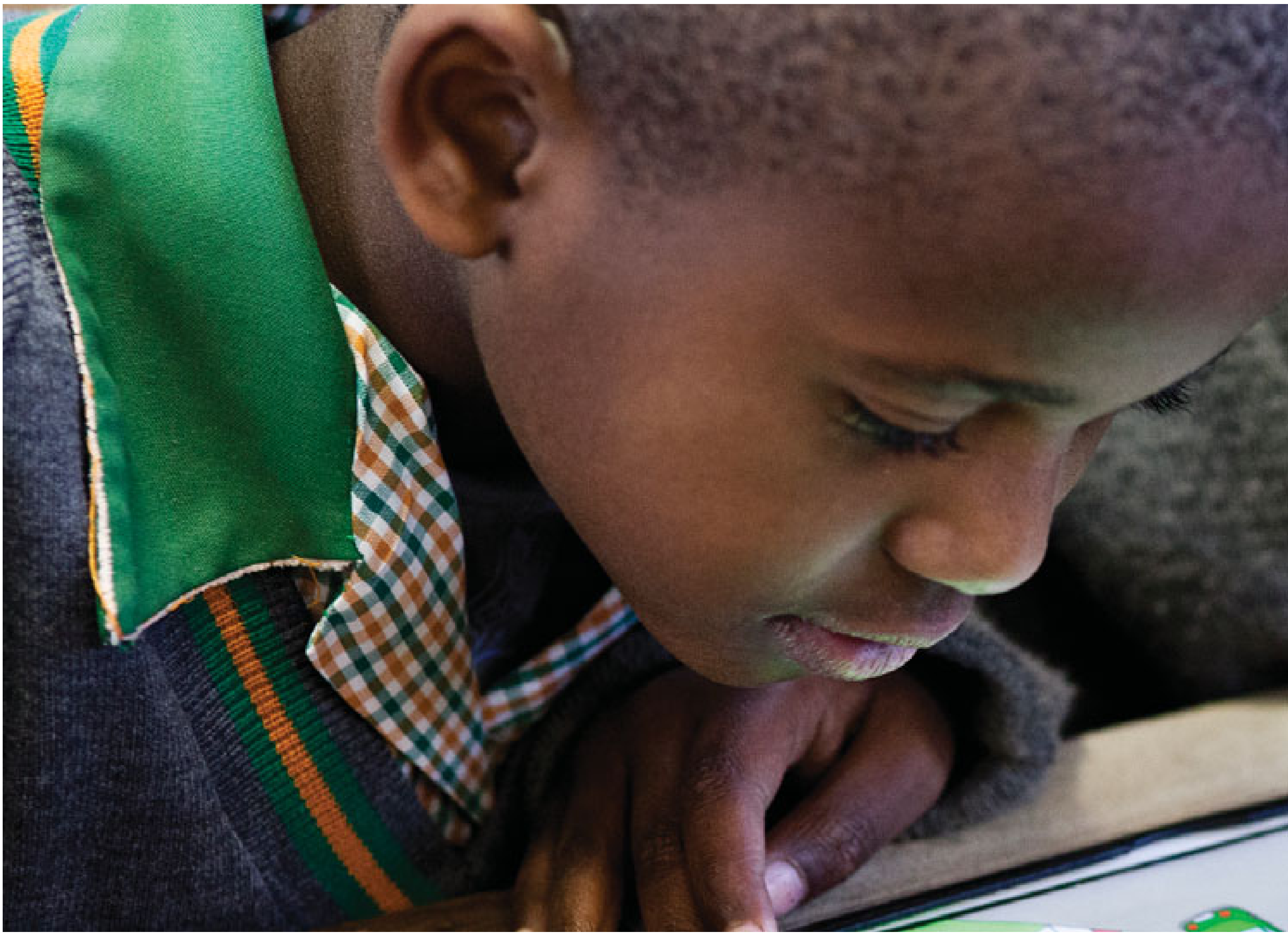
Video games shows growth path for consumer market

But outside of Internet access, the star of the consumer market is video games, and mobile gaming revenues in particular. The video games segment is forecast to grow at a 20.1% CAGR to 2018. One major driver of this, of course, is the rapid growth forecast in the number of mobile Internet subscribers, but another major facilitator is the nature of mobile and online gaming.

Free-to-play games, or those that require very small expenditure to play, are more personalised and affordable – putting them in a position to build on the volumes of microtransactions – and are inherently resistant to piracy. Pirates do not bother to crack US$1 games or features, plus many of these types of games are resistant to such hacks.

Traditional video gaming, where games cost US$50-60, attracts more piracy due to the potential cost saving, and indeed the console gaming market in Nigeria is essentially non-existent. Thus the free-to-play model is becoming increasingly important as games publishers look to increase revenues by targeting markets where PC and console games are unaffordable for the vast majority.

Importantly, microtransactions also allow consumers to pay more for a game if they wish to. The Internet provides the platform for this growth, but it is the revenue model of mobile and online gaming that will see the greatest success in Nigeria.



Kenya

Double-digit growth expected in fast-maturing market

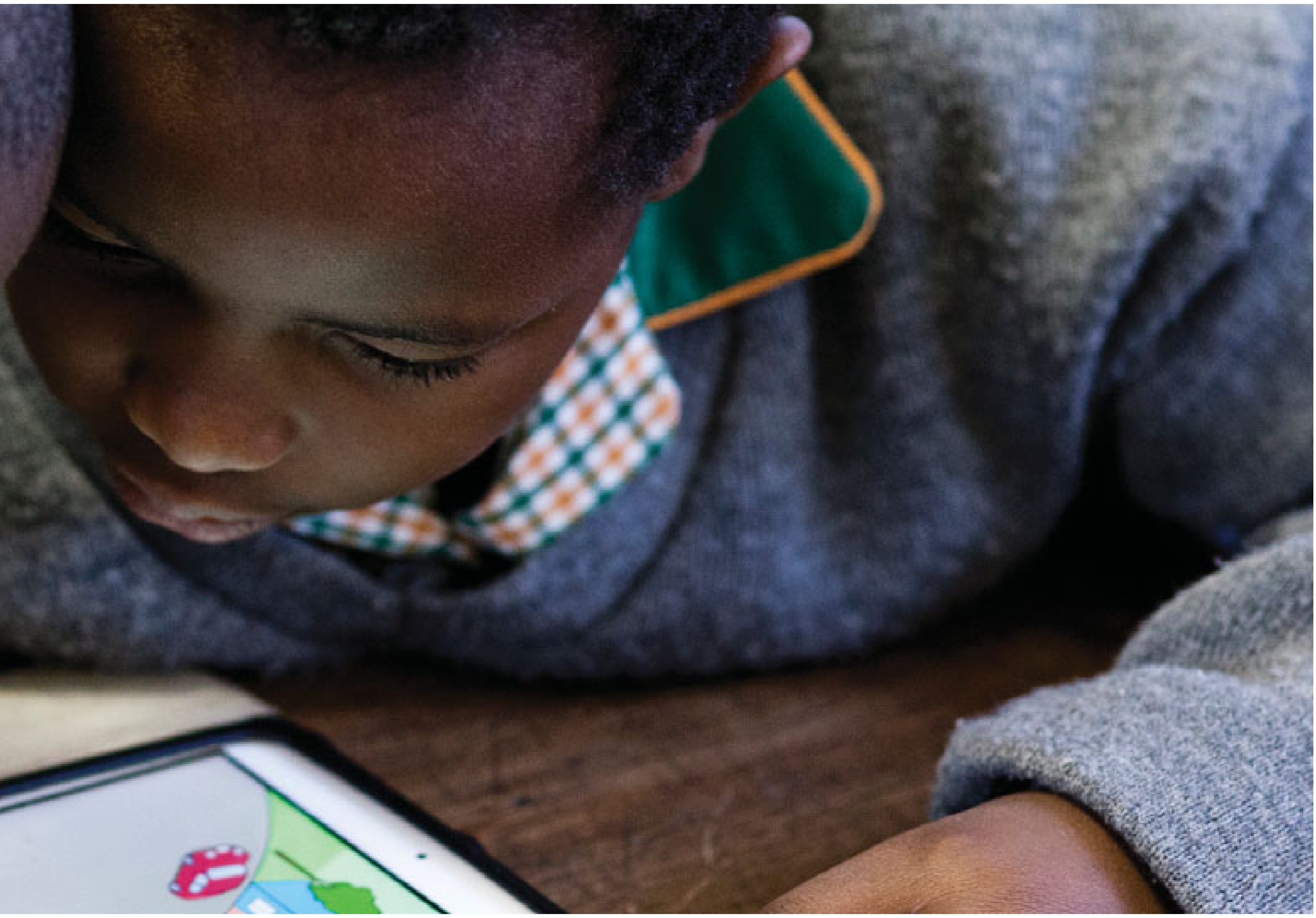
Kenya recorded US$1.7 billion in entertainment and media revenues in 2013, and this is forecast to rise to US$3.1 billion in 2018 at a CAGR of 13.4%. Once again, it is Internet access that is driving growth. Internet access revenues alone should surpass US$1 billion in 2018 as mobile Internet access, in particular, moves from being a luxury purchase to an affordable essential for the country's growing middle class.

Television and radio will account for a combined US$1 billion-plus of revenues in Kenya at the end of the forecast period. Kenyan pay-TV households are forecast to double to 2018, but the bulk of television growth will come from advertising on terrestrial channels.

Although Kenya has a very high advertising agency commission – more than twice as much as Nigeria for the same air time – commissions are expected to reduce as the market matures, encouraging further spend. Additionally, competition between consumer goods companies seeking to get a foothold in Kenya's burgeoning market is also aiding advertising growth.

Radio, meanwhile, is prized for its ability to cover the largest geographical area. Despite increasing levels of urbanisation in Kenya, radio remains the most important medium in rural areas and advertising is cheaper than both television and print.

The country will be fairly evenly split between consumer and advertising revenue in 2018 – 54% of revenues will be from consumers in that year, with consumer revenues overtaking advertising revenues for the first time in 2014.



Kenya's E&M market to surpass US$3 billion in 2018

Entertainment & media market, 2009-2018 (US$ million)

Kenya	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2014-18
Books	29	31	36	33	33	33	33	32	32	31	-0.9%
YOY growth (%)		7.5%	16.2%	-6.8%	-1.3%	-0.3%	-0.7%	-1.1%	-1.3%	-1.3%	
Business-to-business	7	7	8	9	10	11	12	12	13	14	7.5%
YOY growth (%)		9.9%	11.2%	9.6%	12.1%	8.3%	7.9%	7.2%	6.6%	7.4%	
Filmed entertainment	35	36	37	37	37	38	39	39	40	42	2.2%
YOY growth (%)		4.5%	2.7%	-0.8%	0.5%	0.7%	1.1%	1.6%	2.7%	5.0%	
Internet	54	113	192	311	474	688	827	956	1 078	1 214	20.7%
YOY growth (%)		112.4%	67.3%	62.7%	52.2%	45.4%	20.1%	15.6%	12.9%	12.5%	
Magazines	40	53	58	63	68	75	82	88	94	99	7.8%
YOY growth (%)		32.4%	9.4%	7.5%	8.9%	10.1%	8.9%	6.7%	7.1%	6.1%	
Music	17	18	19	20	20	20	22	22	24	27	6.3%
YOY growth (%)		4.4%	3.7%	4.1%	0.3%	2.7%	4.0%	5.9%	8.3%	11.1%	
Newspapers	85	113	131	164	178	190	200	208	216	224	4.6%
YOY growth (%)		31.1%	17.0%	25.3%	8.5%	6.0%	5.2%	4.2%	3.6%	3.8%	
Out-of-home	50	58	78	84	92	101	110	118	128	137	8.3%
YOY growth (%)		16.6%	34.5%	8.0%	8.3%	10.1%	8.7%	7.9%	7.7%	7.5%	
Radio	148	216	253	269	305	329	355	381	409	439	7.5%
YOY growth (%)		46.5%	17.2%	6.2%	13.4%	7.9%	7.7%	7.5%	7.3%	7.2%	
Sports	43	94	58	78	93	106	119	138	151	166	12.2%
YOY growth (%)		120.0%	-38.6%	37.1%	17.3%	14.8%	11.4%	16.1%	9.5%	9.5%	
Television	131	185	215	285	323	383	447	516	585	660	15.4%
YOY growth (%)		41.2%	16.2%	32.6%	13.3%	18.6%	16.7%	15.4%	13.4%	12.8%	
Video games	14	20	27	36	44	54	63	75	88	103	18.5%
YOY growth (%)		34.9%	37.4%	33.7%	24.3%	21.2%	19.3%	18.2%	16.9%	16.9%	
Total*	**649**	**940**	**1 105**	**1 383**	**1 668**	**2 017**	**2 292**	**2 569**	**2 838**	**3 134**	**13.4%**
YOY growth (%)		***44.9%***	***17.6%***	***25.1%***	***20.6%***	***20.9%***	***13.6%***	***12.1%***	***10.5%***	***10.4%***	

Notes: 2009-2013 figures have been updated to reflect most recently available financial information

* • Newspaper, directory, consumer magazine, trade magazine and online TV advertising are included in their respective segments and also in Internet advertising but only once in the overall total.
- Pay-per-view and video-on-demand are counted in both the television and filmed entertainment segments but only once in the overall total.
- Professional books is counted in business-to-business and book publishing but only once in the overall total.
- Trade magazines is counted in business-to-business and magazine publishing but only once in the overall total.

Sources: PwC, Ovum

Advertisers are following Kenyan consumers onto the Internet, with Internet advertising revenue forecast to become a US$120 million-plus market by 2018, from just US$59 million in 2014. A CAGR of 31.5% makes Internet advertising the fastest-growing advertising segment.

Meanwhile, Kenya's newspaper advertising revenues will hold up well thanks to an established newspaper sector, with the *Nation* in particular having a large print and online following.

The out-of-home advertising market will grow at a CAGR of 8.3% to be worth US$137 million in 2018, helped by increased urbanisation and a rise in airline departures.

Advertising market to near US$1.5 billion by 2018

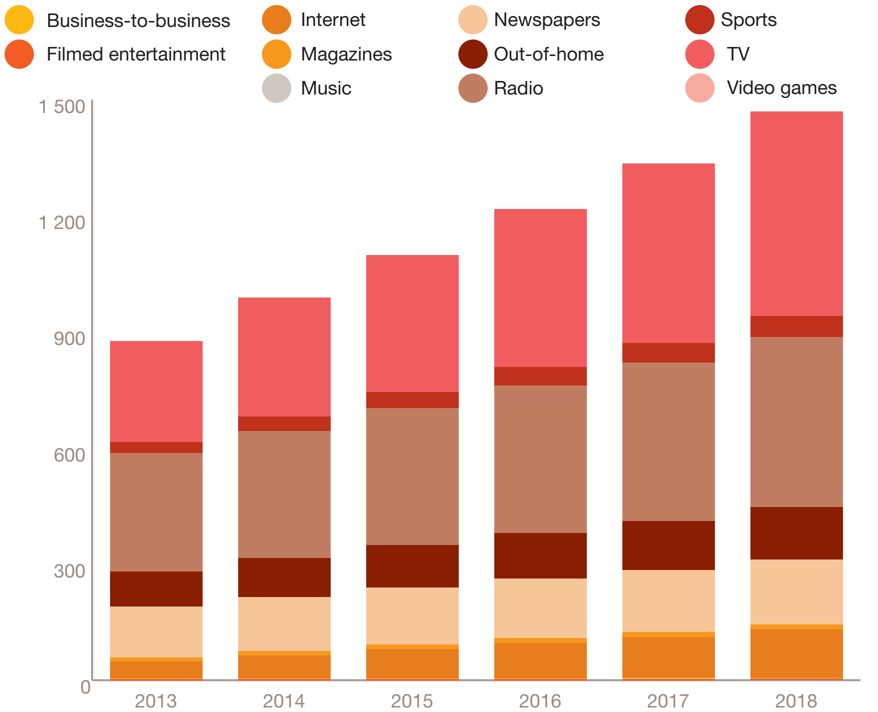
Advertising expenditure by entertainment & media segment, 2009-18 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Business-to-business	2	2	2	3	3	3	3	4	4	4	*5.7%*
YOY growth (%)		*-7.9%*	*34.8%*	*11.2%*	*10.5%*	*7.4%*	*6.6%*	*4.9%*	*3.7%*	*6.2%*	
Filmed entertainment	1	1	1	1	1	1	1	1	1	2	*14.5%*
YOY growth (%)		*39.7%*	*-11.1%*	*-28.4%*	*10.0%*	*11.7%*	*13.9%*	*15.3%*	*15.8%*	*15.9%*	
Internet	4	10	21	31	45	59	77	92	106	126	*31.5%*
YOY growth (%)		*186.1%*	*88.9%*	*54.6%*	*41.8%*	*35.6%*	*27.2%*	*20.0%*	*16.7%*	*17.5%*	
Magazines	9	7	10	10	11	11	11	12	12	13	*3.9%*
YOY growth (%)		*-21.6%*	*30.5%*	*6.8%*	*3.0%*	*3.9%*	*3.9%*	*3.9%*	*4.0%*	*4.0%*	
Music	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	*0.7%*
YOY growth (%)		*3.6%*	*-1.4%*	*-3.5%*	*0.0%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	
Newspapers	37	66	86	118	130	139	147	154	160	167	*5.0%*
YOY growth (%)		*74.7%*	*31.9%*	*36.5%*	*10.2%*	*6.6%*	*5.6%*	*4.6%*	*4.0%*	*4.4%*	
Out-of-home	50	58	78	84	92	101	110	118	128	137	*8.3%*
YOY growth (%)		*16.6%*	*34.5%*	*8.0%*	*8.3%*	*10.1%*	*8.7%*	*7.9%*	*7.7%*	*7.5%*	
Radio	148	216	253	269	305	329	355	381	409	439	*7.5%*
YOY growth (%)		*46.5%*	*17.2%*	*6.2%*	*13.4%*	*7.9%*	*7.7%*	*7.5%*	*7.3%*	*7.2%*	
Sports	5	22	17	25	29	37	41	48	51	55	*13.4%*
YOY growth (%)		*387.6%*	*-24.7%*	*49.1%*	*16.7%*	*25.8%*	*10.4%*	*16.8%*	*6.9%*	*8.3%*	
Television	105	150	171	233	260	307	354	408	464	528	*15.2%*
YOY growth (%)		*42.5%*	*13.7%*	*36.3%*	*11.9%*	*18.0%*	*15.4%*	*15.0%*	*13.7%*	*13.9%*	
Video games	–	–	–	0*	0*	0*	0*	0*	0*	0*	*15.2%*
YOY growth (%)					*19.2%*	*16.1%*	*16.7%*	*14.3%*	*14.6%*	*14.5%*	
Total advertising	**359**	**532**	**636**	**771**	**871**	**982**	**1 091**	**1 208**	**1 324**	**1 456**	**10.8%**
YOY growth (%)		***48.0%***	***19.7%***	***21.1%***	***13.0%***	***12.8%***	***11.1%***	***10.7%***	***9.6%***	***9.9%***	

*less than US$100 000
Sources: PwC, Ovum

Internet advertising gains the most ground

Fig. 9: Advertising expenditure by entertainment & media segment, 2013-2018 (US$ millions)



Sources: PwC, Ovum

ARPU will fall quickly as a result of attempts to reach the largest swathe of the population possible, but the result will be beneficial for the entire entertainment and media market, and beyond, as digital revenues in other segments increase from their currently low rates.

The next phase will see a period of digital reformation that empowers consumers and businesses to use the Internet to interact with each other, mobilise workforces, establish new sales channels and access media services for information – and entertainment.

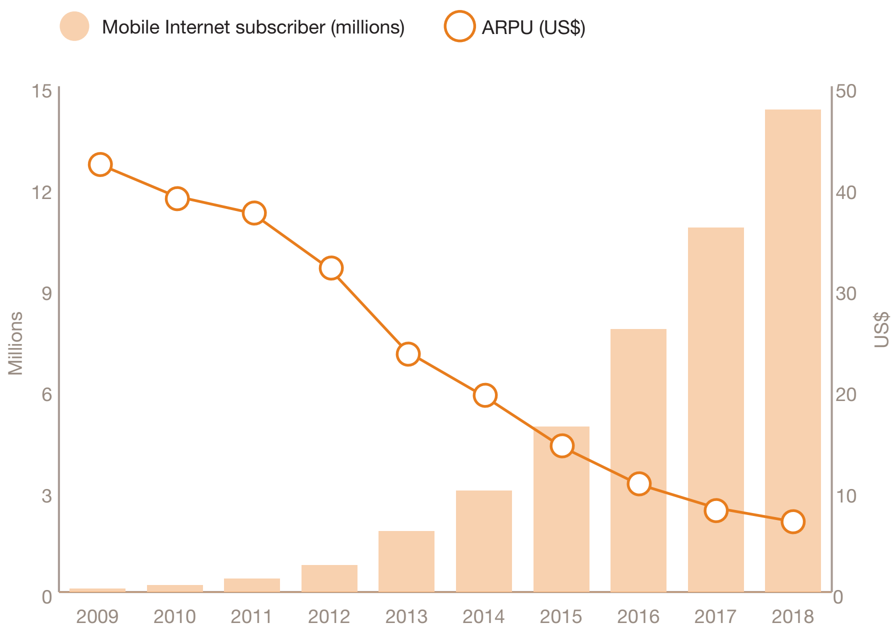
Operators strive to increase mobile Internet adoption

Kenya's Internet access market provides an example of the challenge that emerging markets worldwide face: to grow adoption beyond a wealthy, but relatively small niche, operators and digital media providers must make services considerably more affordable, while remaining profitable. Key to their success will be understanding the mobile Internet access opportunity.

Fixed broadband subscription numbers will remain low in Kenya, largely due to the absence of fixed-line network coverage of large areas of the country. The number of mobile Internet subscribers, in contrast, will soar from 1.8 million in 2013 to 14.3 million in 2018. Growth will be driven in part by the wider availability of services, but mainly because of operators sacrificing average revenue per (ARPU) use for growth by offering innovative low-cost tariffs and sub-US$100 handsets.

ARPU to decline as mobile Internet usage broadens

Fig. 10: Mobile Internet subscribers (millions) and subscriber ARPU (US$)



Sources: PwC, Ovum

Our perspective on trends shaping the industry

The following is extracted from PwC's Global Entertainment & Media Outlook 2014-2018

Digital success is not just about technology. It's about applying a digital mindset to build the right behaviours

What does 'digital' really mean for today's entertainment and media companies? In our view, it is no longer simply about the technology – the world has moved on and business has moved with it. And there are still many more changes to come.

We are in a world where Internet advertising spend is catching up with TV advertising spend, where consumers expect 24/7 access-on-demand to their favourite content, and where growth in digital advertising revenue is rapidly outpacing digital consumer spending.

Alongside these disruptive influences, technology has brought with it the ability for E&M companies to deliver the new experiences that consumers are seeking across many environments and contexts.

But the underlying shift triggered by digital is even more profound: an irreversible migration to a more complicated world, where businesses move faster and it's even harder to sustain competitive advantage. A world where businesses must have a strong 'digital IQ' and where digital must be an 'enterprise capability' woven throughout the business.

The most important impact of digital has not been to generate a step-change in technology. Instead, it's been to create and embed a new mindset towards doing business: not just quicker, but more targeted, experimental, experiential, inclusive and collaborative. We believe this shift towards a more personalised customer-centric organisation is the single biggest growth since the advent of digital media.[1] People have been talking about this seismic shift of mindset for some years, but it has now become mainstream: an integral and pervasive part of the E&M 'new normal'.

Not just digital strategy, but business strategy focused on relationship innovation

Businesses no longer need a digital strategy – what they need is a business strategy fit for a digital age – a world where offline media and programmatic advertising both have a place in the mix, but with a unique balance in every case. Digital is just one part of an overall strategy.

The emergence of digital ignited a blaze of technology, as companies scrambled to roll out digital platforms and processes. With these now in place, the focus is shifting to innovating in data insights and analytics to drive personalisation and deeper two-way relationships.

Putting the consumer at the centre of their own world

Many people talk about social, mobile, analytics and cloud (SMAC) as the route to those relationships. But these technologies are just the foundation. The most momentous advances aren't in the delivery platforms, but in the consumers themselves.

What's changed is that consumers have realised they can be the centre of their own world of entertainment and media. Through personalisation and recommendation engines, online services have shown consumers that they can switch from finding content experiences they have liked to being found by content experiences they will like.

Delivering such an experience means much more than analysing the data: it means getting to know people as individuals. This requires the right technology, the right mindset and talent for relationship innovation. The right combination of these factors brings relevance, which is something that E&M companies have been pursuing for years.

Consumers' individualised experiences from media mean they are increasingly expecting the same level of personalisation and recommendation from all their providers, from utilities to retailers to car makers – so the race for relevancy is being joined by an array of participants well beyond E&M companies.

1 "Profitable growth in the digital age towards a MyMedia company," PwC, http://www.pwc.co.uk/entertainment-media/publications/mymedia/index.jhtml

The widening struggle for relevance brings operational and infrastructure implications for E&M companies, as the relationships between content creators, distributors and advertisers blur. E&M companies need to look beyond product and service innovation to examine new operational and infrastructure models.

Three behaviours to build a successful strategy

What does this mean for the strategy of E&M companies? In our view, the bedrock of a strategy fit for the digital age is a digital mindset, characterised by a focus on relationship innovation. Companies must then build on this foundation by developing and exhibiting three behaviours.

First, **forging trust**. This means more than generating trust among customers by delivering relevant products and services. Increasingly, it also requires giving them full control over their own personal privacy and respecting society's expectations on issues like tax payments.

This trust feeds into the second behaviour: **creating the confidence to move with speed and agility.** As soon as a trusted business has an idea, it can execute on it quickly and decisively.

The third behaviour is **empowering innovation**. This means energising everyone in the organisation to recognise and celebrate its successes in the past, while innovating in a way that's unconstrained by legacy.

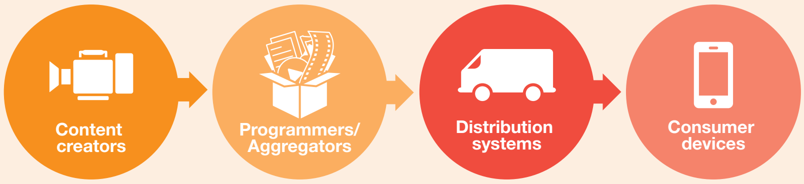
Building a customer-centred organisation

In their race to understand new consumers, meet their needs and monetise their evolving demands and behaviours, companies across the entertainment and media value chain have been applying innovation and agility, and crossing the old dividing lines between segments.

Fig. 11: The entertainment and media value chain has evolved

Traditionally, the entertainment and media value chain flowed in a linear, predictable pattern.

The traditional entertainment and media value chain



Today linear doesn't work. The value chain needs to be fluid and more adaptable to change.

The evolving entertainment and media value chain

Source: *Game changer: A new kind of value chain for entertainment and media companies,* PwC

Put simply, everyone is trying to 'eat everyone's lunch' – expanding choice and reducing cost for consumers. As various players scramble to capture as large a share as possible of each customer's total lifetime value, the competitive dynamics are further complicated by the entry of a wider array of participants.

The key competitive advantage that these diverse players are now scrambling to achieve has moved beyond the customer 'experience' to customer 'relevancy'. Companies are looking to drill down to an individual level, engaging and capturing the interest, imagination and spending of a specific individual at a specific time in a specific place and context, by delivering the message, offer or content that is most relevant to them at that very moment.

Those companies that do achieve relevance will be able to join the consumer's 'inner circle of trust' – positioning themselves to capture a greater share of the individual's lifetime value as a consumer.

Achieving and sustaining a place in each consumer's inner circle will require companies to deliver against four imperatives, grouped around connecting with the consumer, curation, content and customer preferences.

Engaging with the 'super-fan': a growing source of incremental revenue

The explosion in digital or mobile communications and social media is driving an upsurge in the number, influence and revenue potential of the 'super-fans', who are the most passionate consumers and advocates of entertainment and media content and brands.

As a result, super-fans represent an increasingly valuable source of incremental revenue. This can be tapped by offering them a premium or so-called 'inside-the-ropes' experience, such as a pre-release, exclusive or live content, in return for a higher subscription, participation in product development and/or ongoing support and advocacy on social media.

To maximise the revenue and value from super-fans, brands should identify and establish ownership of their 'outer circle' of committed advocates via their marketing, programming and technology teams, and then engage these people directly and individually through digital channels.

E&M companies that use their super-fans as a source of free product or service insight, but then fail to reward them adequately for their time and commitment, may find they end up undermining the relationship.

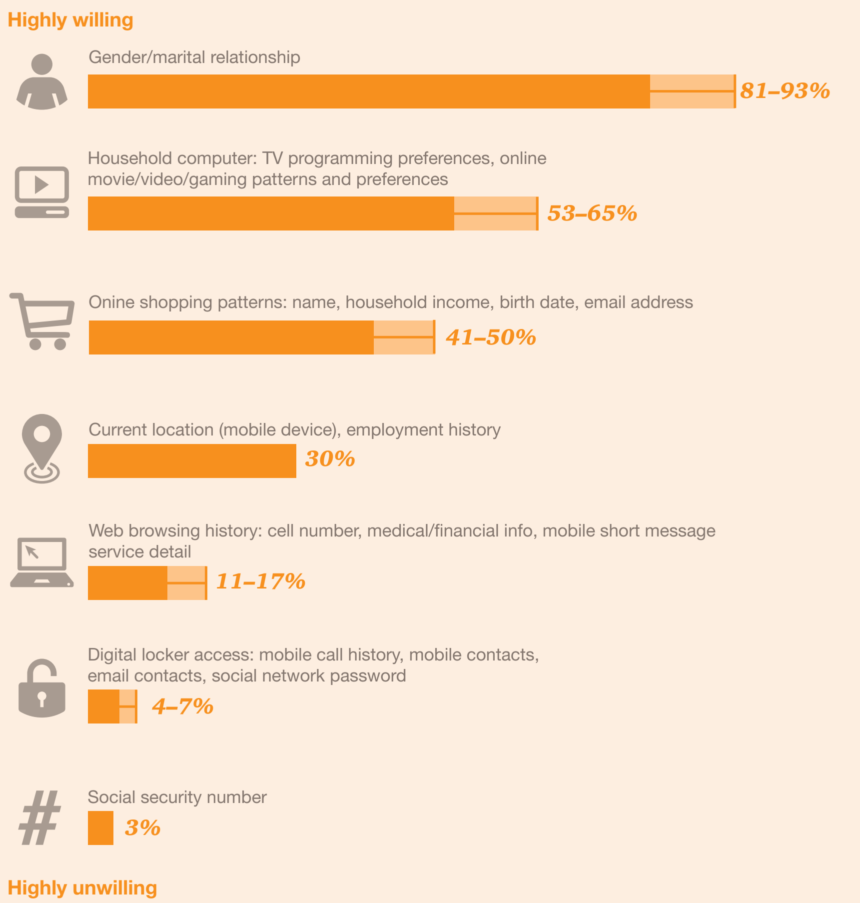
Exciting times ahead for mobile advertising

Consumption of entertainment and information is shifting from print media and large, static screens to handheld 'second-screen' devices such as smartphones and tablets – and advertising spend is following suit.

Mobile advertising offers the prospect of a step change in the personal relevance, timing and location of advertising messages, as well as in the measurability of outcomes – provided that consumer concerns over the privacy of their personal data can be addressed.

In general, the highly personal nature of mobile devices tends to heighten consumers' sensitivity about privacy. PwC recently surveyed consumers globally to find out what data they say they would be willing to share.[2] As the figure below shows, a clear hierarchy emerges around which items of information consumers would prefer to keep to themselves, and which they are willing to 'trade' for value in their lives.

Fig. 12: Degree of willingness to share to share personal information



Source: *The new digital ecosystem reality: Mobile advertising strategies for increase success*, PwC

2 "The new digital ecosystem reality: Mobile advertising strategies for increased success," PwC, http://www.pwc.com/en_US/us/technology/publications/assets/technology-institute-mobile-advertising-feb-2014.pdf

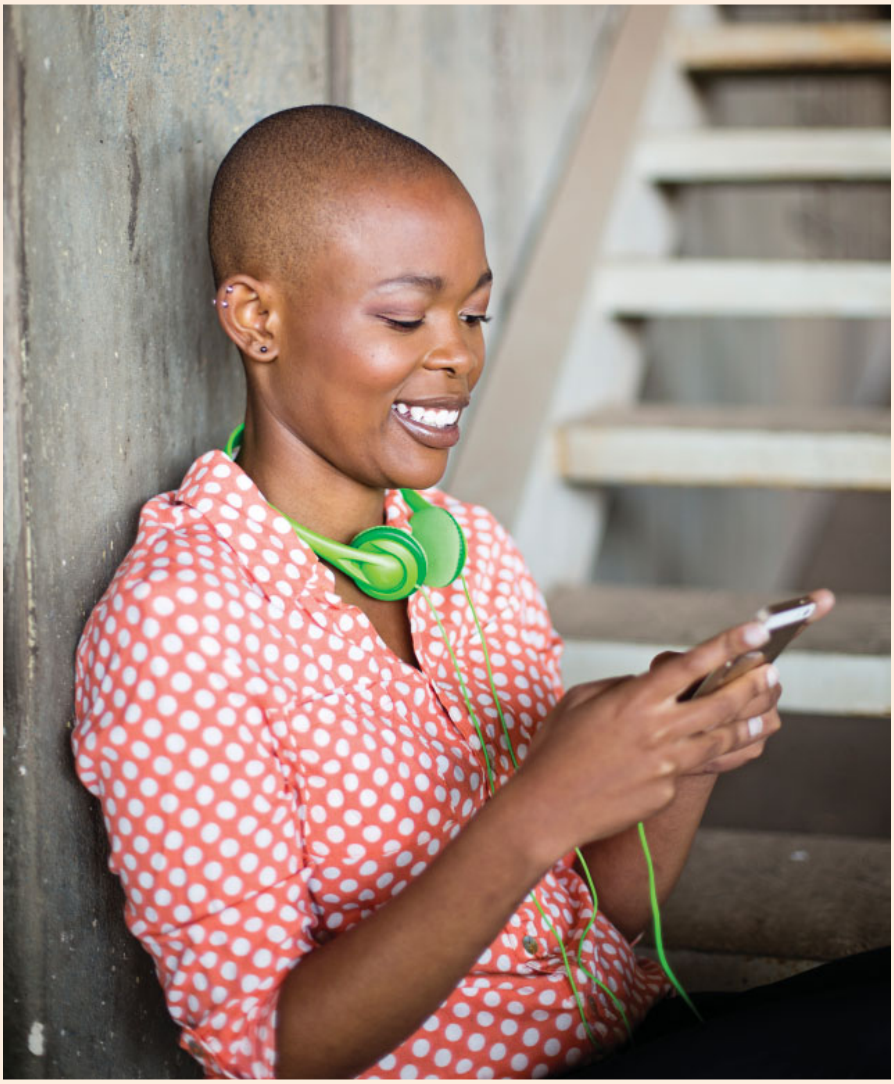
Degree of willingness to share

The winners in the mobile advertising market of the future will be those players who succeed in combining engagement, identity and insight:

- **Engagement**
  A high level of engagement with consumers is the component that drives the economic exchange inherent in mobile advertising;
- **Identity**
  Consumers need to feel that the advertiser knows who they are and respects their identity, privacy and individuality, by providing an environment where they can both control their personal information and also trust the recipient not to abuse that trust or use the data for purposes they haven't positively authorised; and
- **Insight**
  This involves informing consumers about the choices that other like-minded people make, and recommending products and services that can enrich their lives.

Why publishers should embrace programmatic advertising trading as part of their suite of marketing offerings

As publishers migrate their content and advertising online, many are wary of using programmatic ad trading, as they fear it could devalue their overall ad offering and drive rates and margins downwards.



In general, programmatic ad trading is the process of booking advertising using software algorithms. Programmatic ad trading is here to stay, and has a place as part of a suite of publishers' ad offerings – while also offering opportunities for greater efficiency within publishers' ad sales operations.

To make the most effective use of programmatic ad trading, publishers need to apply their core skills in sales and segmentation to clarify the relative value of the various components of their inventory, while driving audience engagement through compelling online content experiences.

What also applies is publishers' long-standing core capability in developing and delivering compelling content experiences that build engagement among the target audience. That skill will remain the bedrock of advertising revenues – whatever happens with programmatic ad trading.

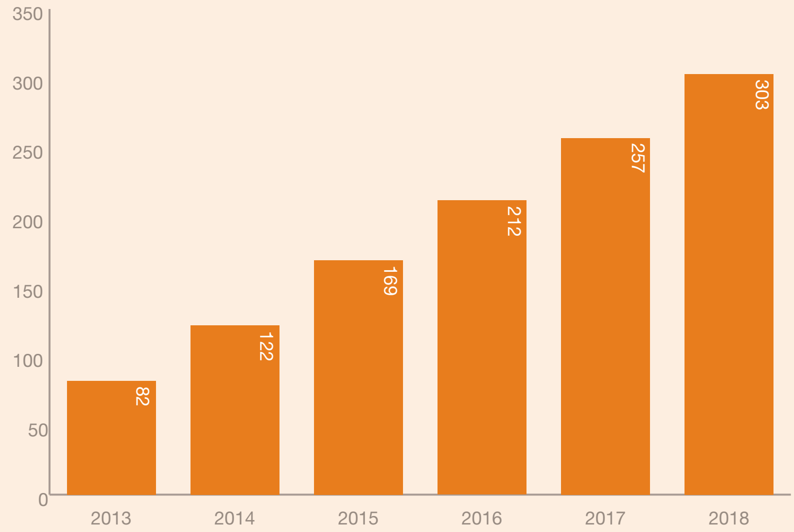
Music labels and artists enlist apps to power their next-wave digital fight back

The format and technical characteristics of digital music made it the first segment of entertainment and media to encounter the full force of digital disruption – and it looks set to be the first to emerge with a next-wave digital value chain.

The ongoing explosion in app downloads reflects the presence of several key ingredients – including the ubiquitous penetration of mobile handsets with rising power and functionality and increasing high-bandwidth broadband access.

Global app downloads will more than treble over the next five years

Fig. 13: Number of global app downloads, 2013-2018 (billions)



Sources: Global entertainment and media outlook 2014-2018, PwC, Ovum

The outcomes could include the return of niche independent labels nurturing selected talent and selling content direct to audiences of committed consumers – and a drive by labels to redesign their infrastructures to compete with the technology giants.

Recruiting and retaining new talent

E&M companies can no longer rely on their industry's 'cool' employer brand to win over and keep the talent they need.

The rising importance of data means they must now recruit and absorb new technical and analytics skill sets – people who are likely to have a different mindset and cultural expectations from their legacy colleagues.

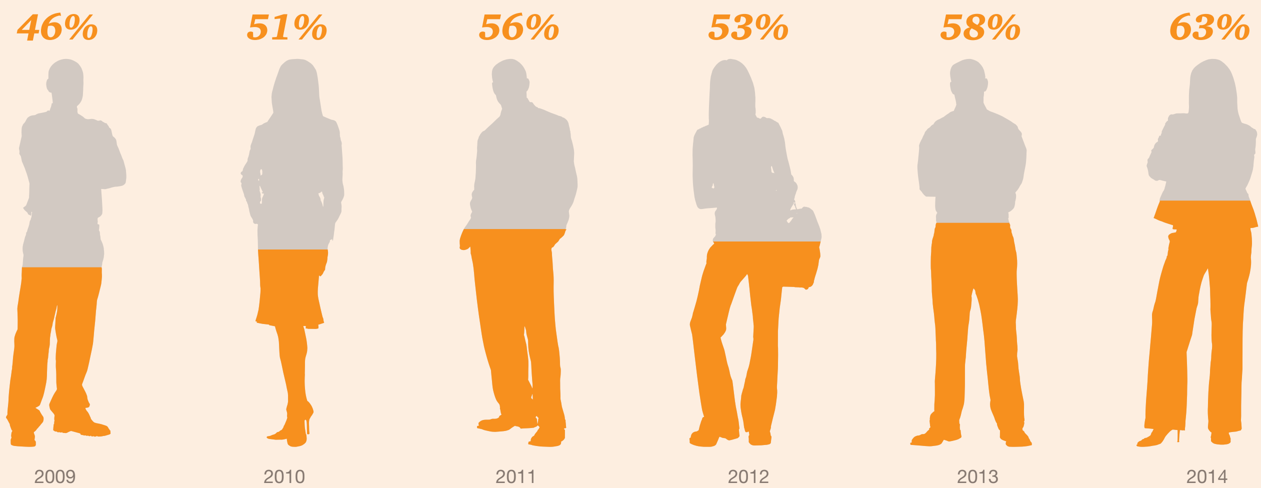
CEOs are increasingly worried about finding the right skills, but to succeed, businesses need to look to adjacent industries not just for talent – but also for the right HR strategies and employee perks to keep their new talent happy, engaged and integrated.

Multichannel networks – complementary to the established broadcasters – or a future competitor

Multichannel networks (MCNs) are a new generation of online video aggregators, mostly ad funded and delivering low-cost user-generated content to niche groups of consumers worldwide. Gaming and music videos are particular areas of focus.

Fig. 14: CEOs are becoming more worried about finding key skills

Percentage of CEOs concerned about the lack of availability of skills



Base: All respondents (2014=1 344; 2013=1 330; 2012=1 258; 2011=1 201; 2010=1 198; 2009=1 124)
Source: PwC 17th Annual Global CEO Survey

Their emergence represents the logical next step in the evolution of consumers' use of the Internet for content creation and distribution, democratised by the plunging cost of near professional-quality video production and devices.

While currently relatively small in revenue terms, MCNs could evolve in the long-term into a serious competitor to traditional media companies and/or a potential participant in partnerships and consolidation with mainstream players.

Cybersecurity: keeping content, brands and people safe online is everyone's business – and a strategic imperative

The most valuable assets any E&M company possesses – its 'crown jewels' – are its content. If they are stolen, compromised or used inappropriately, a business risks significant lost revenue and deep damage to its reputation and future revenue potential.

Despite the crucial importance of cybersecurity, it doesn't always receive the board-level attention it deserves, partly because it's often seen as a technology rather than a business issue. Boards need to work in a coordinated way to recognise their exposure to and the potential impacts of cyber-attacks.

Companies can enhance their ability to prevent cyber breaches through three steps: making cybersecurity everyone's business; strengthening the ecosystem; and identifying and protecting their most critical assets. A collaborative approach underpinned by appropriate technology tools can be the best solution.

Fig. 15: Entertainment and media businesses detect more security instances

Average number of security instances in the last 12 months

Source: The Global State of Information Security® Survey 2014
The Global State of Information Security® is a registered trademark of International Data Group, Inc.

Innovation is key, but what does it take to be truly innovative?

Product and service innovation is the core of the growth strategy for many E&M companies, especially traditional players. But this will only get you so far. To be truly innovative, you need a 'learning capability' that's embedded throughout the enterprise and that enables wider innovation in areas from business models to metrics.

Fostering and driving diversity and knowledge sharing across all levels are pivotal to an organisation's ability to build a learning capability – and deliver genuinely radical and disruptive capability.

Friend, enemy or 'frenemy'? The era of agile collaboration is here

A combination of rapid change and advancing globalisation has triggered a surge in collaboration across E&M – with the initial goal of bearing down on costs being replaced by a focus on driving revenue-generative innovation.

In an increasingly fluid environment, the industry is seeing a diverse array of collaborations ranging from partnerships between complementary players to cooperative competition (co-opetition) between 'frenemies' – though the latter can face regulatory scrutiny.

The key to successful collaboration lies in creating a structure that will not only delivered the targeted value, but also has the agility to flex and permit new strategic options as conditions change – which they will.

Global trend, local opportunity: the rise of emerging middle classes

The growth of the aspiring middle class with rising disposable income is a global phenomenon. But the entertainment and media demands, tastes and buying patterns of these consumers vary widely from market to market.

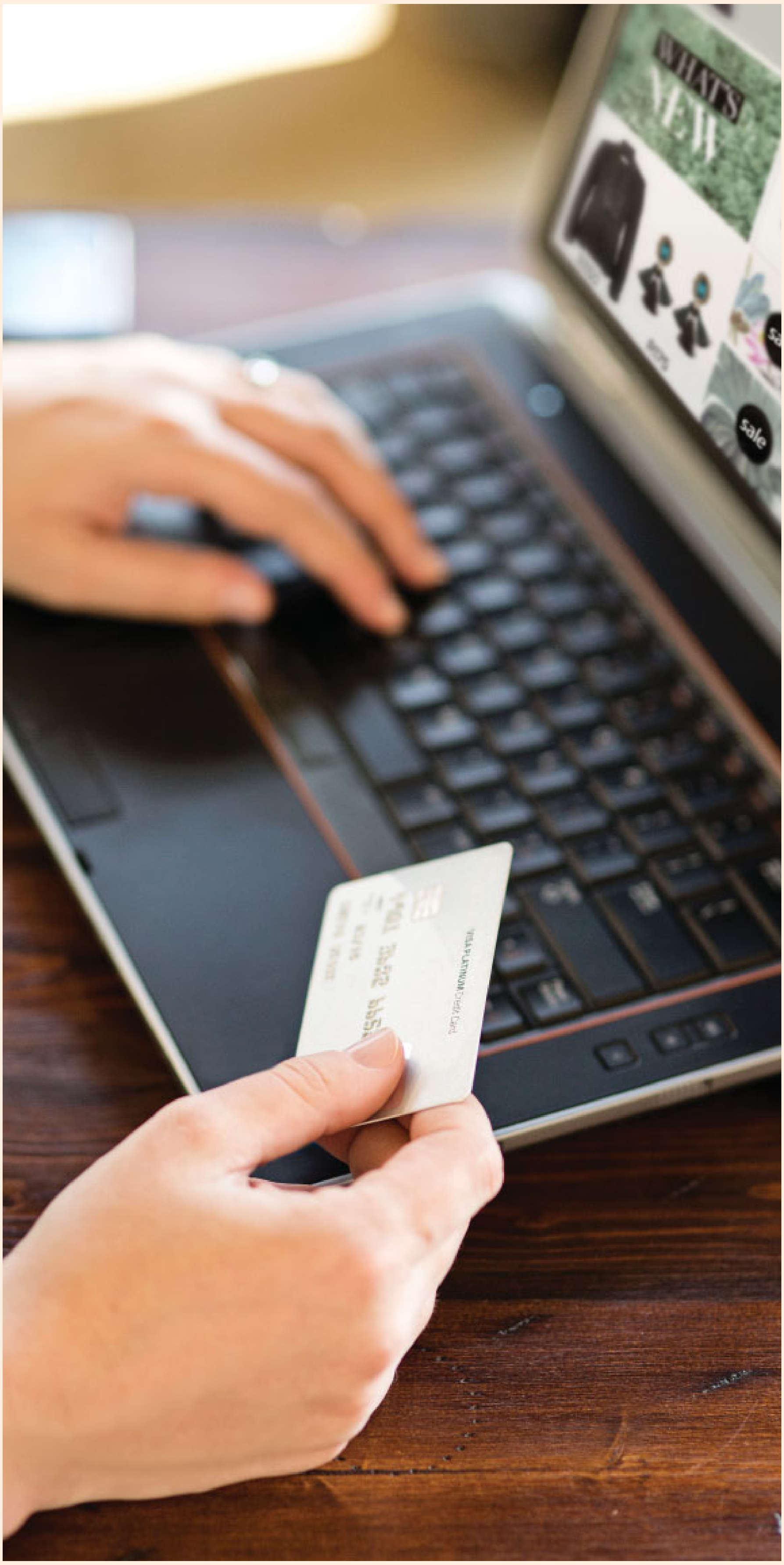
As a result, realising the revenue potential of the emerging middle class in any market demands a deep understanding of the local context and appropriate market segmentation, including consumers' tastes and pricing expectations, and the predominant delivery platforms.

Since local entertainment and media companies already possess this knowledge, they are in pole position to realise the opportunity of the emerging middle class in each market. The optimal approach for international players is usually collaboration with local partners.

Local revenues, global profits: a 'tax morality' controversy in the making?

Companies' tax policies have hit the headlines as a moral issue and ongoing digitisation and globalisation are putting E&M companies in the frontline for scrutiny. In the long run, the only effective solution to tax uncertainty and controversy will be international alignment of tax regimes – and until that happens, companies will have to manage the reputational risks.

Priorities for E&M companies include considering the tax implications of strategies from the earliest planning stage; examining tax and business perspectives together; and conducting studies to quantify their total tax contribution in local markets.



Africa Connectivity Index

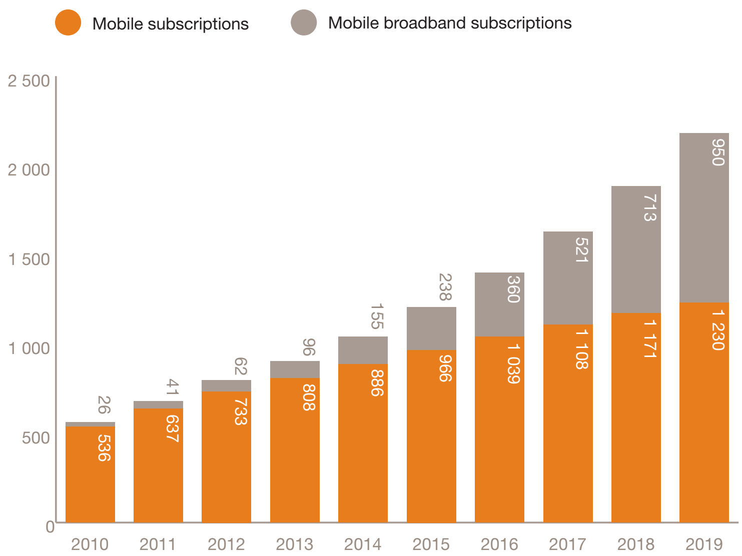
Connectivity empowers digital transformation

By the end of this decade, Africa's mobile revolution will be complete. According to forecasts by global business intelligence and strategic services provider, Ovum, there will be 1.2 billion active mobile subscriptions across the continent at the end of 2019, signifying ubiquitous cellular connectivity.

This should not surprise anyone – the story of how Africa has embraced the mobile device is well told, and it should be, as growth has been remarkable. Not only has the telecommunications industry been transformed in the space of less than two decades (at the end of 2000, there were just 15 million Africans with access to mobile devices), but more importantly, so too have the lives of the continent's population (and far beyond just urban centres).

But there is another revolution well under way, and one that is set to be even faster and potentially more significant. Investment in next-generation cellular networks and the landing of submarine cables has created an insatiable appetite for the Internet, mainly via smartphones and tablets. By the end of this decade, there will be 950 million subscribers to mobile broadband services in Africa, up from just 26 million at the end of 2010.

Fig. 1: Number of mobile and mobile broadband connections in Africa, 2010-2019 (millions)



Sources: World Cellular Information Service, Ovum

Establishing an effective mobile infrastructure has been vital as an enabler to the Internet becoming a mass market phenomenon. The next phase is a period of digital reformation that empowers consumers and businesses to use the Internet to interact with each other, mobilise workforces, establish new sales channels and access media services for information and entertainment.

This not only has the potential to further transform people's lives, but also the communications industry as a whole, as it allows communications service providers (CSPs) and the surrounding value chain to explore new revenue opportunities that extend far beyond connectivity itself.

PwC sub-Saharan Africa Connectivity Index

Connectivity represents the most direct route to self-empowerment for individuals and businesses in Africa. The objective of our Country Connectivity Index (the Index) is to measure the state of connectivity for all markets in sub-Saharan Africa (SSA) with a population of over 10 million. Here, we publish the results for the top-20 markets by current connectivity levels, quality of connectivity and growth momentum.

The findings presented in the Index highlights those markets that offer the greatest potential for the future consumption of entertainment and media services because of their relative maturity in terms of connectivity.

The Index itself has three dimensions – current connectivity levels, quality of connectivity and growth momentum. The aggregate scores of these three variables can be considered as a relative measure of how much effort has been made, is being made and will be made in the near future to ensure ubiquitous connectivity.

The Index has an important place in highlighting what is needed to achieve a better-connected Africa. Despite the progress made in improving communications across the continent over the last decade, nobody can afford to be complacent, not least as a better-connected Africa will enable and accelerate economic growth for the continent. But for this to happen, a number of actions are required from a variety of stakeholders:

- Governments and regulators must set clear targets around broadband access and quality of service;
- Through investment, the telecommunications industry must ensure the experience of being connected is a compelling one in terms of speed, scale and reliability; and
- Business leaders must develop business models to benefit from a new digital age that will enable agile sales channels, enhanced business intelligence tools and closer interaction with customers.

Explaining the Country Connectivity Index

The Index is a composite of three sub-rankings:

- Current connectivity ranks adoption rates in terms of mobile and fixed penetration, affordability (as a percentage of average income), international average bandwidth and data consumption levels;
- Quality of connectivity is ranked through service speeds and regulatory quality of service (QoS) measures;
- Growth momentum looks not just at projections for increased usage, but also future government broadband plans and private sector consumption in terms of data usage.

With the primary objective of the Index being to measure the maturity of SSA's markets in terms of connectivity, the greatest weighting has been given to the current connectivity variable.

Country Connectivity Index Methodology

Variable	Indicator	Weighting
Current connectivity	• Broadband penetration (fixed and mobile) • International (Internet) bandwidth/capita • Broadband affordability (fixed and mobile) • Information and communications technology (ICT) activity per person (measured by Internet protocol [IP] per capita)	60%
Quality of connectivity	• Average broadband download speeds • Assessment on enforcement of quality of service (QoS)	25%
Growth momentum	• Assessment of national broadband plan • 5-year growth rate of mobile and fixed broadband subscribers • Growth rate of domestic online activity (increase in IP per capita, 2014-16)	15%

Source: Ovum

Until recently, Africa has offered a relatively simple business model for CSPs: ensuring connectivity for a growing number of customers has been the main challenge.

But entering the age of digital transformation, CSPs need to address the threat of competition from OTT players, deal with the evolving data service requirements of a more discerning customer base and ensure an excellent level of service by investing in infrastructure. It is only those markets that are best connected that will offer the true benefits of the digital transformation to consumers and businesses alike.

The mobile revolution has already triggered growth in digital services – projections suggest that a third of mobile operator revenues will come from mobile data services by the end of the decade. It is consumer appetite that has sparked this trend, but it has been enabled by improvements to international connectivity, increased investment in broadband networks and the greater availability of low-cost smartphones throughout the continent.

Those countries that appear towards the top of the Index typify those markets where consumers have embraced digital services the most, regulators and policymakers have pushed for investment and cajoled to the best effect to ensure a good quality of service and the national CSPs have reacted by investing in their infrastructure.

Africa Connectivity Index Scores

As the most mature of Africa's markets, it should be no surprise that South Africa tops the Index and as such offers significant potential as a strong entertainment and media market.

SSA Connectivity Index

Country	% score (based on quintile scores for all three variables)
South Africa	83%
Kenya	75%
Côte d'Ivoire	74%
Uganda	73%
Tanzania	72%
Ghana	71%
Nigeria	70%
Angola	69%
Senegal	65%
Mali	61%
Rwanda	56%
Cameroon	54%
Burkina Faso	53%
Guinea Republic	52%
Ethiopia	51%
Madagascar	49%
Zimbabwe	48%
Zambia	47%
Mozambique	44%
Democratic Republic of Congo (DRC)	39%

Source: Ovum

South Africa sets the standard

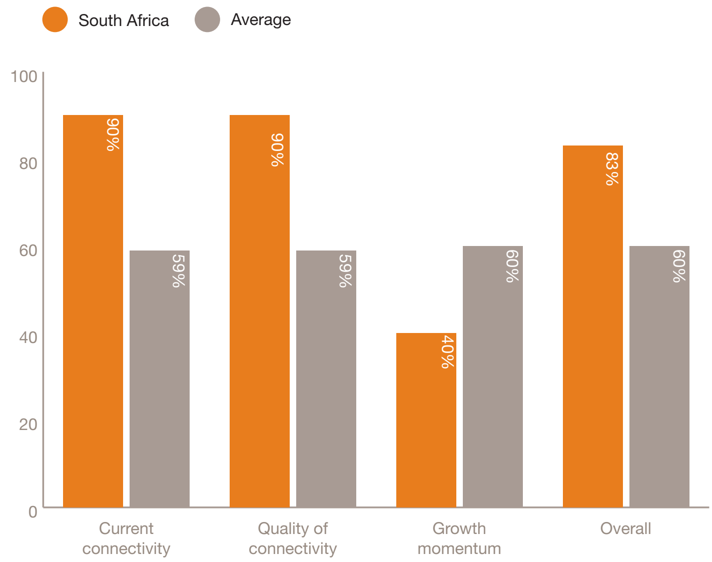
South Africa's entertainment and media market was worth more than R117 billion at the end of 2013, with this figure set to grow to approximately R190 billion in 2018, rising at a CAGR of 10%.

Rising Internet revenues will drive this trend, especially mobile Internet, as the number of South Africans with access to mobile Internet services will rise to 35 million by 2018. It is this rise in the use of the Internet that will enable growth in other entertainment segments such as music and gaming.

Although South Africa scores highly across current connectivity and quality of connectivity, relative to other markets on the continent, there is room for improvement. Mobile broadband services are still expensive for consumers with nearly 0.5% of a South African consumer's average GDP per capita going towards mobile broadband services.

South Africa scores relatively poorly in growth momentum because of its already high mobile penetration with respect to population, but the South African Government has nevertheless set ambitious growth targets. South Africa Connect, its national broadband plan, aims to ensure that all South Africans have basic broadband access by 2030 and that half the population has access to 100Mbps broadband speeds by 2020. This highlights the extent to which the South African Government is linking broadband connectivity with economic development.

Fig. 2: South Africa vs regional average* (%), SSA Connectivity Index

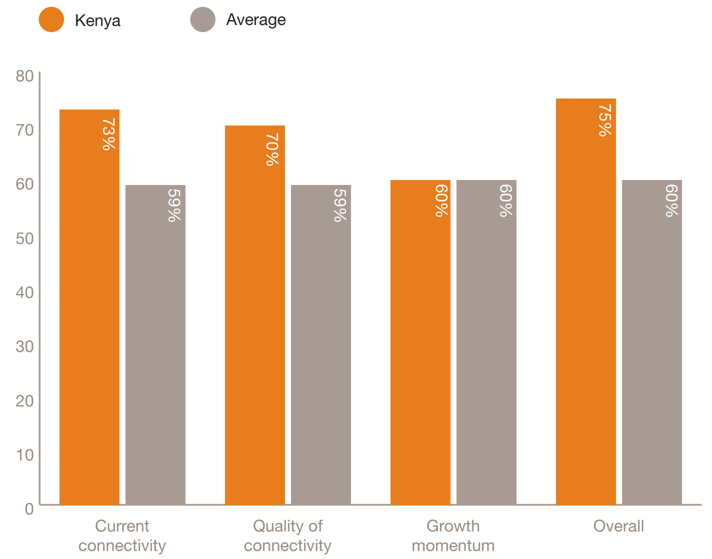


Source: Ovum
* Average of all Africa markets in the study

High levels of broadband access in Kenya and Côte d'Ivoire, but prices are too high

Kenya performs well in the rankings with the continued rise in its international bandwidth usage telling a story of growing demand for data services. There is a danger of limiting discussions around mobile Internet services when discussing Africa. But in Kenya, fixed broadband subscriptions grew by 30% year on year in the fourth quarter of 2013 on the back of fibre and WiMAX network rollouts. The landing of international submarine cables on the East coast has also improved coverage and capacity.

Fig. 3: Kenya vs regional average* (%), SSA Connectivity Index



Source: Ovum
* Average of all Africa markets in the study

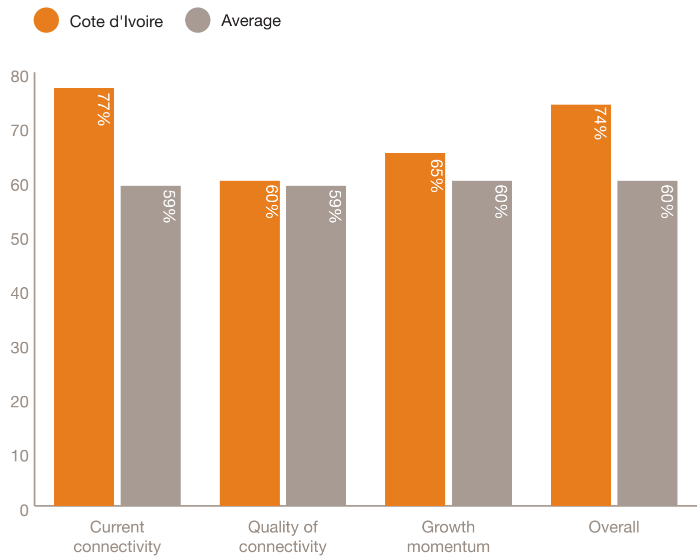
Like South Africa, Kenya scores poorly on affordability, especially for mobile broadband services. Kenya's operators really need to assess their pricing for broadband services, with a Kenyan spending on average 1% of GDP per capita on mobile broadband services. Only the DRC and Zimbabwe score worse than Kenya for mobile broadband affordability. Download speeds are also too slow, which has a serious impact on the quality of connectivity.

Perhaps the surprise market in this ranking is Côte d'Ivoire. Aided by the landing of submarine cables in West Africa, broadband Internet connectivity at superfast speeds has become a possibility in a market such as Côte d'Ivoire.

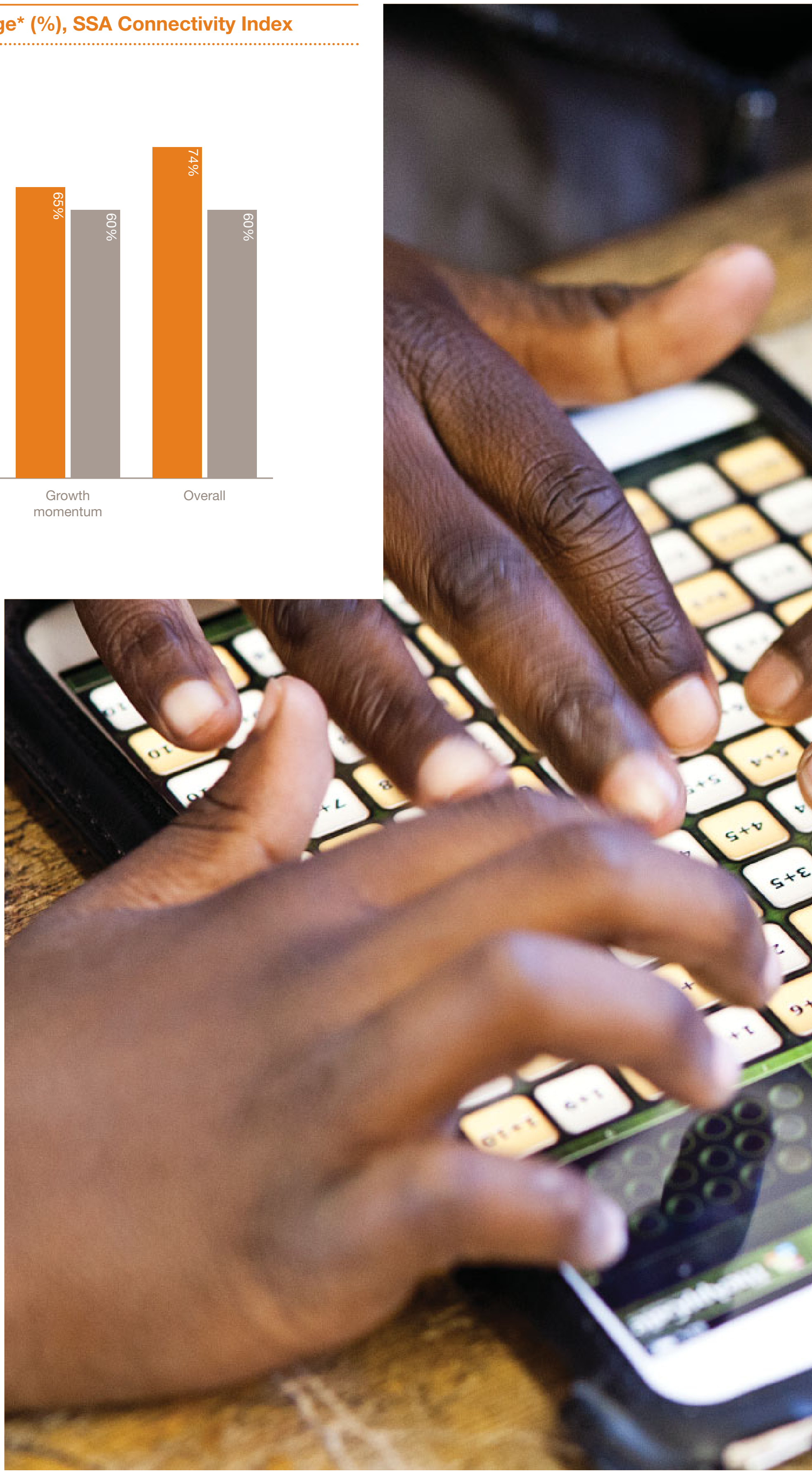
Broadband access is high and with a national backbone network of more than 20 000km of fibre-optic cable, Côte d'Ivoire is in a position to maximise the impact of healthy competition and infrastructure investment, and become a market that truly embraces the digital economy.

It should be noted that Côte d'Ivoire scores particularly highly in terms of the extent of international bandwidth available to its population. The regulator now needs to ensure that broadband services become more affordable and that service quality improves.

Fig. 4: Côte d'Ivoire vs regional average* (%), SSA Connectivity Index



Source: Ovum
* Average of all Africa markets in the study

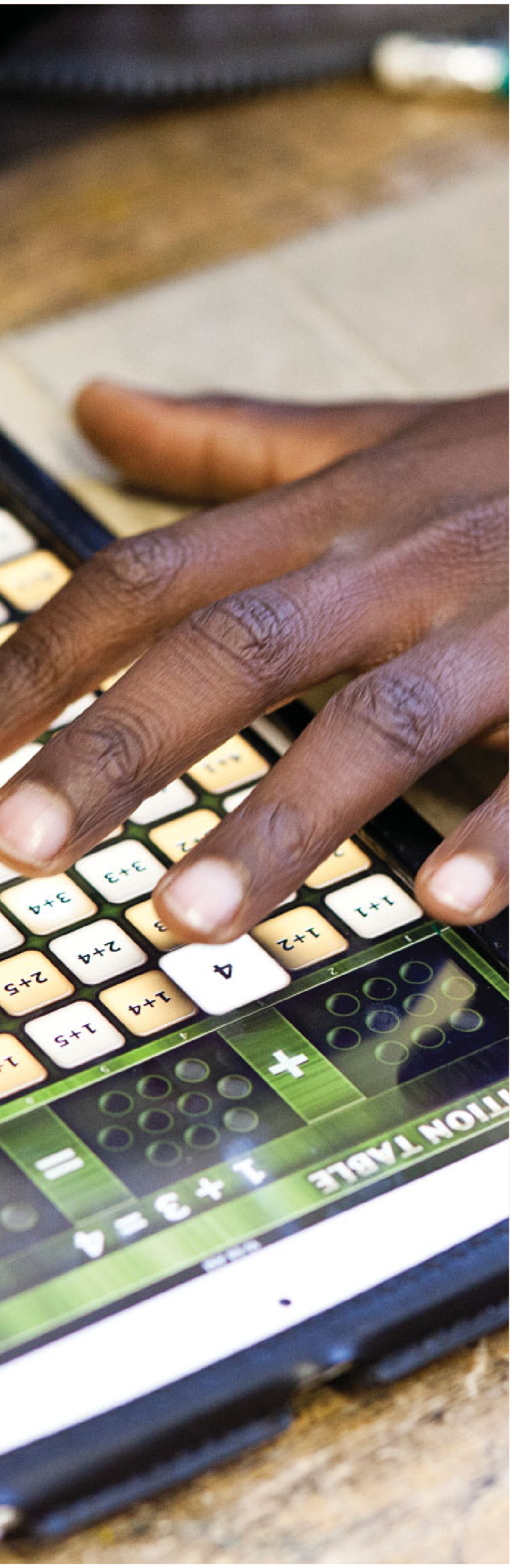


National broadband plan impact

Those countries with a national broadband plan have a fixed broadband penetration that is on average 8.7% higher than those countries without, according to research from International Telecommunications Union (ITU).

Mozambique and Mali are good examples of this with neither country having a broadband plan, and in both cases mobile broadband penetration is less than 5%. Conversely, where targeted broadband plans have been published in markets such as Nigeria, Ghana, Kenya and Zimbabwe, broadband adoption rates are much higher.

While the existence of a broadband plan is not an outcome itself, rather a component of a process of developing broadband within a society, there is little doubt that it is a vital ingredient for the existence of a mature entertainment and media market.



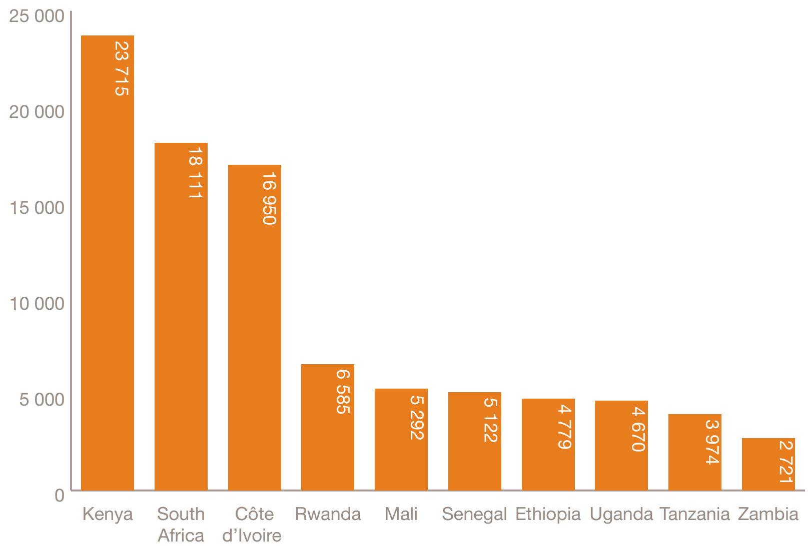
Current connectivity: Affordability, broadband, consumption...the ABC of what a connected market really is

Broadband penetration may be relatively high – as is the case in Nigeria – but this does not necessarily mean that country scores highly. At 0.6% of the average GDP per capita in Nigeria, the cost of mobile broadband services is too high. This is a direct consequence of the relative scarcity of Internet bandwidth in Nigeria – indeed, the only two markets in the Index with lower Internet capacity according to ITU figures are Ghana and Cameroon, suggesting that despite the landing of the WACS cable, a lack of robust last-mile connectivity remains a challenge in providing affordable and quality Internet services.

The three countries at the top of the Index recorded comfortably the most Internet capacity, but by proportion to the size of population, Côte d'Ivoire offers the most capacity, just ahead of Rwanda, Kenya and Senegal.

This capacity translates well into consumption with Côte d'Ivoire and Rwanda both scoring well in terms of numbers of IP addresses per capita. However, so too does Mozambique, which signifies a market in which consumers show a real appetite to access Internet services (as shown by the high number of IP addresses per capita), but are held back by low levels of capacity and very expensive services.

Fig. 5: Internet bandwidth (MBps), SSA Connectivity Index



Source: ITU

Quality of connectivity: Consumption of entertainment and media depends on service quality

The SSA Index identifies South Africa as the market providing the highest quality connectivity. Download speeds are respectable, but significantly slower than in Madagascar, Ghana, Mali and Senegal.

Like South Africa, Ghana's National Communications Authority publishes a regular quality of service report which, using regular testing of radio networks and interconnect routes, assesses the network-level performance of all operators and creates directives on remedies for congestion and any network instability. In addition, Ghana's regulator also questions a sample of Internet users on service attributes and their expectations.

National regulators in Africa should learn from beyond the continent in launching monitoring schemes to test the reliability and speed of broadband services. The Brazilian regulator, for example, compiles monthly broadband measurements with the country's operators obliged to achieve specific service reliability targets. Such schemes are important in ensuring connectivity translates into high Internet adoption rates and in ensuring media and entertainment consumption is high.

Growth momentum: SSA markets can only fulfil potential if policymakers see connectivity as a means to enablement

Highly populous markets such as Ethiopia, the DRC and Nigeria all offer huge growth potential. In the case of the first two, Internet adoption is currently very low (below 2.5% penetration), highlighting the fact that a digital divide still exists in some more under-developed SSA markets. But Ovum projections suggest that the number of mobile broadband subscribers will grow in the DRC by a CAGR of over 100%, with penetration of mobile broadband services set to reach 75% of the population in five years.

There are several reasons why Internet penetration is less than 1% in DRC. Bandwidth capacity is scarce and the heavy cost of network infrastructure has translated into very expensive mobile broadband services, which are the equivalent of over 1% of the average GDP per capita for a consumer in DRC. The story is much the same in Ethiopia.

Growth projections can only be met on the back of improved connectivity and more affordable services. Progress is being made. In July 2013, the DRC was connected to the WACS submarine cable, a significant moment given that until then backhaul was provided by satellite services. A decline in retail prices and improved service quality should follow in time.

The growth momentum variable has the lowest weighting within the SSA Connectivity Index. The fact is that the countries scoring highest in terms of growth are the least well connected, with international bandwidth particularly scarce, and Internet services the most expensive, as shown in Figs. 6 and 7, which chart the available bandwidth and Internet service costs of those countries that score highest in this variable.

The DRC and Madagascar stand out as markets with poor bandwidth availability and very expensive broadband services. Both these factors will need to change if these markets are to become well connected, and if the digital divide, which stands between these countries and the likes of South Africa and Kenya, is to be bridged.

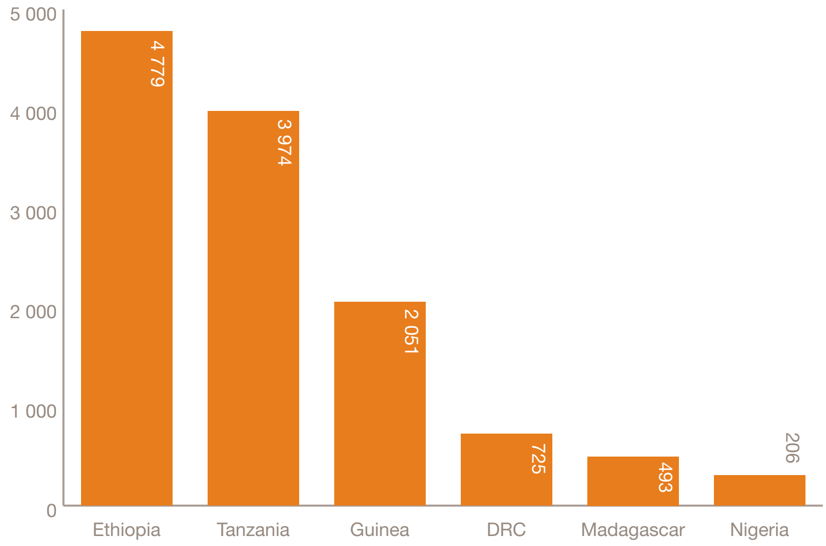
Policymakers must bring their influence to bear if markets such as the DRC, Ethiopia and Madagascar are to begin to fulfil their potential. But, despite the existence of broadband plans, the vision and urge to provide broadband for all is still sadly lacking in too many cases. As long as this is the case, these markets will be noted only for their potential.

SSA Connectivity Index: Quality of connectivity rankings

Country	% score (based on quintile scores for quality of connectivity indicators)
South Africa	90%
Ghana	82%
Uganda	80%
Kenya	74%
Angola	72%

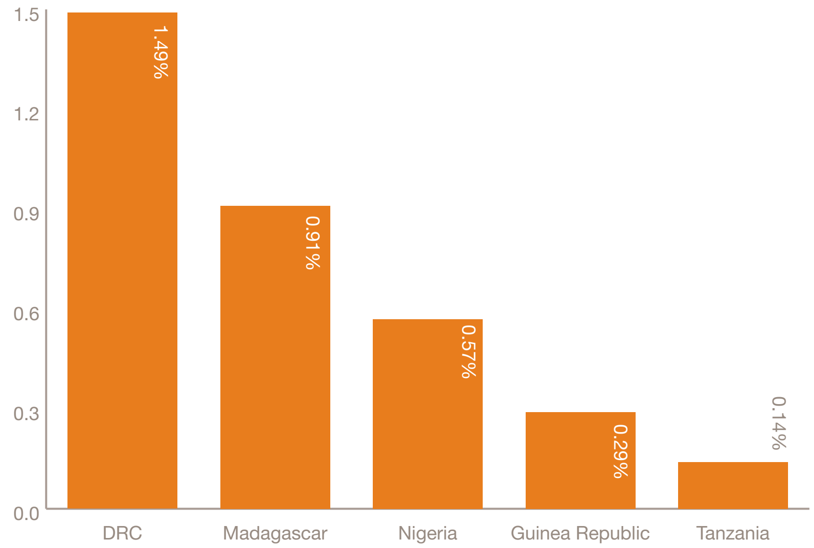
Sources: Ovum

Fig. 6: Available international bandwidth (MBps) in high-growth markets, SSA Index



Source: ITU

Fig. 7: Mobile broadband costs as a % of GDP per capita in high-growth markets, SSA Index



Source: World Cellular Data Metrics

Country profiles:
The next wave of growth markets in SSA

Highlighted below are three snapshots of SSA markets with a particular focus on their TV and broadband markets and an assessment of the scope for growth in their entertainment and media sectors.

The three markets – Angola, Ghana and Tanzania – have been chosen to represent markets in Southern, West and East Africa, but also as Ovum recognises that for differing reasons, they show significant potential for growth.

Angola

Angola's economy grew by 5.1% in 2013, slightly below expectations. Despite it being Africa's second-largest oil producer, much of the growth came from non-oil sectors such as agriculture, manufacturing and construction.

Growth in the construction sector is a good sign and suggests there will be major infrastructure investment over the next few years. However, Angola is still too reliant on the oil sector, which accounts for about 46% of GDP and four-fifths of government revenues.

Despite recent growth, Angola is still no stranger to poverty with unemployment high and approximately 40% of Angolans living below the poverty line. This has an effect on the potential for the entertainment and media market, but according to projections by Ovum, advertising spend in Angola will exceed US$500 million by 2019, more than double the US$224 million seen in 2013.

Demographic indicators, 2014

Population	19.1 million
No. of households	2.2 million
Median age	17.9 years
Age profile	0-14 years: 43.2%
	15-24 years: 20.5%
	25-54 years: 29.4%
	55-64 years: 4%
	65+: 2.9%
% of population living in urban areas	59.2%
Per capita GDP	US$6 300
% of population living below poverty line	40.5%
Literacy rate	70.4%
Top-three websites (by traffic)	1. Google 2. Movinet (mobile operator) 3. Angola Press Agency

Source: CIA World Factbook, Ovum

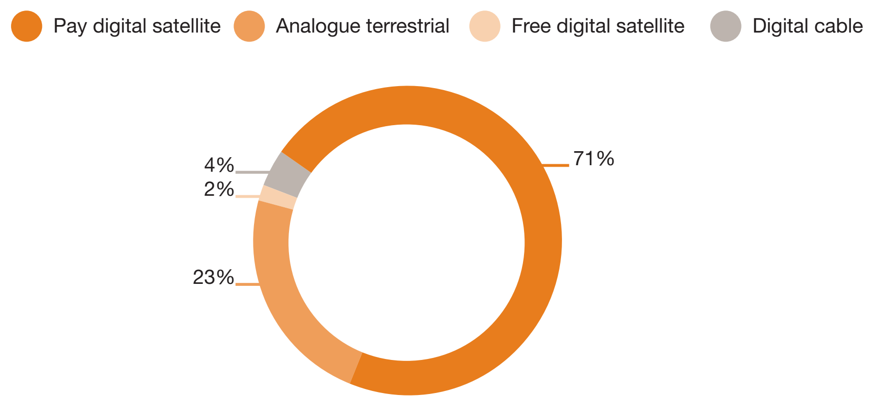
TV market: Pay-TV dominated by Portuguese content

Much of the media in Angola is government controlled, including national terrestrial network Televisão Publica de Angola (TPA). Deregulating the media is a gradual process and the handful of emerging 'private' radio and newspaper operations are mostly bankrolled by the state – so limiting their independence.

TPA1 and TPA 2 broadcast in Portuguese and local languages. Despite a commitment from the Ministry for Mass Media to extend signal coverage to 85%, a timetable for this has not yet been released.

Just over half of the 2.2 million households in Angola have TV sets. Among TV households, pay-TV penetration is high at 75%. The market is dominated by regional satellite services such as ZAP and MultiChoice, with 71% taking direct-to-home (DTH) as a primary service in 2013. Slow progress towards a digital terrestrial television (DTT) launch has seen analogue terrestrial take-up decline as more households seek digital channels. Digital cable has seen some growth to take 4% of the market.

Fig. 8: Split of TV households by platform (%), 2013



Source: Ovum

Although MultiChoice's DStv service tends to dominate satellite pay-TV across the continent, Portuguese-language channels lead the way in Angola with Zon Media-backed ZAP TV accounting for 58% of pay-TV subscriptions, compared to MultiChoice's 32%.

Other Portuguese-language packages are available via digital cable platform TV Cabo and DTH platform UAU! Since joining the market, ZAP has proven to be a strong challenger to MultiChoice, largely by offering competitive pricing and premium entertainment, including Portuguese football.

TV currently comprises 28% of advertising spend, a figure that is likely to drop by two percentage points over the next five years. Radio has been the single largest media outlet to bring in advertising revenues, but this too is likely to drop with digital advertising set to grow, impacted by the growth of Internet and out of home advertising (particularly via digital channels) in Angola.

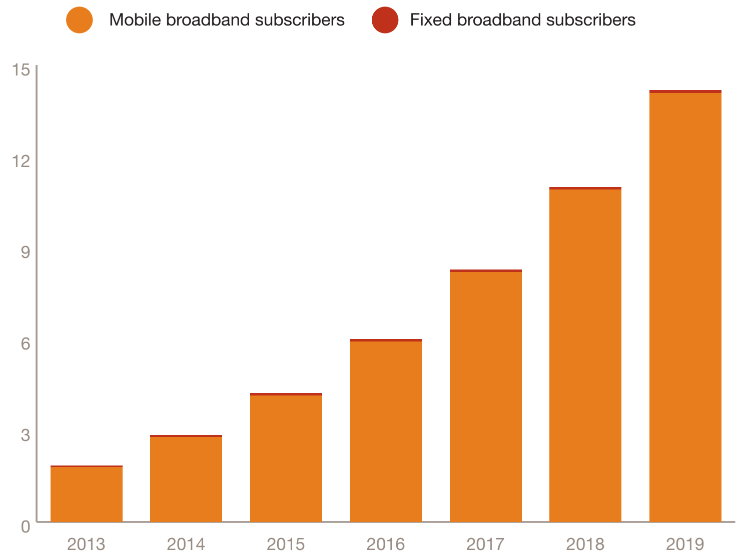
Broadband market: Infrastructure investment set to transform Internet access

Angola is comparatively well connected, with approximately one in ten Angolans able to access the Internet via a mobile network and 2% of households also able to access fixed broadband services. However, international bandwidth is still scarce and if Angola's Internet market is to be better penetrated, greater infrastructure investment will be required.

Fixed wireless and mobile broadband services provide greater access choices for consumers, able to compete with Angola Telecom's ADSL, cable modem and FTTH services. Furthermore, with the landing of the WACS submarine cable (the country's second), prices have started to come down, which should translate into greater consumer demand for Internet services.

The upgrading of broadband networks should allow Angola's businesses to become more efficient and will provide a platform for e-commerce. One would expect the three largest spenders of advertising in Angola (by sector) – media, telecommunications and banking – to invest more in Internet advertising campaigns alongside TV, radio and print.

Fig. 9: Broadband subscribers, mobile vs fixed (millions), 2013-2019



Source: Ovum

Incumbent operator Angola Telecom's restructuring should also transform the market. An eventual privatisation should lead to a more efficient organisation able to utilise its national and international fibre, copper and satellite infrastructure assets more effectively. However, broadband will still largely be carried by mobile networks.

Ghana

While Ghana's economy has grown by an average 6% each year over the last six years, this decelerated to 4.4% in 2013. Growth has been dominated by service-oriented sectors, which have been growing at an above-average 9% each year over the last five years.

A combination of improved oil and gas production, increased private sector investment, enhanced public infrastructure development and sustained political stability should ensure that Ghana's economy continues to perform well in the medium term.

Despite a lower per-capita GDP than Angola, the percentage of people living below the poverty line is much lower than in Angola, suggesting a more even wealth distribution. This, alongside continued economic growth and political stability, has made Ghana an enticing investment destination for global companies.

A relatively mature TV and Internet infrastructure in Ghana helps make it a market in which consumers are more receptive to advertising. Research by Nielsen shows that consumer packaged goods comprise just over 40% of total monthly household expenditure in Ghana and further research suggests that Ghanaian consumers are more likely to buy brands that are advertised, are available on promotion and have attractive packaging than consumers elsewhere on the continent.

Demographic indicators, 2014

Population	25.8 million
No. of households	4.4 million
Median age	20.8 years
Age profile	0-14 years: 38.6%
	15-24 years: 18.7%
	25-54 years: 33.8%
	55-64 years: 4.8%
	65+: 4.1%
% of population living in urban areas	51.9%
Per-capita GDP	US$3 500
% of population living below poverty line	28.5%
Literacy rate	71.5%
Top three websites (by traffic)	1. Google 2. University of Ghana 3. Government of Ghana

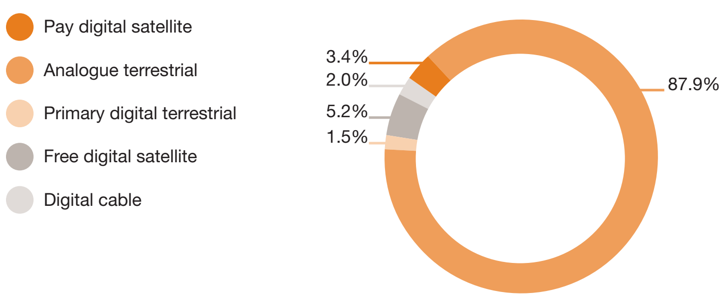
Source: CIA World Factbook, Ovum

TV market: Advertising market dominated by TV

At the end of 2013, 58% of households had access to a TV set. The leading four terrestrial channels comprised 96% of audience time and 12% of TV households were digital. Just 7% of TV households take some type of pay-TV service, led by regional satellite suppliers.

MultiChoice's DStv is the leading pay-TV platform, while Multi TV is free-to-view after the purchase of a satellite dish. With limited broadband infrastructure and limited cable coverage, MultiChoice offers primarily satellite services and some mobile TV. Much of MultiChoice's success is due to it securing exclusive deals with Sony Pictures Television to carry Sony Entertainment TV across sub-Saharan Africa.

Fig. 10: Split of TV households by platform (%), 2013



Source: Ovum

Further agreements with BBC Worldwide have brought a range of channels to Ghana, with the BBC now making original programmes for its African audience. MultiChoice also dominates sporting rights, including the Ghanaian football league, English Premier League, Spanish La Liga and Italian Serie A.

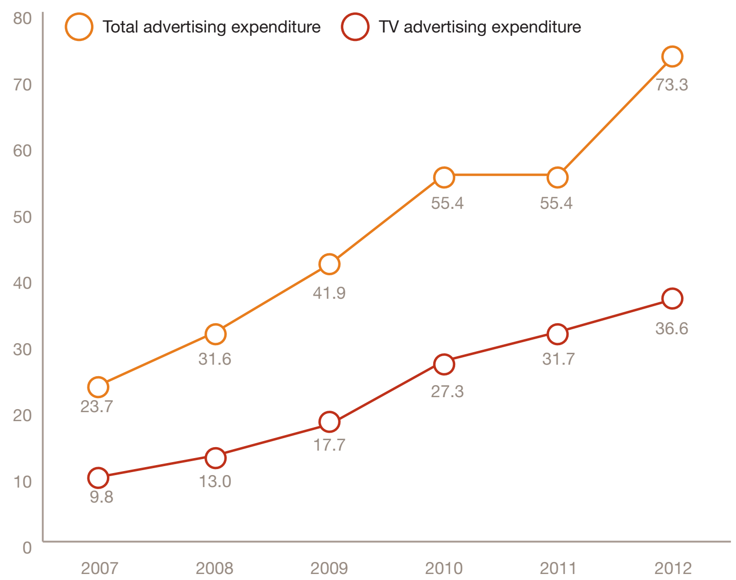
The Ghanaian Government has pledged investment to aid the digital switchover meeting its 2015 completion schedule. It is quite possible that this target will not be kept and Ovum projects that there will still be over 460 000 analogue terrestrial households in Ghana by 2019.

Ghana Broadcasting Corporation (GBC) oversees national TV coverage of the country's public broadcaster, Ghana Television (GTV), which is funded by a licence fee levied on all owners of TV sets. More than 80% of the TV schedule is filled with original productions, but the network does import some US and other foreign films.

TV3 was the country's first free-to-air private channel. Originally 90% owned by Media Prima of Malaysia, it is now owned by Media General Ghana and has been instrumental in bringing locally-produced reality shows to TV.

In spite of a decline in 2011, total advertising revenues are now on the rise again with total spend reaching GHS245.6 million (US$73.3 million) in 2012. Accounting for half of total advertising spend, TV is the most important medium for advertising, although there has been significant growth for radio as a medium in recent years.

Fig. 11: TV advertising revenues, 2007-2012 (US$ millions)



Source: Ovum

Broadband market: Consumer appetite sparked by more affordable broadband services

Less than 2% of Ghanaian households are connected to a fixed broadband service. This percentage is unlikely to reach 5% by the end of the decade. In contrast, Ovum projects that the one-in-ten currently connected to mobile broadband services will expand to 92% in 2019. International bandwidth in Ghana is extremely scarce and for this level of demand to be satisfied, bandwidth will need to improve.

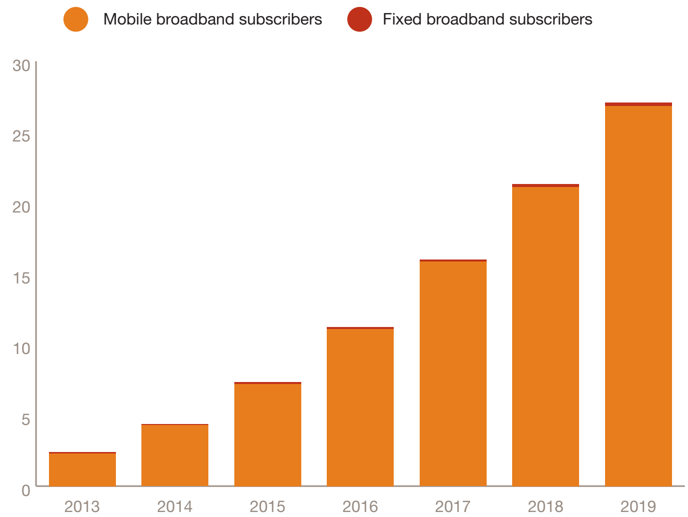
Ghana scores well in the Connectivity Index. The Government appears committed to supporting growth plans for broadband services, which are relatively affordable compared to many other markets in the continent, and average broadband download speeds are (again relatively) fast.

Certainly, competition has helped – Ghana is home to well over 100 licensed ISPs and while Internet growth was held back by the national fixed-line network and the high cost of connectivity for many years, this has begun to change, which has stimulated a surge in consumer demand for broadband services.

The introduction of 3G and wireless broadband technologies has helped, as has the arrival of two international fibre links in 2012 and 2013, which have helped bring down pricing for international bandwidth. These lower costs are being passed on to consumers, which is essential for continued broadband growth.

The Ghanaian Government appreciates the important role that broadband can play in society and as a result is giving its support to broadband growth by applying sanctions to those telecoms service providers that are not providing data services to a high enough quality, introducing an Internet interconnect clearing house and encouraging the sharing of network assets.

Fig. 12: Fixed and mobile broadband growth (millions), 2013-2019



Source: Ovum

The upgrading of broadband networks will ensure that advertising spending across online channels will grow. This is good news for advertisers – Internet advertising is not only cost-effective but helpful in optimising marketing efforts by capturing data from prospects and customers, giving insightful business intelligence. The foundations are in place for the Internet to become a real force in the advertising sector.

Tanzania

East Africa's second-largest economy, Tanzania is performing well with current growth of 7% being driven by the manufacturing (comprising 10% of GDP), construction (7% of GDP), communications, transport and agriculture sectors.

Growth will be supported by infrastructure investments, such as the ongoing construction of a US$1.2 billion gas pipeline from Mtwara to Dar es Salaam and related investments in stabilising power generation. The discovery of commercially-viable gas deposits should succeed in stimulating economic growth in Tanzania post 2020.

In spite of this, Tanzania's economic growth is not broad based enough and poverty levels are high. Only one-quarter of Tanzanians reside in urban areas and the prevalence of poverty remains high in many rural parts of the country, where the vast majority of the population still lives.

TV market: analogue switch-off disrupts TV market in short term

Research by Ovum suggests that at the end of 2013, 13% of Tanzanian households had access to a TV set. This number has actually dropped slightly in the last two years as a result of the state's decision to proceed with an analogue terrestrial switch-off before the public was ready, leading to many households actually losing their access.

Demographic indicators, 2014

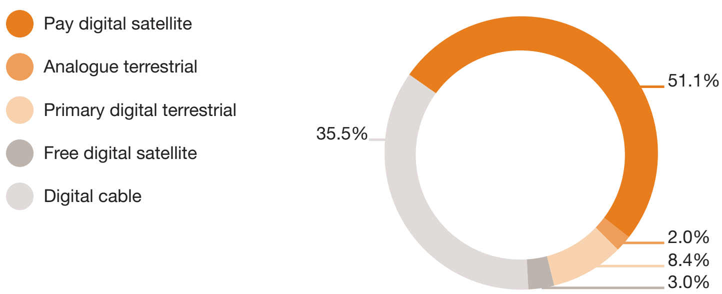
Population	49.6 million
No. of households	9.8 million
Median age	17.4 years
Age profile	0-14 years: 44.6%
	15-24 years: 19.5%
	25-54 years: 29.5%
	55-64 years: 3.5%
	65+: 2.9%
% of population living in urban areas	26.7%
Per-capita GDP	US$1 700
% of population living below poverty line	36%
Literacy rate	67.8%
Top three websites (by traffic)	1. Google 2. The Citizen 3. Daily News

Source: CIA World Factbook, Ovum

Ovum forecasts another fall in TV adoption in 2015 when national analogue switch-off takes place, but the numbers of those with access to TV will rise again to one in five of the population in 2019. Ovum's future outlook is that more than 80% of households will take digital terrestrial television (DTT) as a primary service by the end of the decade, limiting the pay-TV market to just 16% of the population.

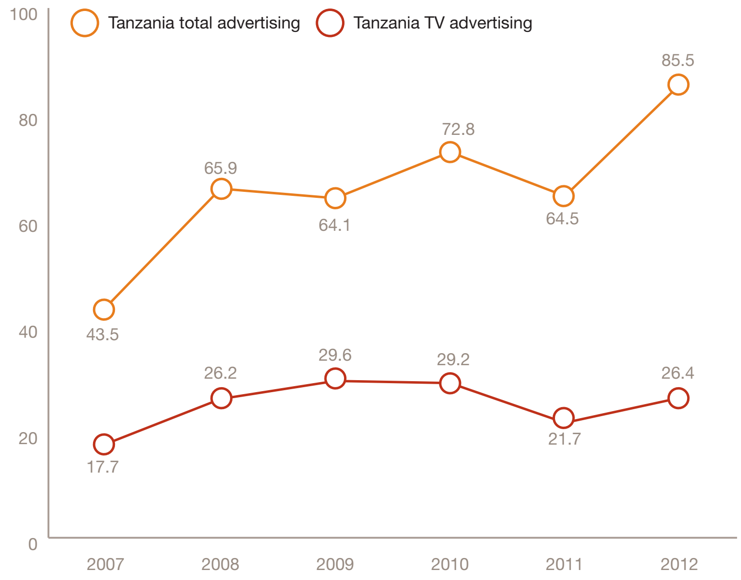
Radio dominates the advertising sector in Tanzania, contributing just over 50% of revenues, with TV accounting for about 30%. Ovum projects TV advertising will contribute 25% of total advertising revenues by the end of the decade.

Fig. 13: Split of TV households by platform (%), 2013



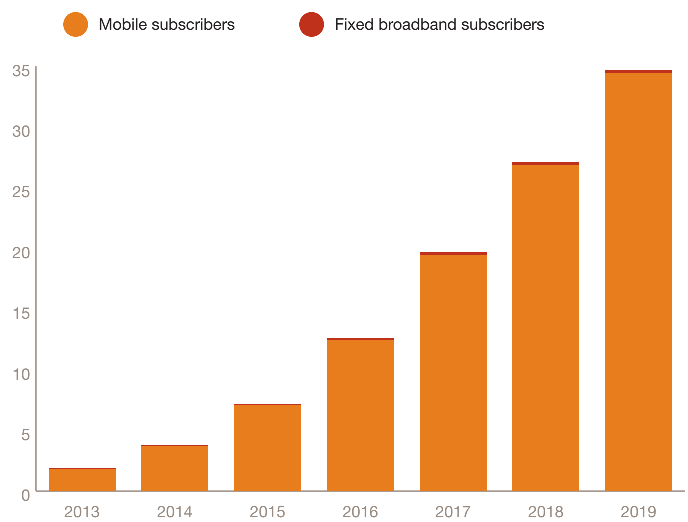
Source: Ovum

Fig. 14: TV advertising revenues (US$ millions), 2007-2012



Source: Ovum

Fig. 15: Fixed and mobile broadband growth (millions), 2013-2019



Source: Ovum

Broadband market: Liberalisation and infrastructure development create structure for internet growth

Less than 1% of Tanzanian households are connected to a fixed broadband service and this will not change much during the forecast period, with Ovum projecting just 300 000 fixed broadband connections by 2019.

As in the case of Angola and Ghana (and the rest of the continent), the story with regard to mobile broadband is very different. At the end of 2013, there was a 4% penetration of mobile broadband and this is set to rise to 58% by the end of the decade.

Of the three markets covered in our studies, Tanzania ranks highest. Certainly, the Government has embraced competition and the role of the private sector in improving economic and social development. Consequently, Tanzania has among the most liberal telecommunications industries on the continent. The liberalisation of VoIP and the introduction of 3G and 4G mobile services and mobile broadband networks will boost the rise of broadband services.

The country's first fibre-optic international submarine cable has helped to transform a market that had relied on satellite connections. This, together with a national fibre backbone network, has helped bring down the cost of international Internet bandwidth and Tanzania scores very well in terms of broadband affordability.

Like many other African markets where the telecoms industry is very competitive, the telecoms industry in Tanzania is the largest spending industry on advertising, ahead of the beverage and banking sectors. Mobile operators Vodacom, Airtel and Tigo are the most active advertisers.

Other major advertisers include Coca-Cola, Pepsi, Tanzania Breweries and the Bakhresa Group of Companies. All will continue to use TV and radio advertising on a large scale, but there will be a swing towards a greater use of out-of-home advertising (increasingly digital) and Internet advertising, driven partly by the increased consumer adoption of broadband services.

Section 02

Segment focus: highlighting the trends shaping individual industry segments

Internet

Elenor Smith • Senior Manager
Louis de Jager • Senior Manager

Definitions

Internet access is a key driver of entertainment and media advertising and content spending in most segments.

The Internet market consists of both consumer spending on Internet access and the revenues generated from Internet advertising.

Internet access

- This segment consists of spend on accessing the Internet and is split into two categories: mobile Internet and fixed broadband.
- Fixed broadband includes both wired and wireless connections and is a subscription to a residential or business Internet access service delivered to a home, office or other fixed location provided by cable, multichannel multipoint distribution services (MMDS), modem, xDSL, fibre-to-the-xx (FTTx), WiMAX, proprietary wireless broadband, Ethernet, power-line communications and satellite broadband technologies.
- Enterprise customers larger than SMEs are considered to have a leased line/dedicated cable and are not included within our coverage of residential fixed-line service. Fixed Internet therefore includes fixed broadband and dial-up.
- Mobile Internet considers Internet access over the medium of cellular air interfaces generally via a 2.5G network or higher. This covers Internet access via mobile devices and for connected devices that use embedded modems, dongles and data cards. Mobile Internet subscribers are considered unique users.
- Smartphones are defined as mobile handsets that offer advanced computing capabilities and the ability to multitask enabled by an advanced operating system. A 'smartphone connection' relates to an active SIM card with a data plan used through a smartphone device rather than a unique subscriber using a smartphone service.
- Smartphone penetration reflects the percentage of all mobile phone connections in a territory that are smartphones. By extension, the remaining mobile phone connections are non-smartphones.
- Tablets are defined as mobile computing devices with a screen size of between 5 and 12 inches and which use touchscreens as their primary input method. The tablet forecast includes all active devices in this category and penetration in this instance reflects the number of tablets as a percentage of the population.
- App downloads refers to any applications that are downloaded from an app store and installed on connected devices such as smartphones, tablets and smart TVs. An app store is a distributor of apps for one or more mobile or TV operating system (OS) ecosystem (e.g. Apple App Store, Google Play).
- The data is based on ecosystem totals for all devices across all types of Internet-access network – including cellular, Wi-Fi, and fixed. Both paid and free apps are counted, but only unique downloads are included, not app updates or re-downloads.
- All fixed broadband household and mobile Internet subscriber estimates are counted at year end.
- Figures do not include the purchase of online content such as music, videos or games. The figures for spending on entertainment content downloaded over the Internet or through mobile phones are included in the respective chapters of this publication.

Internet advertising

- This segment comprises spending by advertisers either through a wired connection or via mobile devices.
- Total Internet advertising comprises online television, digital newspapers, digital magazines, digital trade magazines and directory advertising, which are also all included in their respective segments. The wired sub-segments consider paid search, display, classified and video formats. Figures for total advertising eliminate any double counting.
- Search Internet advertising involves placing ads on web pages that show results of search engine queries (e.g. Google AdWords).
- Display Internet advertising comprises revenues from traditional ads placed on web pages in many forms, including banner ads. Other Internet advertising formats (affiliates, rich media, email) are also included in this category, but video advertising, search and classifieds are excluded.
- Classified Internet advertising is advertising posted online in a categorised listing of products or services. A fee is paid by an advertiser to display an ad or listing around a specific category such as automotive, recruiting or real estate.

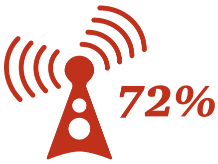
- Video Internet advertising comprises revenue from in-stream video advertising (pre-rolls, mid-rolls, post-rolls) only. It does not include in-stream banner display advertising or out-of-stream video advertising. It includes revenue from both traditional broadcasters and Internet-based websites, including YouTube.
- Mobile Internet advertising comprises all advertising delivered to mobile devices via formats designed for the specific device. This revenue is not split out by sub-segments (e.g. display, search, or classifieds).
- To maintain consistency across all segments, advertising revenues are shown as net revenues, excluding agency commissions and production costs where applicable.

In brief

Internet access

Internet access will generate more consumer spend than any other media product or service in the next five years. *The Internet access market in South Africa is expected to more than double in size during the forecast period. The market is forecast to increase from R24.2 billion in 2013 to R67.2 billion in 2018.*

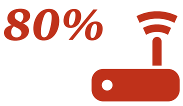
South Africa's Internet access market is dominated by the mobile platform. *Mobile Internet access revenues in South Africa amounted to R20.2 billion in 2013, far exceeding fixed broadband access revenues, which totalled R3.9 billion in 2013.*



72% of South Africa's mobile phone users by the end of 2018 will be mobile Internet users. *South Africa had 15 million mobile Internet users at the end of 2013 and this is expected to increase to 35.2 million at the end of 2018.*

A growing number of South Africans are able to be connected through mobile Internet connections. *This is mainly due to the increased affordability of smartphones and data plans.*

3G and 3.5G will drive Internet growth. *The number of South African mobile connections based on 3.5G HSPA technology is forecast to overtake the number of GSM subscriptions in the country by the end of 2015. By the end of 2018 there will be an estimated 53.7 million HSPA subscriptions in South Africa.*



80% of broadband connections in 2018 are expected to be DSL connections, *with subscriptions forecast to reach 1.7 million people by the end of 2018.*

LTE and FTTx are both set to play a bigger role. *The market share of each technology will, however, remain fairly small for the coming few years. The deployment of LTE has been hampered by delays in issuing relevant spectrum and in the migration of broadcast TV services from analogue to digital.*

Globally, mobile will generate six out of every ten dollars spent on Internet access in 2018. *As in South Africa, 3G will drive global mobile Internet growth, despite the availability of 4G mobile Internet, as emerging markets migrate subscribers from 2G services.*

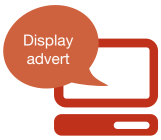
Nigeria, followed by South Africa and Kenya will experience the fastest growth in Internet access revenue globally during the next five years. *In all three countries, mobile Internet access will be the main driver, with the number of mobile Internet subscribers forecast to rise rapidly from a low base in 2013.*

Internet advertising

Internet advertising will continue to show strong growth. *The Internet advertising market is forecast to generate revenues of R4.4 billion in 2018, up from R1.6 billion in 2013, a CAGR of 22.7%.*

Search will continue to account for the bulk of the Internet advertising revenue. *Increased Internet penetration will drive search advertising revenues to grow by 21% over the forecast period. In spite of this growth, its share of Internet advertising will decline from 43% to 40%.*

Mobile Internet advertising will account for 28% of revenues by 2018, up from 18% in 2013. *Mobile Internet advertising will see the strongest growth in revenues over the forecast period from R278 million in 2013 to R1.2 billion in 2018, at a CAGR of 34.6%.*



Display advertising is being driven by South Africa's high proportion of Facebook users. *It is set to grow at a CAGR of 18.8%, reaching R1.2 billion in 2018.*

Classified advertising will see the slowest growth, *from R130 million to R235 million between 2013 and 2018 at a 12.6% CAGR.*

Tracking users in a multi-device world presents new challenges. *Targeting users of first-generation Internet devices was relatively straightforward thanks to Web cookies, but many new mobile devices do not feature cookie tracking. In a more splintered world, efforts are being made to help advertisers improve consumer targeting.*

South Africa

Internet access and advertising will together generate revenues of R71.6 billion in 2018

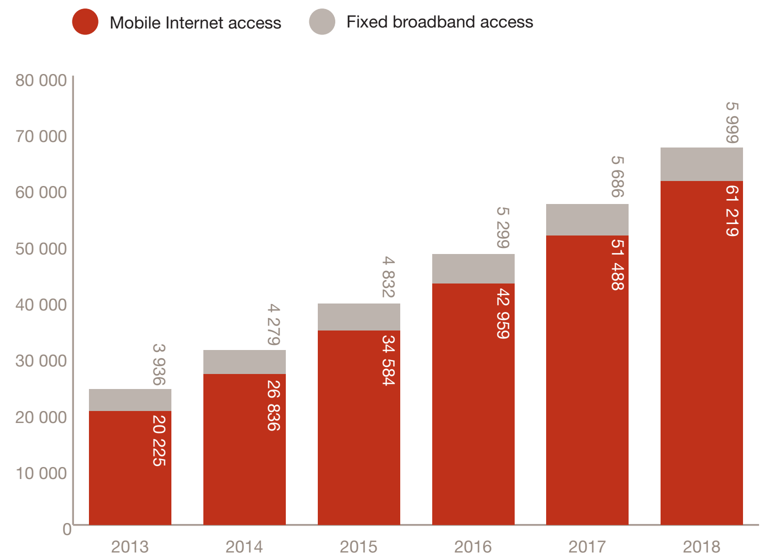
Revenues from Internet access and Internet advertising, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Fixed broadband access	2 354	2 827	3 367	3 670	3 936	4 279	4 832	5 299	5 686	5 999	8.8%
YOY growth (%)		*20.1%*	*19.1%*	*9.0%*	*7.3%*	*8.7%*	*12.9%*	*9.7%*	*7.3%*	*5.5%*	
Mobile Internet access	5 601	6 772	9 583	14 146	20 225	26 836	34 584	42 959	51 488	61 219	24.8%
YOY growth (%)		*20.9%*	*41.5%*	*47.6%*	*43.0%*	*32.7%*	*28.9%*	*24.2%*	*19.9%*	*18.9%*	
Total Internet access	**7 955**	**9 599**	**12 950**	**17 816**	**24 161**	**31 115**	**39 416**	**48 258**	**57 174**	**67 218**	**22.7%**
YOY growth (%)		***20.7%***	***34.9%***	***37.6%***	***35.6%***	***28.8%***	***26.7%***	***22.4%***	***18.5%***	***17.6%***	
Wired Internet advertising	534	563	765	1 014	1 303	1 669	2 064	2 452	2 789	3 175	19.5%
YOY growth (%)		*5.5%*	*36.0%*	*32.5%*	*28.4%*	*28.0%*	*23.8%*	*18.7%*	*13.8%*	*13.8%*	
Mobile Internet advertising	27	61	118	193	278	402	559	748	958	1 226	34.6%
YOY growth (%)		*131.4%*	*91.3%*	*64.1%*	*44.1%*	*44.5%*	*39.3%*	*33.6%*	*28.1%*	*28.1%*	
Total Internet advertising	**561**	**624**	**883**	**1 207**	**1 581**	**2 071**	**2 623**	**3 200**	**3 747**	**4 401**	**22.7%**
YOY growth (%)		***11.5%***	***41.4%***	***36.7%***	***30.9%***	***30.9%***	***26.8%***	***21.9%***	***17.1%***	***17.5%***	
Total Internet market	**8 516**	**10 223**	**13 833**	**19 023**	**25 742**	**33 186**	**42 039**	**51 458**	**60 921**	**71 619**	**22.7%**
YOY growth (%)		***20.1%***	***35.3%***	***37.5%***	***35.3%***	***28.9%***	***26.7%***	***22.4%***	***18.4%***	***17.6%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

Mobile Internet access will account for the vast majority of South African revenue

Fig. 1: Internet access revenue by type, 2013-2018 (R millions)



Sources: PwC, Ovum

Despite operator concerns that the likes of Google and Facebook will take the lion's share of value from the Internet opportunity, consumers will still need Internet access to use these services. And as more and more aspects of the social and working worlds are conducted online, consumers will increasingly view access as a necessity. As a result, consumer spend on Internet access will continue to grow at very healthy rates, to generate more revenue than any other single media product or service over the next five years.

Mobile Internet access revenues will far outpace those from fixed broadband, both in terms of growth and overall size. Mobile Internet access revenues in the country will grow at a CAGR of 24.8% between 2013 and 2018 and amount to a forecast R61.2 billion in 2018.

Access revenues will grow at a CAGR of 22.7% over the forecast period

Internet access revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2013-18**
Fixed broadband access	2 354	2 827	3 367	3 670	3 936	4 279	4 832	5 299	5 686	5 999	8.8%
YOY growth (%)		*20.1%*	*19.1%*	*9.0%*	*7.3%*	*8.7%*	*12.9%*	*9.7%*	*7.3%*	*5.5%*	
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Total Internet access	**7 955**	**9 599**	**12 950**	**17 816**	**24 161**	**31 115**	**39 416**	**48 258**	**57 174**	**67 218**	**22.7%**
YOY growth (%)		***20.7%***	***34.9%***	***37.6%***	***35.6%***	***28.8%***	***26.7%***	***22.4%***	***18.5%***	***17.6%***	

Sources: PwC, Ovum

In contrast, fixed broadband access revenues will increase at a CAGR of 8.8% over the 2013-2018 period, to total an estimated R6.0 billion in 2018. Much of this growth will be driven by first-time subscribers.

In 2013 there were 1.4 million fixed broadband households and seven out of ten people were without mobile Internet access. By 2018, 2.1 million households will subscribe to broadband and 64% of people will have mobile Internet access.

The growth of South Africa's Internet access market is being facilitated by a number of factors, including the growing number and capacity of the submarine cables connecting the country to the rest of the world, investment in and expansion of fixed and mobile networks and the increasing availability and affordability of data-enabled devices such as smartphones and tablet computers.

Among the cable systems that connect South Africa to the rest of the world are Seacom, which runs along the coast of East Africa and went live in 2009. The East Africa Submarine Cable system (EASSy), which also addresses the east coast of the continent and connects to South Africa, entered service in 2010.

The West African Cable System (WACS), which passes along the coast of West Africa and links the UK and South Africa, went live in 2012. The Africa Coast to Europe (ACE) cable, which was launched in 2012 and runs from France to São Tomé and Príncipe, connecting 13 countries, is to be extended to reach South Africa. SAT3 has been operational for over a decade and was the first cable to connect South Africa to Europe, while SAFE links South Africa to Asia.

Furthermore, the SAex, ACE, BRICS, ACE, WASACE and Main One cables have all either been proposed or are under construction, while infrastructure will also be provided by the coming on stream of high-capacity Ka-band telecommunications satellites.

Google is currently developing Project Loon, an ambitious attempt to bring Internet access to remote areas using high-altitude balloons as an aerial wireless network. Tests in June 2014 took place in Brazil, but there is potential to bring the technology to Africa.

There were 1.37 million fixed broadband subscriptions in South Africa at the end of 2013, up from 829 900 at the end of 2009. DSL is the largest fixed-broadband access technology, with 1.19 million subscriptions at the end of 2013.

Incumbent Telkom SA is the largest fixed broadband provider, with 914 100 broadband subscriptions at the end of 2013, representing 67% of the country's fixed broadband market. Telkom dominates the DSL segment with 910 000 DSL subscriptions at the end of 2013. It recently announced price changes to many of its capped and uncapped business DSL products from August 2014.

DSL will continue to dominate the fixed broadband market in South Africa, with DSL subscriptions forecast to reach 1.66 million by the end of 2018.

Total fixed broadband subscriptions in South Africa are forecast to number 2.06 million by the end of 2018. Fixed wireless broadband technologies such as the system offered by iBurst represent the next-largest fixed broadband technology segment in South Africa.

There were only about 7 000 fibre-to-the-home/building (FTTH/B) subscriptions in South Africa at the end of 2013. Neotel is one operator to offer such services, which are aimed for the business market at present.

DSL will continue to dominate the fixed broadband market

However, the number of FTTH/B subscriptions in South Africa is forecast to increase to 127 000 by the end of 2018, largely as a result of new FTTH/B deployments by the big mobile operators MTN and Vodacom, as well as Telkom and Dark Fibre Africa.

WiMAX will see the least growth among fixed broadband technologies and will be the smallest fixed broadband technology by subscriptions at the end of 2018.

In September and October 2013, Telkom announced a programme to upgrade its DSL packages for direct business and residential customers, as well as for ISPs that re-sell Telkom's services. Additionally, in June 2014 the company announced plans to roll out FTTH services to more than 20 local suburbs by the end of 2014.

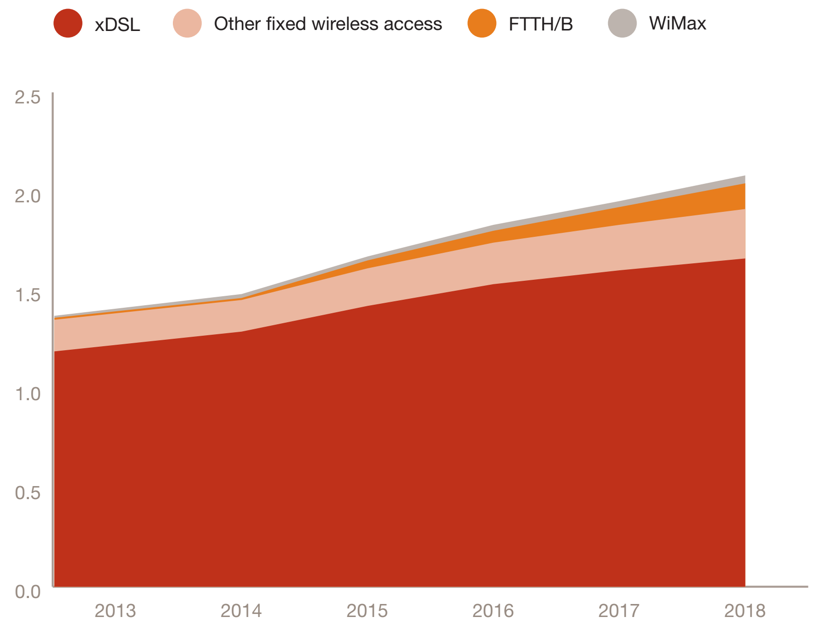
South Africa's biggest mobile operators also plan to introduce FTTx services. After a successful pilot at a gated estate, Monaghan Farms, near Johannesburg, MTN announced that it had connected its first FTTH customers in June 2014.

A rollout to other high-end residential communities, as well to high-density urban areas, is under way. The service offers speeds of up to 100Mbps.

In April 2014, Vodacom said it planned to launch fibre services in business parks, followed by FTTH services in gated communities. Vodacom reached an agreement to acquire Neotel for R7 billion in May 2014: Neotel's focus is also on FTTx in the business market.

Most people who access the Internet in South Africa do so using a mobile device. Mobile Internet access extends access to entertainment and media beyond the home, allowing consumers to access content whenever and wherever they want.

Fig. 2: Fixed broadband subscriptions forecast by technology, 2013-2018 (millions)



Sources: PwC, Ovum

At the end of 2013 South Africa had 15 million mobile Internet users, far exceeding the number of fixed broadband subscriptions. The number of mobile Internet users in South Africa is expected to grow strongly to reach 35.2 million by the end of 2018. By then about 72% of South Africa's mobile phone users will be for mobile Internet.

Consolidation and innovation in the industry

In September 2013, Vodacom and Neotel said they had begun exclusive talks about the possible acquisition of 100% of Neotel shares by Vodacom. Neotel is the only operator to own a stake in every undersea cable currently active in South Africa.

This acquisition is therefore expected to increase Vodacom's fibre backbone significantly as well as giving Vodacom access to much-needed spectrum. The company reached an agreement to acquire Neotel in May 2014, but the transaction remains subject to regulatory approval from the South African telecommunications regulator, ICASA, and the Competition Commission of South Africa. Vodacom's competitors have questioned the legality of the proposed deal.

Vodacom's proposed acquisition of Neotel is just one transaction in a trend of growing consolidation and collaboration in the South African telecommunications and information technology market.

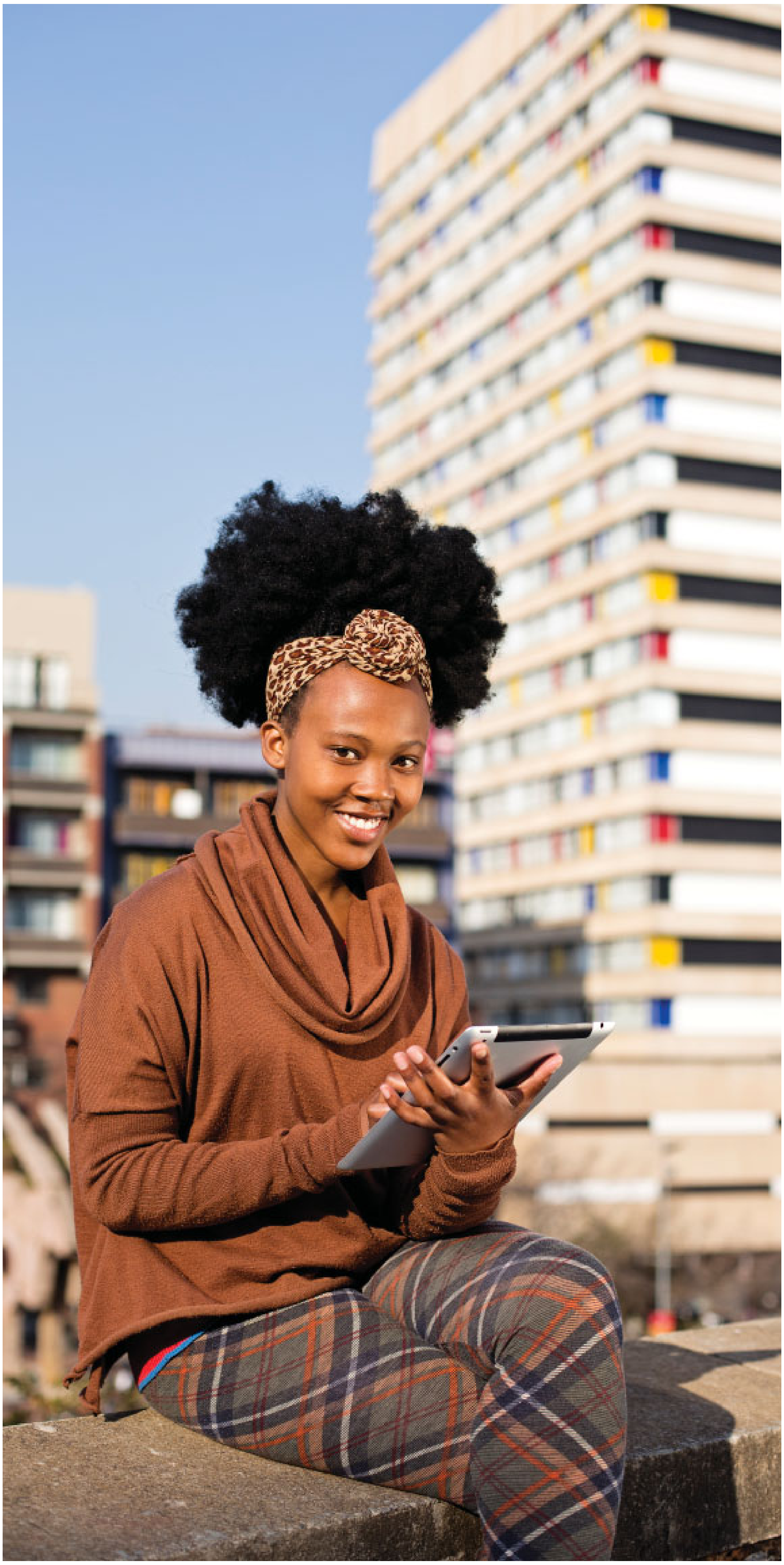
In August 2014, Telkom bought Business Connexion after shareholders approved the deal. This deal was thought to be worth around R2.4 billion, a transaction that still has to receive with regulatory approval. Telkom has also hinted that it is in discussions with Naspers and Netflix to partner with a content provider in an effort broaden its service offering.

In July 2014, it was reported that Vox Telecom's private-equity shareholders had sent out information to various local and international companies for what is understood to be the sale of 100% of their share capital.

In another example of industry players looking for opportunities to work together to broaden their service offerings and to create innovative joint ventures, Telkom and MTN have signed a deal to use each other's mobile networks, deciding on collaboration rather than duplicating efforts.

Outside service providers, there has been significant development in the market with the creation of Madibacoin, an alternative cryptocurrency to Bitcoin that would act as a decentralised digital medium of exchange. While currently of extremely limited real-world functionality, it is hoped that it will spread as the concept of cryptocurrency gains mainstream acceptance.

MTN announced in August 2014 that it hopes to offer a streaming video service before the end of 2014 and that it plans to invest more than R2 billion in a new e-commerce venture, Africa Internet Holdings (AIH). MTN acquired a 33.3% stake in AIH, a joint venture between Rock Internet and Milicom International Cellular, to develop business in Africa.



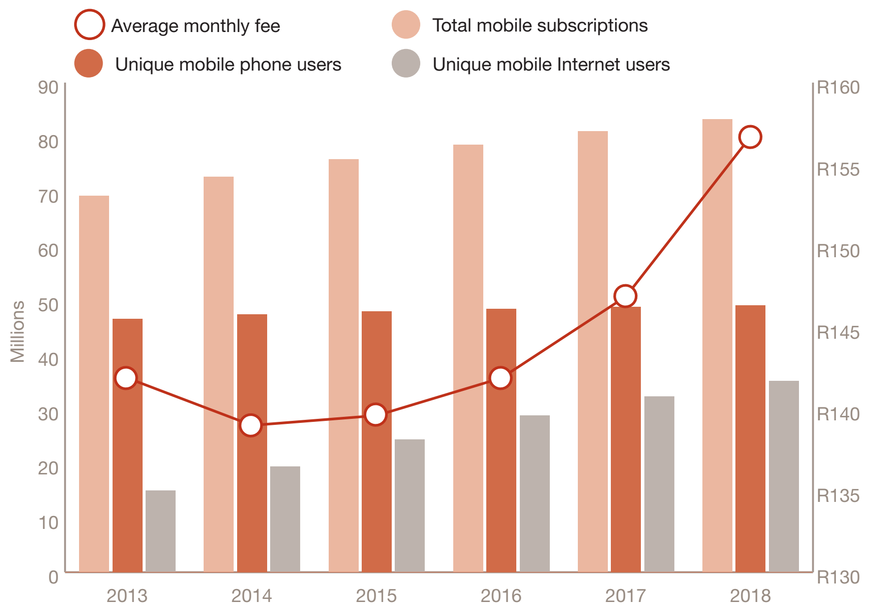
There are forecast to be 35.2 million mobile Internet subscriptions in South Africa by 2018

Mobile subscriptions, mobile phone users and mobile Internet users (millions) and average monthly fee (R), 2013-2018

	2013	2014	2015	2016	2017	2018
Total mobile subscriptions	69.2	72.7	75.9	78.6	81.1	83.3
Unique mobile phone users	46.6	47.4	48.0	48.4	48.8	49.1
Unique mobile Internet users	15.0	19.5	24.4	28.8	32.3	35.2
Average monthly fee	141.9	139.0	139.6	141.9	146.9	156.7

Sources: PwC, Ovum

Fig. 3: Mobile subscriptions, mobile Internet users (millions) and average monthly fee (R), 2013-2018



Sources: PwC, Ovum

The growing popularity of mobile Internet access will present both opportunities and challenges to media and entertainment companies. On the one hand, the increasing availability and affordability of mobile data services, as well as data-capable devices such as smartphones and tablets, will enable digital media providers to reach a growing number of consumers, wherever they are.

On the other hand, they will have to adjust to packaging their services for multiple devices, often with smaller screens. In addition, many of the new mobile Internet access subscribers will have lower incomes than many media and entertainment companies are used to.

Mobile's rise will be partly due to a fundamental difference between the two types of Internet access: fixed broadband is brought to households, while individuals buy mobile services, sometimes subscribing to more than one offering.

Mobile networks lack some of the major limitations of their fixed-line equivalents. Mobile broadband networks are also often present in areas that fixed broadband networks do not reach.

Mobile broadband is available on prepaid plans as well as on contract, making it more flexible and accessible to the average consumer. Mobile networks can be rolled out faster and at a lower cost, so competitive tariffs can be offered profitably.

This advantage is especially important in emerging markets such as South Africa, where incomes are low and fixed-line infrastructure is poor.

Mobile devices are also a significant contributor to the increasing popularity of mobile Internet access. Initially, smartphones were all expensive devices that were only affordable for a relatively small segment of the market. But while devices at the premium end of the smartphone market remain expensive, increasing numbers of more basic smartphones are becoming available at prices that make them much more widely affordable, especially when compared to a subscription contract.

The smartphone is already the device through which most South Africans access the Internet and the rise in smartphone penetration will drive both mobile Internet access and Internet access in general.

There were 19.9 million smartphone connections in South Africa at the end of 2013, representing 28% of all mobile subscriptions, and the number of smartphone connections is forecast to rise to 48.4 million by end 2018, or 58% of all mobile subscriptions (see Figure 4).

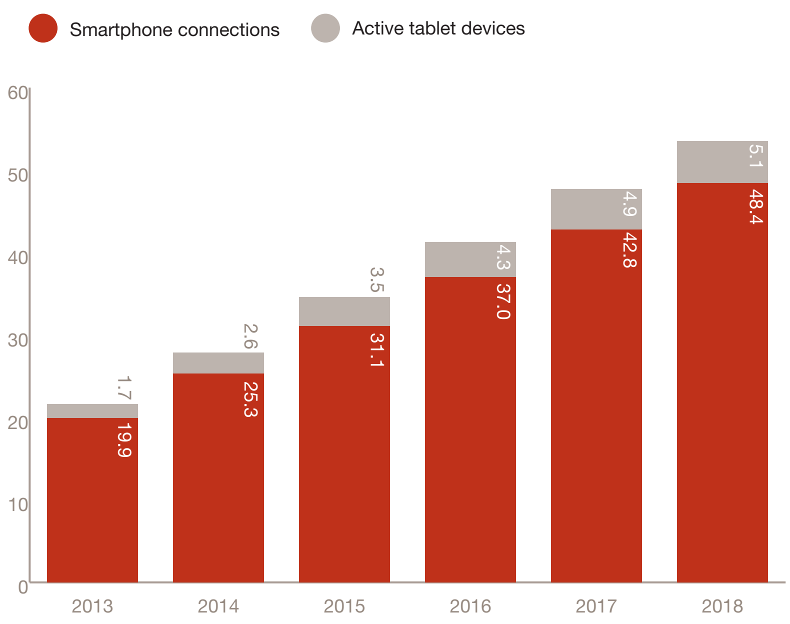
The number of active tablet devices will rise from 1.7 million at end 2013 to a projected 5.1 million at the end of 2018.

An example of the developments taking place in the smartphone market is MTN's recent launch of an own-brand, low-cost smartphone, the MTN Steppa. MTN started to sell the Steppa in January 2014, at a price of R499 on a prepaid price plan.

MTN developed the Android-based Steppa in partnership with chipset-manufacturer Qualcomm with the aim of creating an attractive, high-quality device that would sell at an affordable price. The Steppa has been well received in the South African market, selling 60 000 units up to March 2014.

The number of smartphone and tablet connections will more than double between 2013 and 2018

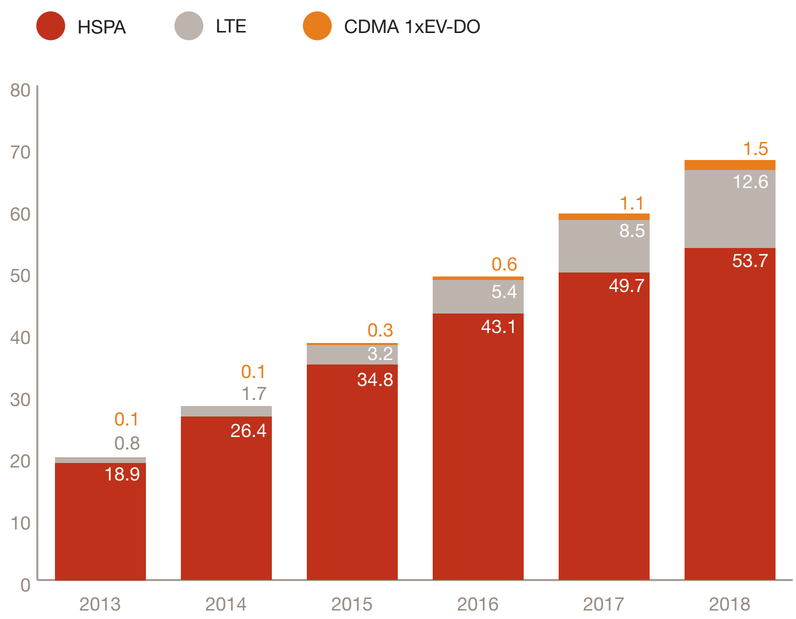
Fig. 4: Smartphone and tablet connection forecasts, 2013-2018 (millions)



Sources: PwC, Ovum

HSPA will dominate mobile broadband subscriptions despite LTE growth

Fig. 5: Mobile broadband subscriptions forecast by technology, 2013-2018 (millions)



Sources: PwC, Ovum

May 2014 saw the launch of Vodacom's Smart4Mini. Also aimed at the value market, the unit is available at a cost of R899 or on contract with deals starting at R49 per month.

The take-up of mobile broadband in South Africa is also being stimulated by the fact that the cost of data plans have declined, with the average price of a 1GB data bundle contract falling from about R99 to R69 over the past year.

As a result of the wide deployment of mobile broadband networks in South Africa and increasing affordability of mobile broadband devices, mobile broadband connections are accounting for a growing share of the country's mobile market.

The number of South African mobile connections based on the 3.5G HSPA technology is forecast to overtake the number of GSM subscriptions by the end of 2015. By the end of 2018 there will be an estimated 53.7 million HSPA subscriptions in South Africa, representing 79.1% of the mobile broadband market and 66.4% of all mobile subscriptions in the country.

Services based on the alternative 3G technology 1xEV-DO (Evolution-Data Optimised), an upgrade of the CDMA2000 standard, could also be considered part of the mobile broadband market. Neotel is the only EV-DO provider. The company offers the service in fixed broadband bundles or as a standalone product to post-paid users. EV-DO subscription numbers are expected to remain low as Neotel is the only operator using the technology and it is expected to start migrating to LTE in 2014.

The number of LTE subscriptions in South Africa is forecast to grow at a fairly strong rate, albeit from a low base, to reach 12.6 million at the end of 2018.

MTN had 51% of the mobile broadband market in 2013

The deployment of LTE has been hampered by delays in issuing relevant spectrum and in the migration of broadcast TV services from analogue to digital. The digital migration was initially scheduled for 2013, and is now set for 2015, although even this delayed target will be difficult to achieve.

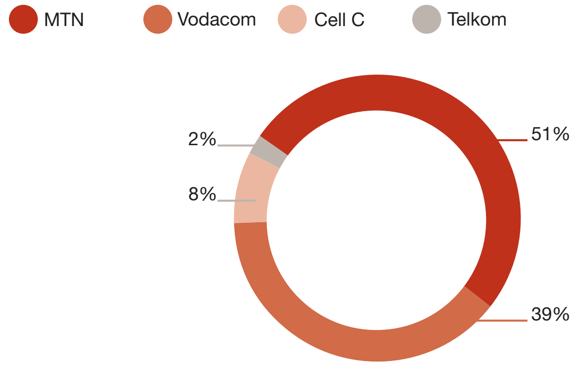
As a result, the country's mobile market leaders launched LTE services using frequencies in their existing 3G 1800MHz band of spectrum, except for Telkom, which operates its LTE network in the 4G 2.6GHz band.

Vodacom was first to market with LTE, launching in October 2012. LTE coverage is focused on the largest cities – Johannesburg, Cape Town, Durban and Pretoria. The service was first made available to post-paid subscribers and subsequently became available to prepaid users in March 2013.

MTN launched LTE in December 2012, with coverage initially also limited to business hubs in large cities. Telkom Mobile launched its LTE networks in April 2013, while Neotel launched LTE services in August 2013, initially in the Gauteng area. Cell C is still running a commercial trial of LTE.

MTN accounted for about 51% of South Africa's mobile broadband subscriptions at the end of 2013. Vodacom accounted for 39% of the country's mobile broadband subscriptions, Cell C for 8% and Telkom for 2%.

Fig. 6: Mobile broadband subscriptions market share by operator, end 2013 (%)



Note: Subsequent to the research performed, MTN adjusted its reported figures, after implementing a new definition, which has not been taken into account in this graph.
Neotel 1xEV-DO subscriptions are excluded.
Sources: PwC, Ovum

Access for all

Both the Government and consumers are aware of the importance of broadband as a vital utility that enhances society and the economy. Consequently, the Government is desperate to improve the availability and quality of broadband in South Africa.

The need to do so was recently highlighted by an independent report on the state of the Internet among emerging and developing countries, which listed South Africa as being one of the lowest placed in terms of 'high broadband' (over 10Mbps) adoption rates, average connections speeds and mobile connectivity speeds.

In order to overcome this, the Government recently created a new Department of Telecommunications & Postal Services and reconfigured the Department of Communications. It has also implemented a new broadband policy, SA Connect, which was adopted in December 2013.

The aim of the policy is to ensure that every South African has access to a broadband connection at a cost of 2.5% or less of the average monthly salary. Also, by 2020, 90% of South Africans should have access to broadband services of at least 5Mbps, and 50% of South Africans should have access to services of more than 100Mbps. The policy calls for the speedy assignment of spectrum and the establishment of a wholesale open access network.

In addition to this, local government has also made broadband availability a top priority, with the Gauteng and Western Cape Premiers both promising limited free Internet at Wi-Fi hotspots within urban areas over the next four years. The Western Cape's roll-out began in the community of Delft.

It has been promised that Internet services will be provided through collaboration between the provincial governments, various municipalities and the private sector. Tshwane launched its free Wi-Fi service in July 2014, with the development focused around four pillars of content: jobs, education, e-gov and news.

There has been a significant increase in the private sector providing free Wi-Fi hotspots, with M-Web recently launching a free Wi-Fi zone in Florida Road, Durban's first Wi-Fi-activated high street.

Metrorail has also launched free Wi-Fi Internet access at train stations in the Western Cape in June 2013. Uber Taxi (a mobile app taxi service) has followed the same route and is set to offer free Wi-Fi to all customers using its taxis, following successful trials.

South African taxi commuters also have access to free Wi-Fi through collaboration between the South African National Taxi Council (Santaco) and Wi-Taxi (the Technology partner on the project). Telkom is also planning to partner with Santaco to launch Wi-Fi services in minibus taxis and taxi ranks around the country. In June 2014, Santaco announced that 1 500 taxis would get free Wi-Fi within six months.

The Internet access market in South Africa will change substantially over the coming few years, driven by technological, regulatory, commercial and social developments. Those that adapt successfully stand to gain a slice of a very large business indeed.

Apps will play a major role in this, enabling providers to package content and services in more compelling and usable ways than possible with traditional web browsers, especially for smartphones and other devices with smaller screens. App stores, in-app billing and advertising also offer a variety of mechanisms that make monetising digital media easier.

Internet advertising

Internet advertising continues to grow strongly year on year. The Internet is maturing as a medium, and while annual growth rates remain high, they will start to slow than in the second half of the forecast period.

South Africa's Internet advertising market, the largest in Africa, reached R1.6 billion in 2013, up from R561 million in 2009, and will grow to an estimated R4.4 billion in 2018 at a CAGR of 22.7%.

The market will see very strong double-digit yearly growth, although this is anticipated to drop below 20% in 2017 for the first time since 2011. But at a time when other forms of advertising have suffered in recession, Internet advertising has proved resilient.

Internet advertising is growing as a category due to the ongoing movement of ad spend into all three core categories – display, search and classifieds – but also the onset of the new growth channels in video and mobile.

Internet advertising revenues will reach R4.4 billion by 2018

Internet advertising revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Search	264	284	385	525	681	879	1 100	1 325	1 532	1 772	21.1%
YOY growth (%)		*7.6%*	*35.9%*	*36.3%*	*29.7%*	*29.0%*	*25.2%*	*20.4%*	*15.7%*	*15.7%*	
Display	183	186	282	374	490	636	787	927	1 036	1 159	18.8%
YOY growth (%)		*2.1%*	*51.3%*	*32.7%*	*30.8%*	*29.8%*	*23.8%*	*17.8%*	*11.8%*	*11.8%*	
Classified	87	93	98	114	130	151	173	194	213	235	12.6%
YOY growth (%)		*6.2%*	*5.6%*	*16.9%*	*13.8%*	*16.0%*	*14.6%*	*11.9%*	*10.2%*	*10.2%*	
Video	0	0	0	1	2	3	4	6	8	9	43.7%
YOY growth (%)		*18.8%*	*21.1%*	*67.4%*	*107.8%*	*75.0%*	*63.9%*	*45.3%*	*21.1%*	*21.2%*	
Total wired Internet advertising	**534**	**563**	**765**	**1 014**	**1303**	**1 669**	**2 064**	**2 452**	**2 789**	**3 175**	**19.5%**
YOY growth (%)		***5.5%***	***36.0%***	***32.5%***	***28.4%***	***28.0%***	***23.8%***	***18.7%***	***13.8%***	***13.8%***	
Mobile Internet advertising	27	61	118	193	278	402	559	748	958	1 226	34.6%
YOY growth (%)		*131.4%*	*91.3%*	*64.1%*	*44.1%*	*44.5%*	*39.3%*	*33.6%*	*28.1%*	*28.1%*	
Total Internet advertising	**561**	**624**	**883**	**1 207**	**1 581**	**2 071**	**2 623**	**3 200**	**3 747**	**4 401**	**22.7%**
YOY growth (%)		***11.5%***	***41.4%***	***36.7%***	***30.9%***	***30.9%***	***26.8%***	***21.9%***	***17.1%***	***17.5%***	

Sources: PwC, Ovum

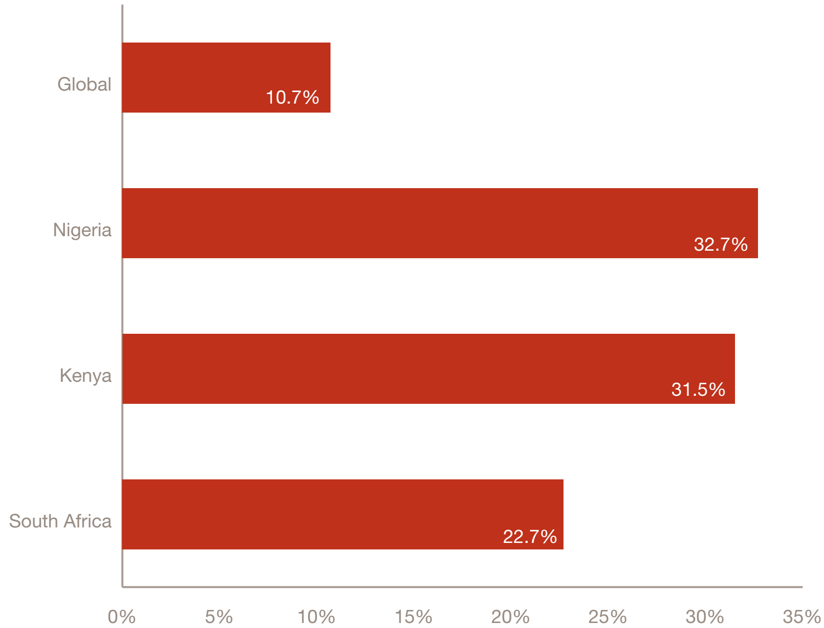
South Africa's Internet advertising market is growing at twice the global rate

The rate of growth in South Africa's Internet advertising market is expected to be 22.7% in the next five years, which compares favourably with other markets across the globe, coming in at more than twice the average global CAGR of 10.7%.

Nigeria's CAGR will be higher than that of South Africa, at 32.7%.

Internet advertising's share of the overall South African advertising market will thus continue to increase to reach over 8% by 2018, double its share in 2013.

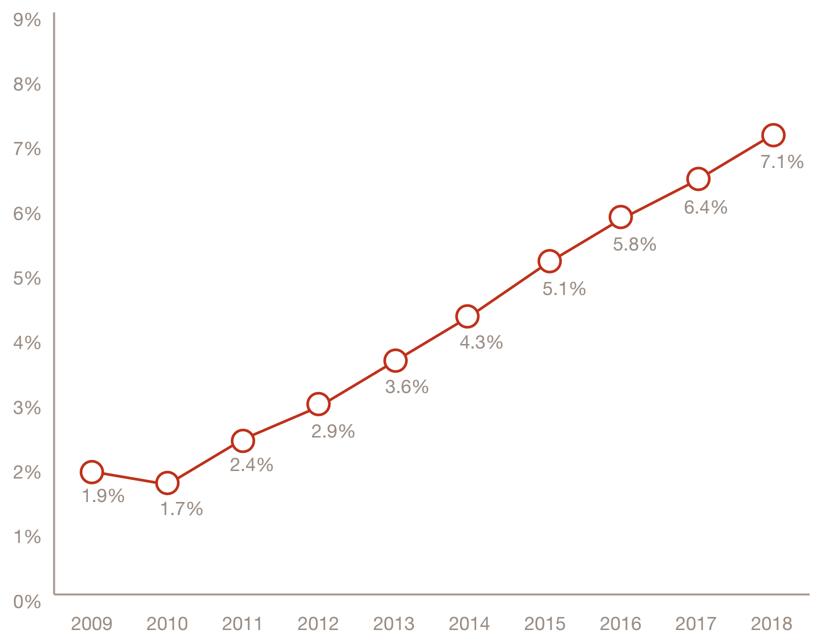
Fig. 7: South Africa's rate of growth in internet advertising vs other countries/global (% CAGR, 2013-2018)



Sources: PwC, Ovum

Internet advertising's share of total advertising will continue to rise

Fig. 8: Internet advertising as a share of total advertising, 2009-2018 (%)



Sources: PwC, Ovum

Growth in Internet advertising in South Africa will be fuelled by a variety of factors:

- **Growing Internet penetration:** For users in developing markets such as South Africa, without widespread access to fixed-line infrastructure, mobile Internet usage will take up the slack, and the mobile will be the main point of Internet access for the majority of the population. As smart devices become more affordable, and therefore more widespread, online advertising will become an increasingly popular method for brands to get their message across to consumers on the move.
- **Declining broadband prices:** The cost of broadband subscriptions is generally declining. This is a result of increased competition and a need for operators to target a wider user base.
- **Faster broadband:** Certain digital advertising formats, with video advertising chief among them, cannot be properly utilised unless average broadband connections are of a sufficient speed. With the likes of Facebook reputedly looking to charge in the region of US$1 million and US$2.5 million per online video ad campaign per day, there is clear potential for South Africa and other developing markets to capitalise on an advertising format that promotes user engagement, and subsequently increases click-through rates.
- **Social development:** In some developing markets, fixed broadband can cost individuals as much as 30% of their monthly income, so it is imperative that through both policy and regulatory adjustments, governments contribute towards the price of fixed broadband becoming made more affordable. The South African Government produced the 'South Africa Connect' white paper at the end of 2013, which details ways in which fixed broadband can start becoming more accessible, including removing regulatory constraints that 'constrain the competitiveness of markets', and the stimulation of demand by increasing computer literacy through education – such as at schools and community access centres. BWired is one initiative aimed at giving schools 'unlimited access to the world's knowledge'.
- **Increased consumption:** The sheer number of Web pages and the amount of time spent using the Internet, continue to increase. Social media sites, in particular, have proved enormously popular and have increased the amount of time that users spend online.
- **The rise of targeted advertising:** Social media sites, in particular, have access to a vast amount of information about their users, which they have begun to utilise in order to provide better targeting for prospective advertisers. Improved targeting has led to the rise of programmatic advertising in South Africa, with companies such as IPG Mediabrands, the media innovation arm of the Interpublic Group, recently extending its programmatic buying capability to the South African market, proof that South African advertisers are looking to adopt a more performance-based approach to their media planning.

Search's dominance of Internet advertising will not be so clear cut

Search's share of online advertising will decrease from a high of 47% in 2009 to 40% in 2018, as mobile Internet advertising spend increases even more rapidly.

Year-on-year growth peaked in 2012 at 36.3% and while the growth rate will decline over the forecast period, it will still remain above 15% throughout the forecast period. Search is forecast to more than double over the forecast period, growing from R681 million in 2013 to R1.8 billion in 2018.

Search's continued success can be attributed to the fact that advertisers can track exactly how many clicks and views their ads attract on a search engine and how many of those interactions lead to eventual purchases (both online and offline).

Online search advertising also allows advertisers to target their ads based on previous searches that users are known to have initiated, therefore making the ads more relevant to the user and increasing the likelihood of an interaction.

In line with the rest of the world, Google dominates the South African market, with a market share of over 90%. In 2012, the company started to truly embrace social search with relevant results and content from Google+ appearing in search results.

Google Now, which predicts what users want to search for as they begin to type a search query, has reduced the time it takes users to search for something and has subsequently also driven the market.

Google has recently improved its search function so that it can examine longer search queries. Rather than examining words individually (as all other search engines do), it is now able to take into account context and are subsequently able to provide better answers.

While Google is the primary search engine in South Africa, it is not the only one. International search engines like Bing, Yahoo, AOL and Ask are also present, although it is not expected that they will significantly cut into Google's market share of 94%.

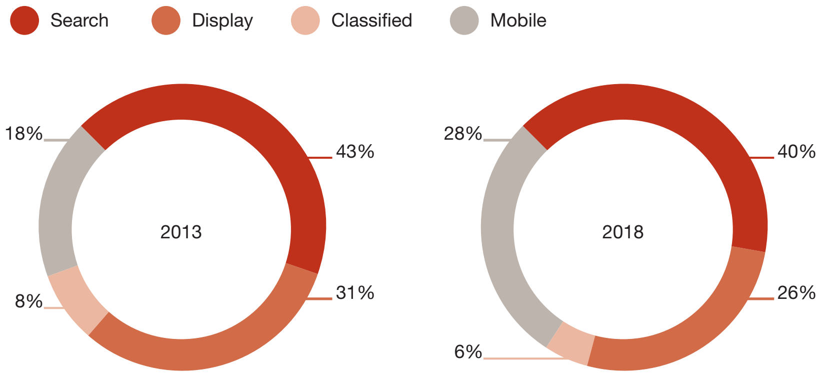
Social networks, especially Facebook with its huge South African membership (which the recent 'South African Social Media Landscape 2014' report estimated as being as high as 9.4 million users in 2014), is a bigger threat to Google's advertising revenues in South Africa.

Social networks aim to challenge classical Web search's dominance on contextually-placed advertising spend. A recent example is Twitter, which is offering marketers advertising matched against key word searches.

Search is, however, expected to defend its position as there remains an intrinsic dichotomy between the effectiveness of advertisers' messages returned against specific results sought out by goal-driven users and those served by users whose goal is browsing social activity.

Mobile will make its presence felt

Fig. 9: Internet advertising market share by segment, 2013 and 2018 (%)



Sources: PwC, Ovum

Google dominates among sites visited by South African consumers

Most visited websites, April 2014

Ranking April 2014	Site
1	Google.co.za
2	Google.com
3	Facebook.com
4	Youtube.com
5	Yahoo.com
6	Gumtree.co.za
7	Wikipedia.org
8	Linkedin.com
9	News24.com
10	Fnb.co.za

Source: Alexa.com

Display advertising will fall to become the third-largest strand of revenues by 2018

Display advertising's rate of growth will slow over the forecast period, although it will still see a CAGR of 18.8%. The market was worth R490 million in 2013 and is forecast to grow to R1.2 billion in 2018.

Display's share of total advertising spend is set to decline over the forecast period. Display constituted 31% of the total Internet advertising market in 2013, but will decline to 26% by 2018, primarily due to the leaps in mobile's share of Internet advertising.

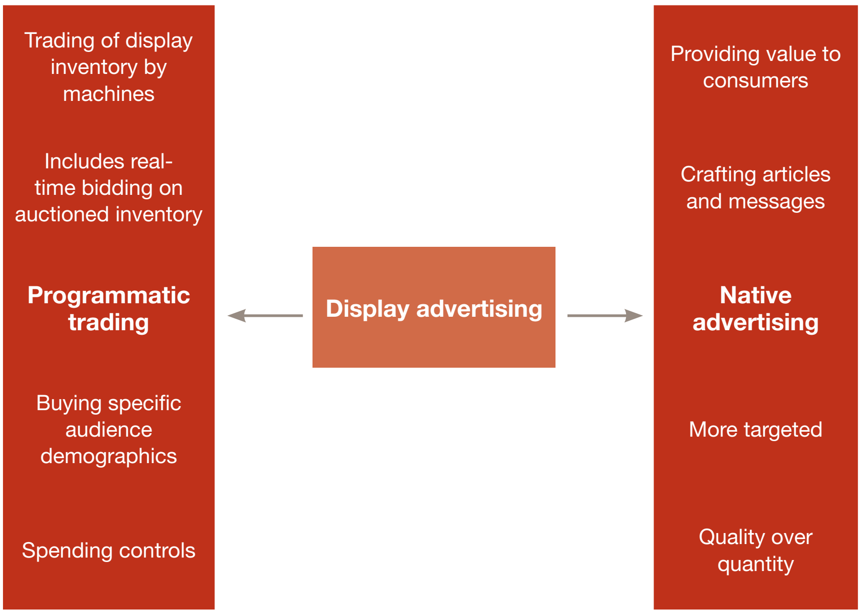
Display's continued growth trajectory is as a result of consumers spending time online and visiting more pages when surfing the Internet. Advertisers have expressed frustration, however, at display's low click-through rates, and have subsequently shown a preference for more interactive ad formats. These tend to be more expensive but are also shown to increase user engagement and message recall.

Many advertisers are moving toward programmatic ad-trading platforms that offer greater planning control, while others are adopting native advertising formats, so named because they feature within the content that the user is engaging with. Examples include sponsored posts on a Facebook newsfeed or promoted Tweets on Twitter, which are viewed as being far more congruous and less intrusive.

According to recent research, native ads are viewed for the same amount of time as editorial content and are much more likely to be shared in comparison to banner ads. While this format is necessarily more qualitative and less quantitative than display ads in either their traditional or programmatic forms, many marketers are nonetheless keen to explore reaching consumers in this way.

Divergence toward two traditionally different tactics on the marketing spectrum is a consequence of shrinking display ads performance

The new weighting of display Internet advertising



Sources: PwC, Ovum

With 9.4 million active users in South Africa alone, Facebook has unquestionably had a fundamental impact on the South African display market. It has become a major player based on the sheer number of ad impressions it serves, which is a direct result of its broad popularity.

However, the sheer volume of inventory that Facebook has pumped into the market has contributed to the depression of display ad prices. It has also contributed to much lower click-through rates for online advertising, which some observers have suggested have dropped to around 0.1% globally.

The future of display advertising relies on everyone in the value chain moving away from the kind of 'stack it high, sell it cheap' approach that has typified online display to date. This will happen in a number of ways:

- New forms of targeting, rather than simply increasing the volume of inventory. As well as traditional forms of targeting based on demographics, the location of the user and previous browsing behaviour, retargeting display ads allows advertisers to serve the same ad to a user across multiple sites after they have first been exposed to the ad elsewhere.
- Real-time bidding (RTB) will have a significant impact on the display market. The RTB model allows advertisers to buy, and publishers to sell, individual impressions one at a time, via demand-side and supply-side platforms, in the same way a financial trading desk works. RTB can mean extracting greater value for specific inventory for publishers and deliver greater efficiency and effectiveness for advertisers.
- More interactive display ad formats, which should help online display finally fulfil some of the potential it has as both a branding medium and a direct response medium. This, too, is likely to lead to a reduction in the dominance of the cost-per-click model to, potentially, more of a cost-per-view model.

Mobile Internet advertising will see a surge in revenues to 2018

Mobile advertising will see its share of Internet advertising increase from 18% in 2013 to 28% in 2018. Mobile advertising is forecast to increase from R278 million in 2013 to R1.2 billion in 2018, a CAGR of 34.6%.

According to Millward Brown's 2014 AdReaction report, more than 30% of South Africans are attentive to advertisements on mobile phones and tablets.[1]

South Africa is one of the most mature markets in Africa in terms of technology – it was one of the first countries in Africa to provide 3G in 2008 – and the rapid growth expected in mobile advertising throughout the forecast period is due to a rise in smartphone and tablet penetration, with smartphones expected to reach almost 60% of the subscriber base by 2018.

The availability of cheap smartphones over the next few years will enable segments of the population that are currently unconnected to incorporate Internet browsing into their daily activities.

An important contributing factor to the rise of mobile advertising revenue has been the ability of social media to monetise its content.

Facebook, for example, saw its global profits increase by 58% on the previous year in the first quarter of 2013. The company reported that mobile advertising accounted for 30% of total advertising revenue during this period.

If social media can fully maximise its ability to display advertising on mobile devices, then its share of total mobile advertising will only continue to increase as more people sign up to Facebook and other social networking sites.

In spite of the growth in the industry, advertisers are learning that conventional desktop display ads may be less suitable for mobile. To guarantee new growth in this segment, the industry must ensure that it develops effective advertising formats that take advantage of the medium's native characteristics.

Advertisements that target and engage using mobile devices' GPS sensor for instance, by building a view of users' location over time, could command higher rates for what are more relevant messages. It is about a lot more than simply viewing a traditional desktop display ad on a mobile device.

Double-digit growth in classifieds will come from a lower base

Online classified revenues are anticipated to grow at a CAGR of 12.6% over the forecast period, from R130 million in 2013 to R235 million in 2018.

Over this period, classifieds share of total Internet advertising will fall from 8% in 2013 to 6% in 2018, as a result of more rapid growth in mobile and search. Classified advertising is usually tightly linked to the overall state of the economy, and the real estate, automotive and recruitment markets will not advertise as heavily during a macroeconomic recession.

1 "Marketing in a multiscreen world," AdReaction, http://www.millwardbrown.com/Sites/Changing_Channels/AdReaction.aspx (accessed August 2014)

Despite sluggish economic growth between 2011 and 2013, classified advertising still enjoyed double-digit year-on-year growth during this period.

Video advertising will account for a tiny proportion of revenue

Video advertising is expected to grow at a CAGR of 43.7% over the forecast period to reach R9 million in 2018, but from a near non-existent base of R2 million in 2013.

A key reason behind video advertising's limited growth is the relatively low fixed-broadband penetration rate in the country (13% in 2013), which is forecast to remain low. By 2018, only an estimated 19% of South African households will have fixed broadband access.

While mobile Internet penetration has increased in recent years, the majority of mobile devices have not had the capacity to stream high-quality video, which is dissuading advertisers. Video advertising will grow as a direct result of faster fixed and mobile broadband becoming more widespread and affordable, although this is not expected to generate significant growth in the online video segment until after 2018.

Tracking users in a multi-device world presents new challenges

Targeting users of the first generation of Internet devices was relatively straightforward, thanks to Web cookies. But many new mobile devices do not feature cookie tracking, while the use of multiple devices by individual consumers further complicates targeting.

Historically, web ads have targeted consumers according to characteristics accumulated by the patterns of their web browsing, stored in client-side cookie files. But this method is under threat from Do Not Track initiatives that allow consumers to easily opt out; European cookie privacy legislation; and the booming array of consumer Internet devices that do not even support cookies.

Brilig, an ad data-trading marketplace, has observed: "The third-party cookie is dying as the number of machines that you can see on the Internet versus the number that you can cookie has been dropping over the last three years. It's now at around 50%. (Cookies have five years at the most.)"

Leading Internet companies including Apple, Facebook and Microsoft have examined creating alternative tracking standards that give advertisers a holistic picture of individual consumers across the range of devices they use. Such initiatives will become increasingly important as mobile device consumption increases and desktop Web usage diminishes proportionately, and may place operators of such technologies in powerful positions.

Internet companies have explored creating alternative tracking standards to give advertisers a holistic picture of individual consumers across the range of devices they use. Such initiatives will become increasingly important as mobile-device consumption increases and desktop Web usage diminishes proportionately, which may place operators of such technologies in powerful positions.

Mobile devices also offer unique and special new tracking and targeting opportunities not afforded by desktops, including location, orientation and mobile payment data. Such targeting capabilities may outshine those boasted previously by the Web. But the most effective modern advertising targeting will be that which understands consumers no matter what device they use.

Nigeria

In brief

Mobile Internet subscribers will increase sevenfold from 7.7 million in 2013 to 50.4 million by 2018. *The Nigerian Internet access market generated US$1.7 billion in 2013 and will grow to US$5.1 billion in 2018, a CAGR of 24.8%.*

Mobile Internet access and advertising will dominate Internet spend throughout the forecast period. *Mobile Internet access will account for around two-thirds of revenue throughout the forecast period. Internet advertising is set to increase at a 32.7% CAGR over the forecast period, with mobile advertising being by far the fastest-growing segment. Search and display will be the second- and third-largest segments respectively.*

The fixed broadband segment has continued to suffer from high rates of fixed-to-mobile substitutions. *However, it remains attractive to higher-end business segments and residential clients. Wired Internet advertising generated a larger revenue share than mobile Internet advertising in 2013, but this will change in the next five years.*

All major operators run 3G networks, which will comprise the largest share of the mobile broadband market. *LTE is not part of a mass-market mobile broadband strategy and the technology is more likely to be deployed first by smaller players (mostly ISPs).*

Internet access and advertising will rise at a 24.8% CAGR

Revenues from Internet access and Internet advertising, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Internet access	343	558	775	1 105	1 658	2 241	2 917	3 651	4 355	4 981	24.6%
YOY growth (%)		*62.7%*	*38.9%*	*42.5%*	*50.1%*	*35.2%*	*30.2%*	*25.2%*	*19.3%*	*14.4%*	
Internet advertising	6	13	19	28	38	53	72	93	121	160	32.7%
YOY growth (%)		*136.1%*	*48.6%*	*46.0%*	*39.2%*	*36.4%*	*34.4%*	*31.3%*	*30.5%*	*30.9%*	
Total Internet market	**349**	**571**	**794**	**1 133**	**1 696**	**2 294**	**2 989**	**3 744**	**4 476**	**5 141**	**24.8%**
YOY growth (%)		***64.6%***	***39.1%***	***42.7%***	***49.8%***	***35.2%***	***30.3%***	***25.3%***	***19.6%***	***14.8%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

Internet access

The Nigerian Internet access market generated US$1.7 billion in 2013 and will grow to US$5.1 billion in 2018, a CAGR of 24.8%.

Mobile Internet access will account for around two-thirds of revenue throughout the forecast period. The growth in mobile has occurred on the back of heavy investment from the country's mobile operators in improving coverage and capacity, and offering more affordable tariffs.

Fixed broadband revenue faces stiff competition from mobile as a result of high fixed-to-mobile substitution due to increased affordability. However, its preference by the high-end residential and business segments will see its revenue grow to US$1.6 billion by 2018 at a CAGR of 23.7%.

Mobile Internet subscribers will increase from 7.7 million in 2013 to an estimated 50.4 million by 2018. Revenue from mobile Internet access will account for 67% of the total in that year.

The Nigerian market is dominated by wireless technologies due to problems with the quality and coverage of fixed infrastructure. Network performance is expected to improve with more international bandwidth available following the launches of new international submarine cables (MainOne and Glo-1 in 2010 and WACS in 2012). However, a lack of robust last-mile connectivity remains a challenge in providing affordable and quality Internet services.

WiMAX will be the preferred technology for delivering fixed broadband services in Nigeria due to its lower capex requirement and faster network deployment.

WiMAX is expected to retain the largest market share of the fixed broadband segment by 2018, as all major WiMAX players only plan to migrate to LTE in the longer term.

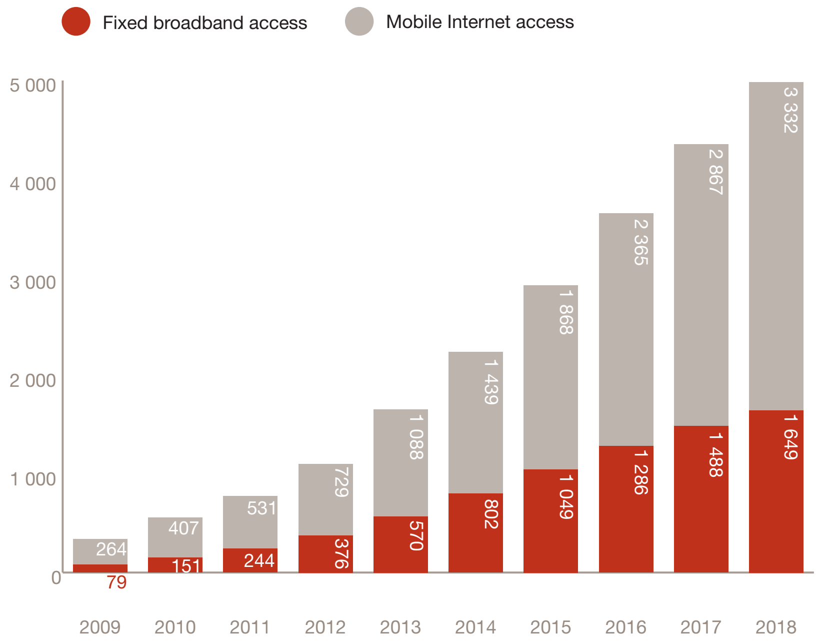
In the meantime, xDSL deployment will be slow. FTTH/B is gaining popularity among high-end customers. Property developers are increasingly requesting FTTH/B connections to serve high-value gated residential estates. FTTH/B is projected to overtake xDSL in 2017 in terms of connections. SDSL is mainly provided by operators Globacom and MTN, which both have very limited coverage in urban centres.

Nigeria welcomes LTE but mobile Internet will be 3G-dominated

In the fourth quarter of 2013, 95% of the market's subscriptions were based on WCDMA, the 3G technology which evolved from GSM.

Mobile Internet will dominate Nigeria's broadband market by 2018

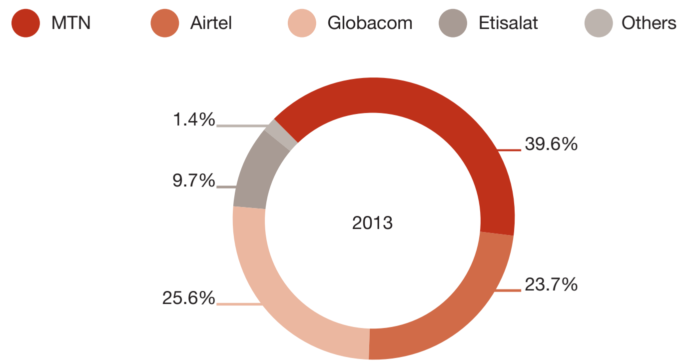
Fig. 10: Internet access revenues by type, 2009-2018 (US$ millions)



Sources: PwC, Ovum

MTN, Glo and Airtel are the top three players

Fig. 11: Mobile broadband market share by operator, 2013 (%)



Sources: PwC, Ovum

LTE was launched in Nigeria in 2013 by three ISPs: Smile Communications, Spectranet and Swift Networks. Other big operators, including Airtel and Globacom, are already trialling LTE networks. CDMA operators Starcomms, Multi-Links and MTS First Wireless merged in 2012 to form CAPCOM, which is also set to migrate from EV-DO to LTE.

As in other African markets, the adoption of LTE services in Nigeria is slow due to the high price of the service, which is being marketed as a premium one targeting the high-end customer segment. As a result, the Nigeria mobile broadband market will be dominated by 3G over the next five years.

Prepaid subscriptions represented over 90% of mobile broadband subscriptions in Nigeria in 2013. Mobile Internet bundles are mainly sold on a prepaid basis targeting the lower-end market segments. Daily bundle prices start from NGN100 (US$0.6) and 10MB is usually the smallest volume available.

With a growing demand from consumers and competition from operators, revenues from mobile Internet access are forecast to grow at a CAGR of 25.1% in the next five years to reach US$3.3 billion by 2018.

MTN released its low-cost Steppa smartphone in Nigeria in February 2014. In May 2014, Vodacom released its Smart4mini phone, which also retails at less than US$100.

Internet advertising

The Nigerian Internet advertising market is forecast to grow strongly from US$38 million in 2013 to reach US$160 million in 2018, a CAGR of 32.7%.

Spend is projected to be boosted in the near term by the 2014 FIFA World Cup, in which the Nigeria team competed, as well as campaigning for the February 2015 presidential elections.

With mobile Internet dominating the Nigerian Internet access market, mobile advertising unsurprisingly features heavily in Internet advertising. Mobile's share of Internet advertising revenues is forecast to increase markedly from 50% in 2013 to 63% in 2018.

Internet advertising revenues will pass US$160 million by 2018

Internet advertising revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Search	3	5	7	9	12	16	20	24	30	36	24.6%
YOY growth (%)		*77.8%*	*44.5%*	*33.4%*	*31.5%*	*28.6%*	*26.5%*	*23.4%*	*22.4%*	*22.4%*	
Display	2	3	3	4	5	7	9	11	13	17	24.7%
YOY growth (%)		*65.1%*	*22.6%*	*30.0%*	*31.4%*	*28.5%*	*26.5%*	*23.5%*	*22.5%*	*22.5%*	
Classified	1	1	1	2	2	3	4	4	5	6	21.4%
YOY growth (%)		*56.3%*	*13.9%*	*19.0%*	*33.6%*	*29.0%*	*25.0%*	*20.0%*	*16.7%*	*16.7%*	
Total wired Internet advertising	**6**	**9**	**11**	**15**	**19**	**26**	**33**	**39**	**48**	**59**	**24.3%**
YOY growth (%)		***70.4%***	***33.4%***	***30.7%***	***31.7%***	***28.6%***	***26.3%***	***23.0%***	***21.8%***	***21.9%***	
Mobile Internet advertising	0	4	8	13	19	27	39	54	73	101	39.6%
YOY growth (%)		*1018.3%*	*79.6%*	*69.2%*	*47.9%*	*44.5%*	*41.9%*	*38.2%*	*36.9%*	*36.9%*	
Total Internet advertising	**6**	**13**	**19**	**28**	**38**	**53**	**72**	**93**	**121**	**160**	**32.7%**
YOY growth (%)		***136.1%***	***48.6%***	***46.0%***	***39.2%***	***36.4%***	***34.4%***	***31.3%***	***30.5%***	***30.9%***	

Sources: PwC, Ovum

Mobile advertising is boosted by the ubiquity of mobile phones that can access the Internet, with mobile services accounting for 66% of total Internet access revenue in 2013.

Except for mobile advertising, however, the Internet advertising market is still relatively nascent. Search, the largest wired segment, will still only grow from US$12 million to US$36 million over the forecast period, as opposed to mobile, which will soar from US$19 million to US$101 million.

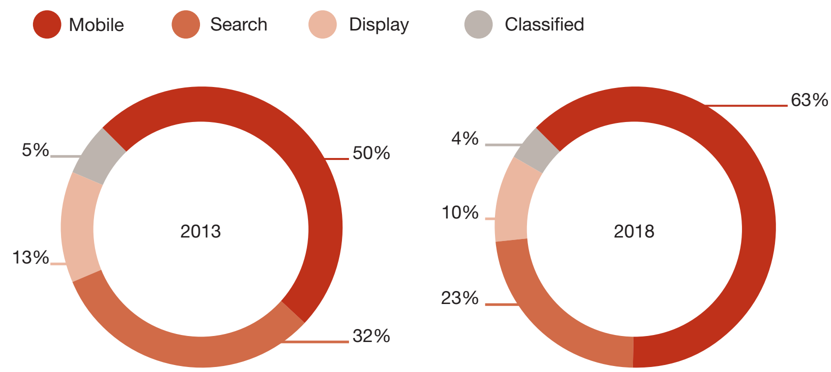
Like most countries throughout the world, the search engine market in Nigeria is led by Google, which has an 88.5% share of the market. Google has publically encouraged Nigerian SMEs to invest more heavily in making their content available on Google Nigeria, noting that businesses will benefit from being able to market their content to those who are seeking local services online.

Online display is also projected to grow at a rapid rate in Nigeria over the forecast period, but from a low base of only US$5 million in 2013. Display will rise at a CAGR of 24.7% to 2018, benefitting from gradual growth in fixed broadband penetration and the popularity of social networking sites such as Facebook and Twitter.

Facebook was reported to have over seven million Nigerian users in January 2014, with Twitter also ranked as one of the country's most frequently visited websites.

Mobile advertising will constitute 63% of Nigeria's Internet advertising in 2018

Fig. 12: Internet advertising market share by segment, 2013 and 2018 (%)



Sources: PwC, Ovum

Kenya

In brief

Internet access revenues will continue to show strong growth. *Internet access revenues will rise from US$429 million in 2013 to US$1.1 billion in 2018, at a CAGR of 20.5%. Mobile Internet access will account for more than 82% of Internet access revenue as most Kenyans go online via their mobile devices.*

Both the fixed and mobile segments have benefitted from a boost to international bandwidth capacity. *This has led to a reduction in broadband retail prices and the launch of new services.*

Internet advertising revenues are set to grow at a CAGR of 31.5% over the forecast period. *Internet advertising revenues will grow from US$45 million in 2013 to a projected US$126 million in 2018. Mobile Internet advertising revenues will account for the bulk of growth, followed by search.*

Internet access and revenues will together generate revenues of US$1.2 billion in 2018

Internet access and advertising revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Internet access	50	103	171	280	429	629	750	864	972	1 088	20.5%
YOY growth (%)		*106.9%*	*65.1%*	*63.6%*	*53.4%*	*46.4%*	*19.4%*	*15.1%*	*12.5%*	*12.0%*	
Internet advertising	4	10	21	31	45	59	77	92	106	126	31.5%
YOY growth (%)		*186.1%*	*88.9%*	*54.6%*	*41.8%*	*35.6%*	*27.2%*	*20.0%*	*16.7%*	*17.5%*	
Total internet market	**54**	**113**	**192**	**311**	**474**	**688**	**827**	**956**	**1 078**	**1 214**	**20.7%**
YOY growth (%)		***112.4%***	***67.3%***	***62.7%***	***52.2%***	***45.4%***	***20.1%***	***15.6%***	***12.9%***	***12.5%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

Internet access

Kenyan Internet access revenues generated revenues of US$429 million in 2013 and this is forecast to rise to US$1.1 billion by 2018, a CAGR of 20.5%.

Mobile dominated Internet access in 2013 – accounting for 82% of the revenues and 99% of subscriptions by the end of the year – and will continue to do so.

The total number of mobile Internet subscribers amounted to 1.8 million in 2013, and this is expected to rise to 14.3 million in 2018.

Mobile access revenues will dominate the Kenyan Internet market

Internet access revenues by type, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Fixed broadband access	10	17	31	54	79	116	138	159	179	200	20.3%
YOY growth (%)		*72.5%*	*78.5%*	*77.5%*	*46.5%*	*45.8%*	*19.2%*	*15.0%*	*12.5%*	*11.9%*	
Mobile Internet access	40	86	140	226	350	513	612	705	793	888	20.5%
YOY growth (%)		*115.3%*	*62.4%*	*60.6%*	*55.1%*	*46.5%*	*19.4%*	*15.2%*	*12.6%*	*12.0%*	
Total Internet access	**50**	**103**	**171**	**280**	**429**	**629**	**750**	**864**	**972**	**1 088**	**20.5%**
YOY growth (%)		***131.5%***	***52.8%***	***62.8%***	***52.1%***	***45.5%***	***20.0%***	***15.7%***	***12.9%***	***12.5%***	

Sources: PwC, Ovum

According to the Communications Commission of Kenya, of the 862 474MBps of international bandwidth available in Kenya through the submarine cables and VSAT satellite, an average of 365 413Mbps was used over the fourth quarter of 2013, representing 42.4% of the total. This is 1.3% more than the 360 900MBps used in the third quarter. The figure is expected to continue to grow as demand for data services increases.

Fixed broadband subscriptions in Kenya totalled 197 450 in the fourth quarter of 2013 and grew by 30% year-on-year on the back of fibre and WiMAX network rollout. The landing of new international submarine cables on the East African coast has improved the quality of service and enabled fixed access operators to increasingly focus on FTTx. Kenya is served by four submarine cables – SEACOM, TEAMS, EASSY and Lion 2.

Cable modem is the dominant technology for fixed broadband services in the country. At the end of the fourth quarter of 2013, there were 66 000 cable modem subscriptions, compared with 44 800 in the fourth quarter of 2012.

The service is provided mainly by the Wananchi Group as part of a triple play. Jamii Telecom launched FTTH in the high-end suburbs of capital city, Nairobi, in 2011 with the aim of connecting 100 000 households and, in the first quarter of 2013, it expanded FTTH to Mombasa with plans to connect about 5 000 homes there. The operator has been aggressive in its marketing in a bid to drive uptake of its services, which tend to target high-end customers.

Wananchi Group remained the leader in the fixed broadband market at end 2013, with 70 500 subscriptions. The operator is, however, facing competition from Jamii Telecom, which is targeting households with fixed broadband connection via optical fibre network.

Telkom Kenya is the country's fixed-line incumbent and is undertaking a massive network transformation project aimed at replacing its copper cable network with a fibre-optic one across the country.

LTE service launch delayed

Mobile Internet is dominant due to its greater affordability and the larger number of offerings from operators. Kenya's mobile Internet subscriber base is expected to increase to 14.3 million by 2018, driven by WCDMA-based 3G services.

Increased investment in data networks by operators and the availability of low-cost smartphones are key strategies that are expected to increase mobile broadband penetration.

The Kenyan Government has reiterated that plans to launch an LTE network are on course despite it facing delays. The network, which was expected in early 2014, is to be launched under a private/public partnership framework consisting of the Government, operators, ISPs and equipment vendors.

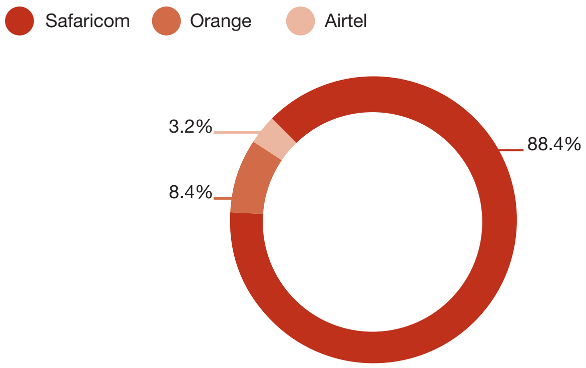
The network will operate in spectrum in the 800MHz band, which is currently held by Orange Kenya. Orange is expected to free-up up to 25MHz of spectrum in this band to accommodate the new technology. The cost of a nationwide deployment of the LTE network is estimated at US$500 million.

As at the end of 2013, Essar Telecom (YuMobile) was the only GSM operator without a 3G network. The company has been granted a trial licence for a network, but is looking to exit the market and seeking a strategic buyer for its operations.

Safaricom continues to have the greatest share of mobile Internet

The availability of low-cost, entry-level smartphones has led to a rise in penetration of the devices in Kenya. But penetration is still low compared with total mobile penetration. The number of smartphone connections in Kenya is forecast to reach 23 million at end 2018.

Fig. 13: Mobile broadband market share by operator (%), 2013



Sources: PwC, Ovum

Internet advertising

Total Internet advertising revenue in Kenya will rise from US$45 million in 2013 to US$126 million in 2018, at a CAGR of 31.5%. Revenue was just US$4 million in 2009, but has enjoyed exponential growth.

Mobile advertising is the largest and fastest-growing strand of Internet advertising in Kenya, growing at a CAGR of 31.5%. Its share will increase from 47% to 66% of the internet advertising format over the forecast period, driven by the increased affordability and ownership of smartphones. There are forecast to be 14.3 million mobile Internet subscribers in Kenya by 2018.

The search segment is anticipated to grow at a 14.6% CAGR over the forecast period, from US$13 million in 2013 to US$25 million in 2018. It is the second-largest Internet advertising segment in Kenya, and will remain so throughout the forecast period, although its share will fall from 29% of the market in 2013 to 20% in 2018.

Search will benefit from more people acquiring fixed broadband connections during the forecast period, which will increase as a result of the improving state of the wider Kenyan economy.

Internet advertising revenues will surpass US$125 million by 2018

Internet advertising revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Search	2	4	6	9	13	16	20	22	23	25	14.6%
YOY growth (%)		*119.7%*	*52.8%*	*54.9%*	*37.9%*	*29.6%*	*18.7%*	*11.5%*	*7.2%*	*7.2%*	
Display	1	2	4	5	7	9	11	12	12	13	13.6%
YOY growth (%)		*120.2%*	*60.8%*	*40.2%*	*34.2%*	*28.5%*	*17.7%*	*10.6%*	*6.3%*	*6.3%*	
Classified	1	1	2	3	4	4	5	5	5	5	6.3%
YOY growth (%)		*108.4%*	*49.5%*	*56.0%*	*41.2%*	*24.1%*	*12.0%*	*3.4%*	*-2.7%*	*-2.7%*	
Total wired Internet advertising	**4**	**7**	**12**	**17**	**24**	**29**	**36**	**39**	**40**	**43**	**13.1%**
YOY growth (%)		***118.1%***	***54.8%***	***50.2%***	***37.3%***	***28.4%***	***17.4%***	***10.1%***	***5.6%***	***5.7%***	
Mobile Internet advertising	0	3	9	14	21	30	41	53	66	83	31.5%
YOY growth (%)		*764.0%*	*161.9%*	*60.2%*	*47.2%*	*43.5%*	*36.9%*	*28.4%*	*24.8%*	*24.8%*	
Total Internet advertising	**4**	**10**	**21**	**31**	**45**	**59**	**77**	**92**	**106**	**126**	**31.5%**
YOY growth (%)		***186.1%***	***88.9%***	***54.6%***	***41.8%***	***35.6%***	***27.2%***	***20.0%***	***16.7%***	***17.5%***	

Sources: PwC, Ovum

Kenyan display advertising is set to grow at a CAGR of 13.6% over the forecast period, although from a low base of just US$7 million in 2013. Classified advertising will tick upwards from a low base, while video advertising will remain negligible throughout the forecast period.

The popularity of mobile Internet in Kenya is reinforced by the relatively high cost of laptops and computers, even though Kenyan GDP per capita is set to increase over the forecast period.

Global trends in Internet

The following is extracted from PwC Global Entertainment & Media Outlook 2014-2018

Combined global Internet access and Internet advertising revenues will reach US$830 billion by 2018

Global Internet access and advertising revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Fixed broadband access	156 266	172 190	184 284	195 010	205 524	216 315	226 430	235 511	243 906	251 832	4.1%
YOY growth (%)		*10.2%*	*7.0%*	*5.8%*	*5.4%*	*5.3%*	*4.7%*	*4.0%*	*3.6%*	*3.2%*	
Mobile Internet access	91 191	115 327	144 902	177 012	208 257	238 825	271 751	306 929	344 115	383 713	13.0%
YOY growth (%)		*26.5%*	*25.6%*	*22.2%*	*17.7%*	*14.7%*	*13.8%*	*12.9%*	*12.1%*	*11.5%*	
Total Internet access	**247 457**	**287 517**	**329 186**	**372 022**	**413 781**	**455 140**	**498 181**	**542 440**	**588 021**	**635 545**	**9.0%**
YOY growth (%)		***16.2%***	***14.5%***	***13.0%***	***11.2%***	***10.0%***	***9.5%***	***8.9%***	***8.4%***	***8.1%***	
Wired Internet advertising	56 532	66 799	80 387	91 502	103 043	114 069	125 338	135 855	146 112	157 053	8.8%
YOY growth (%)		*18.2%*	*20.3%*	*13.8%*	*12.6%*	*10.7%*	*9.9%*	*8.4%*	*7.5%*	*7.5%*	
Mobile Internet advertising	2 135	3 056	4 936	8 169	14 142	18 915	23 826	28 371	32 833	37 458	21.5%
YOY growth (%)		*43.2%*	*61.5%*	*65.5%*	*73.1%*	*33.7%*	*26.0%*	*19.1%*	*15.7%*	*14.1%*	
Total Internet advertising	**58 667**	**69 855**	**85 323**	**99 671**	**117 185**	**132 984**	**149 164**	**164 226**	**178 945**	**194 511**	**10.7%**
YOY growth (%)		***19.1%***	***22.1%***	***16.8%***	***17.6%***	***13.5%***	***12.2%***	***10.1%***	***9.0%***	***8.7%***	
Total Internet market	**306 124**	**357 372**	**414 509**	**471 693**	**530 966**	**588 124**	**647 345**	**706 666**	**766 966**	**830 056**	**9.3%**
YOY growth (%)		***16.7%***	***16.0%***	***13.8%***	***12.6%***	***10.8%***	***10.1%***	***9.2%***	***8.5%***	***8.2%***	

Sources: PwC, Ovum

Global Internet access trends

- Internet access will generate more consumer spend than any other media product or service in the next five years. Total Internet access revenue will grow at an impressive 9% CAGR from US$413.8 billion in 2013 to US$635.5 billion in 2018. Growth will be driven by both developed and developing markets, with only Japan seeing a decline in consumer spend.
- More than 300 billion app downloads will be made in 2018. The number of downloads globally every year will increase at a CAGR of 29.8%, from 82 billion in 2013 to 303 billion in 2018, with the increasing availability of affordable smartphones and tablets driving adoption in both emerging and mature markets.
- Mobile will generate six out of every ten dollars spent on Internet access in 2018. Mobile Internet access revenue will soar at a CAGR of 13.0% from US$208 billion in 2013 to US$384 billion in 2018, as the number of subscribers passes two billion in 2014. Fixed broadband revenue will rise at a CAGR of 4.1% from US$205 billion to US$252 billion.
- 3G will drive global mobile Internet growth, despite 4G grabbing the headlines. The availability of 4G mobile Internet will boost ARPU in developed markets, but 3G services will drive the majority of growth as operators in emerging markets migrate subscribers from 2G services.
- China and India will account for nearly half of new mobile Internet users in the next five years. These two countries alone will account for 47% of net new mobile Internet access subscribers between 2013 and 2018, but will come with significant cultural, commercial and political challenges.

Global Internet advertising trends

- Internet advertising is closing in on TV advertising to become the largest E&M advertising segment. In 2013, total Internet advertising revenue was US$117.2 billion. The figure will increase to US$194.5 billion in 2018, a 10.7% CAGR meaning that it is closing in on TV advertising revenue as the largest advertising segment. This is a significant advance from 2009, when total TV advertising revenue was US$132.0 billion and total Internet advertising revenue just US$58.7 billion.
- Mobile advertising will overtake classifieds in 2014. Global mobile Internet advertising revenue is forecast to leapfrog classified advertising to become the third-largest Internet advertising channel. But after four particularly strong years between 2010 and 2013, driven by the launch of the iPad, annual mobile revenue growth is falling back to the levels seen before the iPad's introduction and advertisers must do more than simply migrating large-screen banners to handhelds.
- Search will retain its dominant position. Global paid search Internet advertising has the largest share of total Internet advertising revenue, at US$48.4 billion in 2013. While its overall share of the market will diminish as video and mobile advertising become increasingly important, continued growth will see search pull further ahead of the other categories of Internet advertising in terms of revenue generated, hitting US$73.8 billion in 2018.
- Within Internet advertising, video will see the sharpest growth. Global video Internet advertising revenue will increase at a 23.8% CAGR to 2018, ahead of mobile's 21.5% CAGR. The largest video service, YouTube, spent years perfecting its pre-roll ad format. Now TrueView ads are deployed widely and new consumer devices are multiplying distribution.
- Advertisers are looking to programmatic and native advertising to improve display ad performance. While search offers spend and targeting efficiencies, advertisers have grown frustrated with the worsening performance of online display ads. In response, many are moving toward programmatic ad-trading platforms that offer greater planning control, while others are adopting native advertising formats, so named because they match the form and function of the user experience.
- Tracking users in a multi-device world presents new challenges. Targeting users of the first generation of Internet devices was relatively straightforward, thanks to Web cookies. But many new mobile devices do not feature cookie tracking, while the use of multiple devices by individual consumers further complicates targeting. In a more splintered world, efforts are under way to help advertisers improve their targeting of consumers.


CNBC
AFRICA

Television

Louis de Jager • Senior Manager

Definitions

This segment considers consumer spending on subscriptions and licence fees as well as advertising spend on broadcast and online television.

The subscription spend category considers consumer spending on basic and premium subscriptions. This includes video-on-demand (VOD) and pay-per-view (PPV) accessed from satellite providers, telephone companies and other multi-channel distributors, as well as public television licence fees.

For subscription-TV household estimates, only the primary TV subscription in each household is considered. Penetration, calculated against the total number of households, will not exceed 100%. This estimate captures all instances where a TV service can only be legitimately received by paying a subscription fee to an operator. All subscriber estimates are referred to at calendar year end.

- Internet protocol TV (IPTV) households receive TV programming primarily via a telecoms operator wholly or partly using managed Internet protocol TV technology.
- Satellite TV households receive TV programming primarily via an operator that has historically delivered services via DTHTV/SMATV satellite TV technology.
- Digital terrestrial TV (DTT) households receive TV programming primarily via an operator that has historically delivered services via DTT technology.

This segment includes revenue from both VOD and PPV services provided by a TV subscription provider as part of a TV subscription package, or as an enhancement to that core package. This is also considered within the Filmed Entertainment segment, but 100% of the total revenue is shown in the TV section, and figures for total cross-segment revenues eliminate any double counting. This revenue is considered non-digital and from consumer spending.

The 'advertising' element of this segment considers all advertising spend on broadcast TV and online TV. The 'end-user spending' element includes public licence fees and pay-TV subscription revenues.

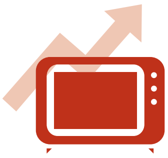
Broadcast television advertising covers all advertising revenues generated by free-to-air networks (terrestrial) and pay-TV operators (multichannel). Online TV advertising consists of in-stream adverts and reflects revenues from pre-roll, mid-roll and post-roll ads around TV content distributed by broadcaster-owned websites. This advertising element includes revenues only from TV viewed online, delivered by traditional broadcasters via their own websites, and excludes advertising around video content on Internet-based sites such as YouTube (whose revenues appear under video Internet advertising). Advertising revenues are net of agency commissions, production costs and discounts in all territories. This revenue is a combination of non-digital (TV) and digital (online).

Multichannel includes non-core network advertising revenue generated via pay-TV networks (cable, DTT, IPTV or satellite) including revenues from free-to-air spin-off digital channels launched by the core terrestrial networks. This revenue is considered non-digital.

Terrestrial covers advertising sold on traditional, core, over-the-air TV channels even if they are viewed via a subscription service or free digital TV. This revenue is considered non-digital.

Online TV advertising consists of in-stream adverts only, combining revenues from pre-roll, mid-roll and post-roll. Overlays (where advertisers use a video overlay layer to deliver an ad unit) are not included within this definition. This revenue is considered digital.

In brief



Subscription revenue will not be daunted by the rise of over-the-top (OTT), as it continues to grow at healthy rates. *The total value of the television sector reached R30.7 billion in 2013, a 7.2% rise on the prior year. Total television revenues will fall just short of the R40 billion mark in 2018, a 5.2% CAGR increase over the forecast period.*

Public licence fee revenues will grow modestly, at a CAGR of 2.7%. *Public licence fee revenues – which go towards funding the South African Broadcasting Corporation (SABC) – will experience a modest 2.7% CAGR for the forecast period, hitting R1.1 billion by 2018.*

Satellite operator MultiChoice continues to grow in South Africa and Africa, and remains the largest player in the pay-TV segment. *Despite rivalry from StarSat (previously TopTV), which is now backed by Chinese operation StarTimes, and increased activity from other potential entrants into the market, MultiChoice continues to grow its offerings in South Africa and Africa.*

The regulatory environment continues to change. *In May 2014, the restructuring of the Department of Communications under a new minister, Faith Muthambi, was announced. The new department encompasses the Independent Communications Authority of South Africa (ICASA), SABC, Government Communication and Information System (GCIS), Brand SA and the Media Development and Diversity Agency.*

Delays in the launch date of DTT continue. *The rollout of DTT will increase competition in the broadcast sector. But its launch has been delayed several times, with further setbacks in early 2014 as a tender for government-subsidised set-top boxes lapsed.*

Despite growth in digital media, TV advertising remains the place to be. *Advertising is expected to experience a 6.8% CAGR growth in South Africa between 2014 and 2018, with net television advertising revenues growing to reach R18.4 billion in 2018.*

Nigeria's television market will continue to see healthy growth. *Nigeria's total TV revenues reached US$766 million in 2013, 9.8% up on 2012, and will exceed an estimated US$1 billion in 2018, rising at a CAGR of 6.7%.*

South African-based satellite operator MultiChoice remains the main pay-TV provider in Nigeria. *Following the closure of its main competitor HiTV, MultiChoice's pay-TV penetration is forecast to rise from 20% in 2013 to 24% in 2018. However, the Nigerian pay-TV market is becoming increasingly competitive with new entrants on the DTT platform.*

The Kenyan pay-TV market remains in its infancy, with penetration at just over 10% in 2013. *In 2013, total television revenue reached US$323 million, 13.3% more than 2012, with the figure mainly made up of advertising revenues. Kenya's total TV revenues will rise at a strong CAGR of 15.4%, albeit from a low base, to a projected US$660 million in 2018. As competition increases, penetration will rise to nearly 17% by 2018 as the number of pay-TV households doubles.*

Increasing competition in the Kenyan pay-TV market is driving growth. *Kenyan subscriber growth is driven by the likes of Wananchi, Zuku and StarTimes, relatively new companies that are challenging the incumbent MultiChoice.*

South Africa

Robust television growth of 5.2% CAGR in South Africa to 2018

TV revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Pay-TV subscription	11 276	12 959	14 447	15 486	16 571	17 326	17 992	18 703	19 363	20 125	4.0%
YOY growth (%)		*14.9%*	*11.5%*	*7.2%*	*7.0%*	*4.6%*	*3.8%*	*4.0%*	*3.5%*	*3.9%*	
Public licence fees	863	887	891	912	956	1 011	1 013	1 039	1 067	1 095	2.7%
YOY growth (%)		*0.3%*	*0.5%*	*2.4%*	*4.8%*	*5.8%*	*0.1%*	*2.7%*	*2.6%*	*2.6%*	
End-user spending	**12 139**	**13 846**	**15 338**	**16 398**	**17 527**	**18 337**	**19 005**	**19 742**	**20 430**	**21 220**	**3.9%**
YOY growth (%)		***13.9%***	***10.8%***	***6.9%***	***6.9%***	***4.6%***	***3.6%***	***3.9%***	***3.5%***	***3.9%***	
% of total TV market	**60.0%**	**57.2%**	**57.9%**	**57.1%**	**57.0%**	**56.0%**	**55.6%**	**54.8%**	**54.3%**	**53.6%**	
Broadcast TV advertising	8 078	10 341	11 168	12 296	13 218	14 407	15 200	16 264	17 158	18 359	6.8%
YOY growth (%)		*28.0%*	*8.0%*	*10.1%*	*7.5%*	*9.0%*	*5.5%*	*7.0%*	*5.5%*	*7.0%*	
Online TV advertising	0	0	0	0	1	2	3	4	6	8	56.2%
YOY growth (%)		*37.5%*	*63.6%*	*100.0%*	*141.7%*	*88.5%*	*63.4%*	*57.5%*	*40.8%*	*36.2%*	
Total TV advertising	**8 078**	**10 341**	**11 168**	**12 296**	**13 219**	**14 409**	**15 203**	**16 268**	**17 164**	**18 367**	**6.8%**
YOY growth (%)		***28.0%***	***8.0%***	***10.1%***	***7.5%***	***9.0%***	***5.5%***	***7.0%***	***5.5%***	***7.0%***	
% of total TV market	**40.0%**	**42.8%**	**42.1%**	**42.9%**	**43.0%**	**44.0%**	**44.4%**	**45.2%**	**45.7%**	**46.4%**	
Total TV market	**20 217**	**24 187**	**26 506**	**28 694**	**30 746**	**32 746**	**34 208**	**36 010**	**37 594**	**39 587**	**5.2%**
YOY growth (%)		***19.5%***	***9.6%***	***8.3%***	***7.2%***	***6.5%***	***4.5%***	***5.3%***	***4.4%***	***5.3%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

Revenues pass R30 billion as the TV business continues to grow

Despite the perceived threat of OTT services delivered via the Internet and the changes in consumer behaviour that these services are promoting, the subscription TV business continues to successfully build its subscriber base and increase its revenues. As the new middle class emerges, so does the opportunity for operators to sell subscription TV services, especially those that are adapted and improved to meet changing consumer expectations.

The South African TV sector – defined here as revenues from pay-TV, public licence fees and advertising – has seen growth rates slow down since 2010, although both subscription and advertising revenues continue to rise, albeit at more modest rates. The value of the TV sector reached R30.7 billion in 2013, an increase of 7.2% from 2012. It is expected to fall just short of R40 billion in 2018, representing a CAGR of 5.2% for the forecast period.

The outlook for pay-TV remains bright, as incumbent subscription TV services have moved quickly and successfully to counter the potential impact of OTT and other disruptive influences. In particular, they have implemented attractive product and service initiatives (such as different packages at different price points) that meet changing customer demands for the integration of stand-alone services into a consolidated user experience.

Pay-TV continues to outstrip TV advertising

In any case, OTT services in South Africa remain nascent due in no small part to issues with broadband penetration – Discover Digital is one of the early movers in this market.

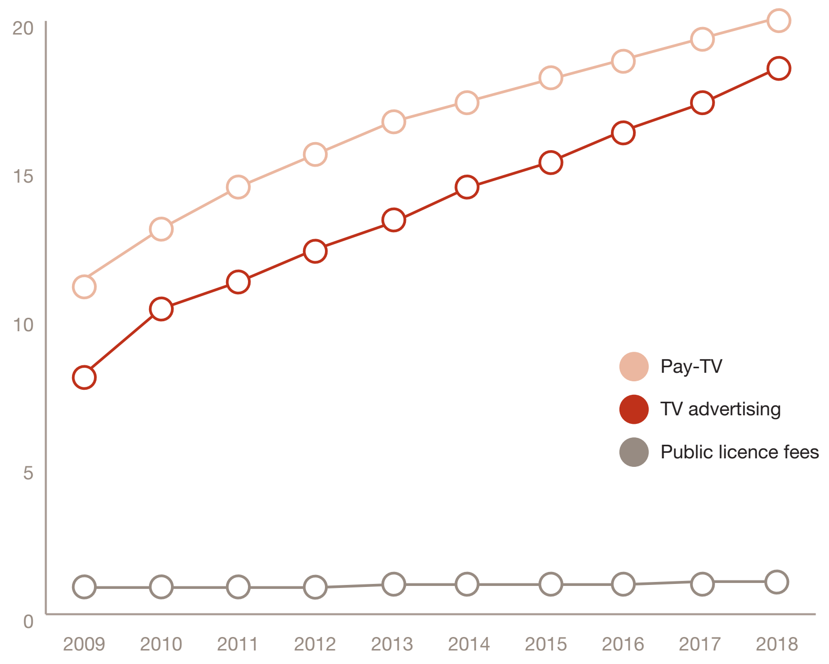
Subscription TV services' investment in innovation has focused on key areas that directly address changing consumer behaviour and expectations, such as:

- Provision of remote access to subscription services;
- The configuration of content so that it can be viewed across a range of different devices;
- Giving customers the ability to control elements of their user experience;
- The roll-out of cloud storage capabilities; and
- The ability to integrate the customer's viewing activity with other related experiences, such as social media.

When these fresh service enhancements have been added to the incumbent's historic strength in content investment and trustworthy delivery platforms, their service proposition becomes a great deal more attractive.

Pay-TV revenue growth supported by an additional two million pay-TV households

Fig. 1: TV revenue by component, 2009-2018 (R billions)



Sources: PwC, Ovum

The SABC is the country's public broadcaster, with all TV set users having to pay a public licence fee. Revenues typically grow at a steady rate each year. Licence fee revenues grew by 4.8% to reach R956 million in 2013.

In September 2013, licence fees were increased from R250 to R265 per television set, although concessionary licences for the over 70s and receivers of social grants increased just R4 to R74 per television set per year.

The public broadcaster requires additional funding, as it plans to extend its current channel offering from three to about 18 as part of the digital switchover, and to help achieve this, has requested annual tariff increases in the licence fee.

The rate of growth in licence fee revenues will slow to CAGR of 2.7% over the forecast period. Licence fee revenues will pass R1 billion in 2014, reaching R1.1 billion by 2018.

The SABC remains the country's most popular broadcaster, with its SABC 1 channel averaging 29.5 million viewers per week in the year to June 2013.

Growth in pay-TV households has slowed after heightened demand during the 2010 FIFA World Cup in South Africa. However, expansion at a CAGR of 7.3% over the forecast period is more than double the EMEA average of 3.2%. This will lead to an additional two million pay-TV households by the end of 2018, when 6.8 million households will produce projected revenues of R20.1 billion.

About two million pay-TV households will be added over the forecast period

Pay-TV households (millions), ARPU (R) and revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Pay-TV households (millions)	2.7	3.5	4.0	4.5	4.8	5.1	5.5	5.9	6.3	6.8	7.3%
YOY growth (%)		*26.4%*	*16.1%*	*11.3%*	*7.0%*	*5.3%*	*8.2%*	*7.7%*	*6.9%*	*8.5%*	
Subscription TV ARPU	375.94	347.41	320.89	302.88	297.25	292.96	284.94	274.47	264.87	255.61	-3.0%
YOY growth (%)		*-7.6%*	*-7.6%*	*-5.6%*	*-1.9%*	*-1.4%*	*-2.7%*	*-3.7%*	*-3.5%*	*-3.5%*	
Pay-TV revenues (R millions)	11 276	12 959	14 447	15 486	16 571	17 326	17 992	18 703	19 363	20 125	4.0%
YOY growth (%)		*14.9%*	*11.5%*	*7.2%*	*7.0%*	*4.6%*	*3.8%*	*4.0%*	*3.5%*	*3.9%*	

Sources: PwC, Ovum

At a 4% CAGR, pay-TV revenues will grow at a slower rate than subscription numbers over the forecast period. This is primarily due to the increased take-up of entry-level basic packages offered to entice new households to the market as well as the impact of increase competition in this market segment. An associated decline in average ARPU will occur with a CAGR of -3%.

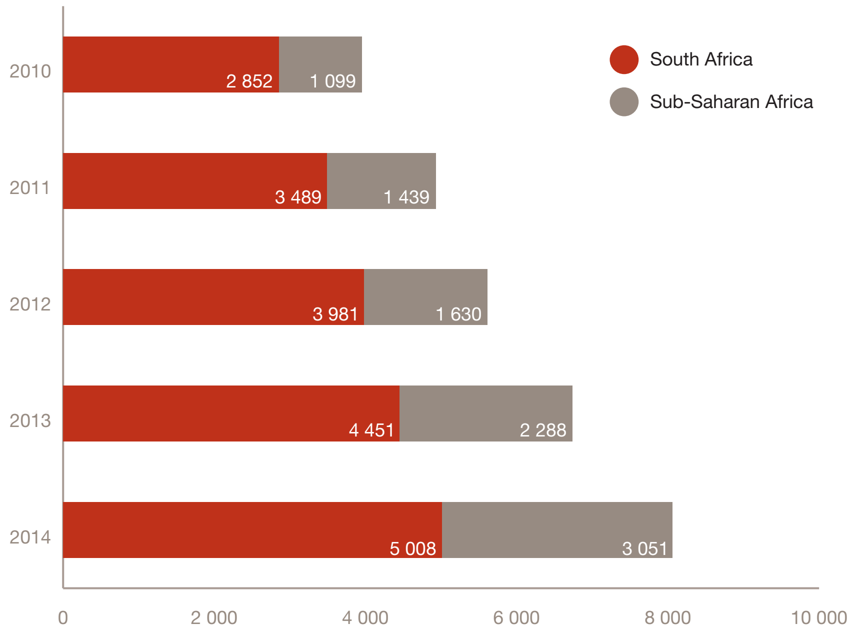
Satellite TV continues to dominate the TV market, with no cable or IPTV presence due to a lack of infrastructure and low broadband penetration. The only competition to satellite at present comes from pay-DTT services, but these remain in their infancy. There is some potential, however, and by 2018 pay-DTT is forecast to cater for 1 million households, which represents 11.7% of TV households. IPTV services will also launch, but only serve around 100 000 households by the end of the forecast period.

Domestic-based satellite operator MultiChoice leads pay-TV subscriptions across the continent with operations in 48 countries. These are mostly operated on a franchise basis, with 2.56 million subscribers outside South Africa by end-September 2013, up from 1.84 million a year earlier.

In March 2014, MultiChoice reported that the number of South African subscribers had passed five million for the first time, as it had added 556 000 subscribers over the past 12 months.

MultiChoice is the leading pay-TV operator, but StarTimes offers a potential threat

Fig. 2: MultiChoice subscriber growth by region, 2009-2014 (thousands)



Note: Figures are for years ending 31 March
Sources: PwC, Ovum, Naspers

MultiChoice continues to expand domestically and across Africa

With limited broadband infrastructure and little cable coverage, MultiChoice primarily offers satellite services, DTT and some mobile TV. Services range from premium packages featuring more than 130 channels – including 20 in HD – to the low-end EasyView packages with the subscriptions starting at R29 per month. MultiChoice announced in August 2014 that all its customers who have channels in their packages which are also available in HD, will now be able to view these channels in HD if they have the necessary HD hardware. Previously only premium subscribers had access.

TopTV was rebranded as StarSat in November 2013 after its acquisition by StarTimes in May 2013. The company's scale makes it most likely to challenge MultiChoice on the continent. StarSat has also recently started to introduce new channels to its bouquets after an extensive period of losing channels as a result of dwindling subscriber numbers. StarSat recently opened a customer experience centre in Pretoria with the aim of opening more in other cities.

Several other companies have been awarded a licence to launch new pay-TV channels. These include:

- Mindset Media Enterprises, which is looking to launch an educational/health channel;
- CloseTV, which aims to launch a channel dealing with gay, lesbian and transgender issues; and
- Kagiso Media, which plans to offer a bouquet of low-cost commercial channels.

In addition to these paid offerings, further channel choice could come from Platco Digital. Platco is a sister company of e.tv and launched a free-to-air satellite TV service, branded OpenView HD, in October 2013.

Growth in TV advertising will continue, fuelled by new competition and expanding audiences

Another new channel making an impact is Siyaya TV, a 100% black-owned media consortium. In August 2014 Siyaya won the rights to screen the South African national football team's games exclusively live from May 2015. The move would mean that SABC would no longer be able to show live games from Bafana Bafana. Siyaya TV's monthly subscription fees will start at R70, while the channel will also offer on-demand video content and expects to be profitable within four years of operation.

Average monthly spending on pay-TV has fallen over the last few years from R376 in 2009 to R297 in 2013. This is expected to continue, with MultiChoice introducing lower-cost options as well as those offered by StarSat, providing consumers with greater choice at lower prices.

Sports content remains crucial to pay-TV take-up and MultiChoice's SuperSport continues to screen the majority of sporting events. In November 2013 it extended its rights to the UEFA Champions League and Europa League to 2018.

SuperSport also holds the rights to English Premier League football, the South African Premier League, Spanish La Liga and shares World Cup and Olympic coverage with SABC.

MultiChoice has proven flexible in catering for short-term audiences, launching a 24-hour channel in 2014 exclusively to cover the murder trial of South African athlete Oscar Pistorius. The channel became the fourth most viewed pay-TV channel in the country with up to 191 000 viewers a day.

StarSat has focussed on acquiring secondary content rights and African content, taking a different approach to MultiChoice's premium offering.

In April 2013, ICASA reversed an earlier decision and granted permission for TopTV to carry adult subscription channels. Subsequent to approval being granted, a lawsuit was launched against StarSat to cease the broadcasting of the adult channels. The case is scheduled for hearing later in 2014.

The Government has instructed ICASA to investigate TopTV's complaints about the dominance of MultiChoice's programme rights ownership and recommend whether any action needs to be taken to address this and the pricing of the rights it sub-licenses to other broadcasters.

In October 2013 OpenView HD, the first free satellite television service, launched. The service is free, but requires a satellite dish and decoder, with costs ranging from R849 for a decoder to R1 599 for a full dish and decoder installation.

The service currently carries 18 channels, including four in high-definition (HD). Content includes three religious channels, SABC1, 2 and 3, as well as eMovies+ and eAfrica+. In July 2014, Openview HD was reported to have 188 000 viewers.

In March 2014, Openview HD in collaboration with the Free State Department of Education made its educational channels available to various schools in the province. The three channels consist of curriculum-aligned, classroom and revision resources content aimed at assisting teachers to teach difficult concepts. The channels also provide revision opportunities to students after school.

Despite the growing competitive threat from new forms of digital media, and with consumers spending more time on a wider range of platforms and devices, the TV advertising business is set to grow at a very healthy rate over the next five years. As demand for TV continues to grow, so does the demand from advertisers to use TV to connect with the large-scale audiences it can deliver.

TV advertising in South Africa generated net revenues of R13.2 billion in 2013 and a CAGR of 6.8% will see revenues reach an estimated R18.4 billion in 2018. Although this is slower than the growth levels seen in the build-up to the 2010 FIFA World Cup, expansion will remain above the EMEA average CAGR of 5.1%.

Online TV advertising revenues will remain in their infancy, rising from R1 million to a projected R8 million over the forecast period. Broadcast TV advertising growth will account for the vast majority of revenue gains, thanks to growing audiences for terrestrial TV and a strong rise in multichannel TV advertising revenues. Multichannel services accounted for 9.3% of TV advertising revenues in 2013 at R1.3 billion, but pay-TV growth will see this grow to an estimated R3.1 billion in 2018, some 16.6% of the total.

While the growth rate for online TV advertising will be an impressive 56.2% over the forecast period, this will be from a low base and will remain constrained due to the lack of infrastructure and the low levels of broadband penetration in the country. Traditional and 'new' advertising forms are sometimes complementary, however, even with some advertising campaigns now containing an element of digital media buying within them, TV advertising remains very much the core element.

Broadcast TV advertising revenues will grow at a CAGR of 6.8% in the next five years

Traditional broadcasters still dominate and are adapting well to online opportunities. Acknowledging that their viewers increasingly want a range of content delivery options, broadcasters are tapping into the opportunities offered by online distribution – including mobile delivery – and are creating new revenue streams for themselves.

Looking ahead, there are certainly opportunities afforded by online and mobile delivery. Shifting consumer behaviour patterns mean, for example, that more long-form TV content is now being viewed on mobile devices. This provides a significant new location for advertisers to target.

One of the reasons for limited online advertising revenues to date has been advertiser reluctance to allocate significant portions of their budgets to devices other than conventional TV, especially while broadband coverage is poor and expensive. This will improve, in part as usage patterns and audience-measurement capabilities evolve.

For example, PwC's Consumer Intelligence Series report on video content consumption, released in 2013, found that eight out of ten consumers would be willing to watch ads in lieu of paying fees, with that figure rising among the younger consumers who represent an appealing target audience for advertisers.[1]

TV advertising revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Broadcast TV advertising	8 078	10 341	11 168	12 296	13 218	14 407	15 200	16 264	17 158	18 359	6.8%
YOY growth (%)		*28.0%*	*8.0%*	*10.1%*	*7.5%*	*9.0%*	*5.5%*	*7.0%*	*5.5%*	*7.0%*	
Online TV advertising	0	0	0	0	1	2	3	4	6	8	56.2%
YOY growth (%)		*37.5%*	*63.6%*	*100.0%*	*141.7%*	*88.5%*	*63.4%*	*57.5%*	*40.8%*	*36.2%*	
Total	**8 078**	**10 341**	**11 168**	**12 296**	**13 219**	**14 409**	**15 203**	**16 268**	**17 164**	**18 367**	**6.8%**
YOY growth (%)		***28.0%***	***8.0%***	***10.1%***	***7.5%***	***9.0%***	***5.5%***	***7.0%***	***5.5%***	***7.0%***	

Sources: PwC, Ovum

In July 2013, the Association of Community Television South Africa (ACTSA) was formed to represent the interests of South Africa's community channel licensees. Such channels have an estimated collective audience of six million and wish to develop a greater presence in the market in order to maximise commercial opportunities. The group has since generated its own charter to regulate sector standards.

The South African economy returned to growth in 2010 after falls in 2009, although real GDP growth was a modest 2.5% in 2012 and fell to 2.0% in 2013. Economic growth over the forecast period will continue to boost expansion in advertising expenditure.

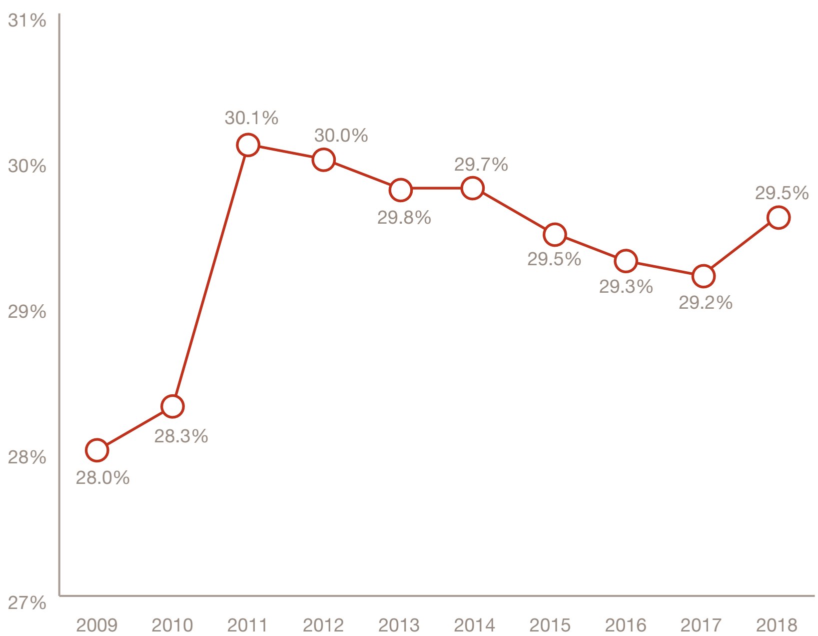
Rapid rises in Internet advertising in particular mean that television's share of total advertising spend will tick down a little over the forecast period.

In 2013, TV accounted for 29.8% of all ad spend in South Africa, down from a high of 30.1% in 2011. By 2018, TV advertising will account for 29.5% of South Africa's overall advertising market.

TV's share of total advertising revenues will continue to be close to 30%

1 "Consumer Intelligence Series: Video content consumption," PwC, http://www.pwc.com/en_US/us/industry/entertainment-media/consumer-intelligence-series-video-content-consumption-form.jhtml (accessed in August 2014)

Fig. 3: TV advertising's share of total advertising spend, 2009-2018 (%)

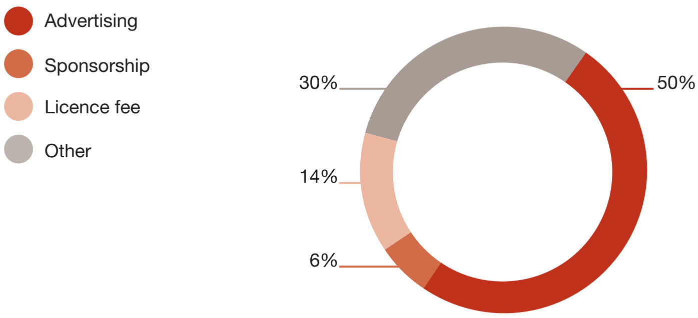


Sources: PwC, Ovum

The SABC is South Africa's most popular broadcaster, with SABC1 reaching 91.2% of the population. More than half of the SABC's income comes from advertising revenues.

Advertising still accounts for most of SABC's revenues

Fig. 4: SABC, revenues by source, 2013 (%)



Source: SABC

The SABC's TV advertising revenues of R3.4 billion in 2013 were down from R3.5 billion in 2012. Total income, however, grew from R6.5 billion to R6.8 billion, with R1.5 billion attributable to radio advertising.

The SABC faces increased competition from free-to-air rivals such as privately-owned e.tv and its related Openview HD platform, launched at the end of 2013, which in 2012 acquired some key SABC content brands, including SA's Got Talent and the rights to certain South African rugby matches.

The SABC made a loss during the 2012/13 fiscal year amid a climate of political and financial turmoil. Although radio advertising revenues rose in 2013, the decline in TV advertising led to a reduction in organisation's overall advertising revenues.

DTT delays continue

The launch of DTT has been delayed several times after its initial soft launch in October 2012.

The most recent setback occurred in early 2014 when a tender for government-subsidised set-top boxes lapsed. Set-top boxes are an integral part of the transition plan as the analogue tuners built into most TVs in South Africa will not be able to process digital TV signals.

In July 2014, the new Minister of Telecommunications & Postal Services announced that the date of the digital switch-on would be made public within three months and reiterated the ministry's commitment to meeting the International Telecommunications Union's analogue switch-off deadline of June 2015.

As the penetration of multichannel TV rises, digital multichannel advertising is growing faster than terrestrial advertising, albeit from a far lower base. What's more, when analogue terrestrial signals are switched off, there will be many more free-to-air channels available to the public, and pay-TV broadcasters will need to ensure that they continue to have an enticing offering so that consumers don't decide to do without a pay-TV subscription.

Audience fragmentation will have implications for advertisers

The move to DTT will open up more possibilities for targeted advertising. As audiences continue to fragment in the longer term, the notion of the mass audience will dissipate, save for times such as major sporting events. Hence advertisers will adjust their campaigns to target individual groups rather than the populace as a whole.

Digital providers, though able to offer a wider portfolio of stations for targeting, may well face advertisers demanding lower rates for reduced audiences.

As the pay-TV sector grows, and with nearly a third of MultiChoice customers taking premium services, expectations of multi-device on-demand content will rise. To offer content across multiple screens and in real time across international markets, content providers must acquire multi-device premium rights, which are not easy to value, because historically they have been dealt with separately.

Persuading content owners to offer simple and affordable multi-device rights will remain a significant challenge in the short term. Also important is the issue of rights to distribute content globally and/or in different markets, because it affects the ability to access and discover TV content.

As with markets across the world, South Africa needs to adapt to the new reality of TV as one of many screens that command attention in the modern home by producing more of the on-demand content and user-led experiences that interactive TV can offer. New measurement metrics are also essential to ensure that revenue levels remain robust.

The challenge of OTT services should not be underestimated

OTT video (that is, video content delivered via the Internet) has been gaining ground across the developed world and although South Africa has as yet not been shaken up by the service, companies should be, and indeed have been, adapting to the world of on-demand content.

In March 2013, MultiChoice made BoxOffice, its movie-renting service, available to any household in South Africa with a broadband connection. In April 2014, MultiChoice partnered with US multiscreen platform Clearleap to boost its VOD content and help MultiChoice deliver services across a range of devices to DStv and GOtv subscribers across the region.

MultiChoice is also working on a new digital video recorder (DVR) to increase flexibility for viewers. The price of company's top-of-the-line Explora decoder was cut from R2 499 to R1 999 in May 2014, and further reduced to R1 699 at certain outlets in August 2014, although this may be for a promotional period only.

It is important that pay-TV operators provide such flexible multiscreen initiatives of their own in order to retain existing customers and see off the challenge from OTT services.

For now, the impact of OTT services will be limited. Even by 2018, only 18.5% of households will have fixed broadband access, and they will be focussed on the largest cities. This leaves the incumbent TV providers well set for the years to come as generators of consumer, and advertising, revenues.

New audience measurement metrics needed to ward off digital media players

Even in the most advanced TV markets, broadcasters and advertisers are still unclear how audiences consume their content. Digital media metrics will quickly gain ground in the next five years and despite the apparent resilience of the current TV model against these newcomers, existing players need to adopt new measurement techniques if they are to compete for advertising revenue in the long term.

With audiences fragmenting, television's unique selling point is coming under pressure. Advertisers will only continue to utilise TV as their preferred medium if they can confidently measure their return on investment.

In the future, incumbent TV players will increasingly come up against competition from programmatic advertising from the likes of AOL, where targeted advertising can reach a mass audience.

As multiscreen campaigns become more important, some progress has been made in cross-platform measurement. Where maximum reach is the objective, a campaign will aim to attain 100% unduplicated reach, so instead of reaching the same person in both a TV and online context, the aim will be for online to be totally incremental to TV.

Where reinforcement is the key issue, then duplication may be actively sought. If viewing a message on one platform demonstrably improves advertising performance on another platform, then this overlap will be encouraged to improve success rates.

To reinforce this message, a survey from Nielsen and the Association of National Advertisers, published in October 2013, found that only 12% of industry respondents allocated more than 50% of spend/sales to integrated multi-screen campaigns. By 2016, 46% of respondents will be expected to do so, an increase driven by the rise of devices such as smartphones and tablets.

Nigeria

Nigeria's TV market will see a 6.7% CAGR in the next five years

TV revenues (US$ millions) and pay-TV households (millions), 2009-2018

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Pay-TV subscriptions	349	402	384	405	456	500	539	569	596	622	6.4%
YOY growth (%)		*15.1%*	*-4.5%*	*5.7%*	*12.4%*	*9.8%*	*7.8%*	*5.6%*	*4.6%*	*4.4%*	
% of total TV market	59.9%	62.4%	57.7%	58.1%	59.5%	59.8%	60.2%	60.2%	59.8%	58.7%	
TV advertising	234	242	281	292	310	336	356	376	401	437	7.1%
YOY growth (%)		*3.4%*	*16.2%*	*3.8%*	*6.2%*	*8.7%*	*5.7%*	*5.7%*	*6.6%*	*9.1%*	
% of total TV market	40.1%	37.6%	42.3%	41.9%	40.5%	40.2%	39.8%	39.8%	40.2%	41.3%	
Total TV market	**583**	**644**	**665**	**697**	**766**	**836**	**895**	**945**	**997**	**1 059**	**6.7%**
YOY growth (%)		***10.4%***	***3.3%***	***4.9%***	***9.8%***	***9.3%***	***7.0%***	***5.6%***	***5.4%***	***6.3%***	
Pay-TV households (millions)	0.9	1.0	1.3	1.8	2.2	2.4	2.5	2.7	2.9	3.0	6.9%
YOY growth (%)		*21.3%*	*25.2%*	*40.9%*	*17.4%*	*9.7%*	*6.8%*	*6.3%*	*5.9%*	*6.0%*	
Average monthly spending (US$)	40.07	35.10	27.15	21.43	18.95	18.37	18.31	18.14	17.88	17.63	-1.4%
YOY growth (%)		*-12.4%*	*-22.6%*	*-21.1%*	*-11.6%*	*-3.1%*	*-0.3%*	*-0.9%*	*-1.4%*	*-1.4%*	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Source: PwC, Ovum

The number of pay-TV households in Nigeria more than doubled since 2010 to reach 2.2 million in 2013. This equates to a pay-TV penetration of just under 20%, with the vast majority of households still relying on analogue terrestrial signals, despite DTT having launched in 2007. Pay-TV penetration is forecast to reach 24.4% by 2018, with pay-TV households expanding at a 6.9% CAGR to pass the 3.0 million mark for the first time.

This increased penetration will translate into a CAGR for subscription revenue of 6.4%, with revenues of an estimated US$622 million in 2018 representing nearly 59% of total TV market revenues. This proportion will be only slightly down on 2013 as advertising revenues remain vital. Subscription revenues reached US$456 million in 2013 and are expected to pass US$500 million in 2014.

A noticeable trend has been the consistent decline of average monthly spending, from US$40.07 in 2009 to less than half at US$18.95 in 2013. This contraction will abate to an average annual decrease of 1.4% over the forecast period, with monthly spend of US$17.63 in 2018.

This decline can be explained by the number of new entrants to the pay-TV market subscribing to entry-level basic packages, while increasing competition in the market will also drive down prices and squeeze margins.

Nigeria had just under 12 million TV households in 2013, of which 2.2 million paid for TV services. Leading operator MultiChoice was estimated to have 900 000 subscribers to its satellite service in Nigeria by end-2013, and more than 350 000 subscribing to its GOtv pay-DTT platform, which launched in 2011.

MultiChoice continues to face pay-DTT competition from StarTimes, a Chinese venture backed by the Nigerian Government. MultiChoice does, however, have key rights for football and channels from the likes of the BBC and Sony Pictures Television.

The Government has set 1 January 2015 as the deadline for migration to digital. With the scheduled analogue switch-off approaching, competition within the market is set to escalate as DTT operators seek to capture their share of the DTT market and capitalise on this significant revenue opportunity.

The level of subscriber growth for relative newcomer StarTimes has been increasing steadily. By the end of 2013 it reported 1.6 million subscriptions, although it did not specify how many of these were signed up to its pay-TV service.

The National Broadcasting Commission (NBC), the Nigerian regulator, mandates a 40% local programming requirement, which is reduced to 20% for pay-TV. MultiChoice's total investment in the

TV's share of total advertising revenues to diminish slightly

country is the equivalent of US$200 million, with football and basketball particular target areas.

The NBC announced plans to split the state-owned Nigerian Television Authority (NTA) into two independent entities in May 2014. This was in line with the ITU's guidelines on achieving digital migration. The NTA is expected to launch a new transmission company in a public-private partnership to be licensed by the NBC.

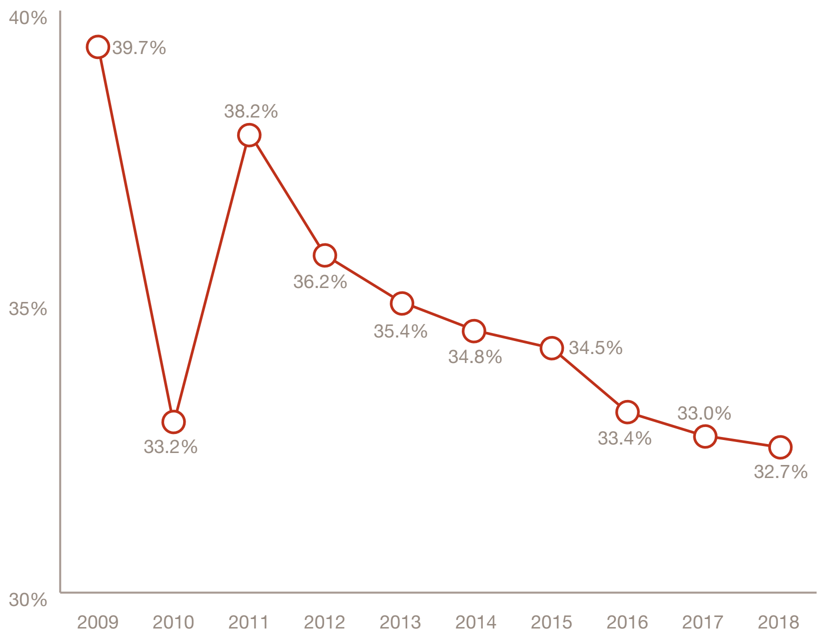
Lagos-based Internet company, iROKOtv, claimed 500 000 online subscribers for its 'Nollywood' movies in 2012. In April 2014, iROKOtv announced it was to stop the free advertising-driven component of its VOD service and focus solely on subscriptions.

MultiChoice continues to upgrade its offering in Nigeria and in April 2014 launched its BoxOffice service, which has proven popular in South Africa. BoxOffice gives DStv Premium subscribers the ability to rent the latest domestic and Hollywood movies via their decoders. Subscribers have access to up to 20 movies at a time, with five of them being Nigerian films.

In April 2014, MultiChoice cut the price of its DStv decoders in Nigeria by 43%. The move was timed to boost demand before the 2014 FIFA World Cup, with MultiChoice's SuperSport channels having broadcast rights to all the tournament's matches and highlights in HD.

There has long been disagreement between the broadcasting and music industries in Nigeria, with singers insisting they are paid royalties for music aired. The Copyright Society of Nigeria filed infringement lawsuits against some of the leading broadcasters in 2013 and the Broadcasting Organizations of Nigeria announced the suspension of music broadcasts on TV and radio stations across the country. The NBC intervened to resolve the situation in May 2014, with COSON signing a royalty agreement with the broadcasters.

Fig. 5: TV advertising share of total advertising spend, 2009-2018 (%)



Sources: PwC, Ovum

In 2013, TV accounted for 35% of all ad spend in Nigeria. This share will diminish slightly thanks primarily to strong growth in other advertising revenue streams, meaning TV advertising will have an estimated 32.7% share of total advertising revenue in 2018.

Nigeria saw TV advertising revenues of US$310 million in 2013 and a CAGR of 7.1% will see TV advertising revenues reaching a forecast US$437 million in 2018.

Despite the influence of MultiChoice and growth of the pay-TV market, advertising revenues will remain primarily focussed on the terrestrial market. Some 95% of advertising revenues were attributable to terrestrial channels in 2013 and this will only fall to an estimated 92% in 2018.

As DTT expands as a primary service for many households, the increased number of channels available will provide additional segmentation opportunities for advertisers and aid a more targeted approach.

The proliferation of more advanced TV services, such as multiscreen and VOD, will continue to be limited by low broadband penetration. Although significant progress will be made, by 2018 fixed broadband penetration is projected to be just 13.2%. Mobile Internet adoption will continue to grow more rapidly, and the likes of StarTimes have responded by making some of its content available via mobile phones.

Kenya

Total Kenyan TV market to rise at a 15.4% CAGR

TV revenues (US$ millions) and pay-TV households (millions), 2009-2018

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Pay-TV subscriptions	26	35	44	52	63	76	93	108	121	132	15.9%
YOY growth (%)		33.6%	25.7%	19.3%	20.3%	21.1%	21.6%	16.6%	11.4%	9.5%	
% of total TV market	19.8%	18.9%	20.5%	18.2%	19.5%	19.8%	20.8%	20.9%	20.7%	20.0%	
TV advertising	105	150	171	233	260	307	354	408	464	528	15.2%
YOY growth (%)		*42.5%*	*13.7%*	*36.3%*	*11.9%*	*18.0%*	*15.4%*	*15.0%*	*13.7%*	*13.9%*	
% of total TV market	80.2%	81.1%	79.5%	81.8%	80.5%	80.2%	79.2%	79.1%	79.3%	80.0%	
Total TV market	**131**	**185**	**215**	**285**	**323**	**383**	**447**	**516**	**585**	**660**	**15.4%**
YOY growth (%)		***41.2%***	***16.2%***	***32.6%***	***13.3%***	***18.6%***	***16.7%***	***15.4%***	***13.4%***	***12.8%***	
Pay-TV households (million)	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.5	0.6	0.6	16.3%
YOY growth (%)		*44.1%*	*42.6%*	*27.3%*	*26.3%*	*23.8%*	*20.6%*	*15.2%*	*11.0%*	*11.2%*	
Average monthly spending (US$)	30.22	26.93	23.63	21.1	20.02	19.41	19.34	19.16	18.89	18.63	-1.4%
YOY growth (%)		*-10.9%*	*-12.2%*	*-10.7%*	*-5.1%*	*-3.1%*	*-0.3%*	*-0.9%*	*-1.4%*	*-1.4%*	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

Despite growth to around 300 000 households, the Kenyan pay-TV market had a subscriber penetration of just 10.1% in 2013. However, a rise in competition should send the figure up to 16.8% by 2018, with the number of pay-TV households scheduled to roughly double to reach approximately 600 000 by the end of 2018, a CAGR of 16.3%.

As with many African markets, satellite TV remains the leading pay-TV platform, although Kenya does have a small cable market, albeit with limited coverage. The cable sector will struggle for growth though, accounting for a third of pay-TV subscriptions in 2013, but only one-sixth in 2018. The focus of growth will be satellite TV, while pay-DTT services are expected to make an impression from 2014 and offer a viable alternative to cable and satellite, serving around 200 000 households by 2018.

Subscription revenues totalled US$63 million in 2013 and will reach an estimated US$132 million in 2018, a CAGR of 15.9%. With no public licence fee, these revenues provide all the income outside of advertising.

Similarly to South Africa and Nigeria, Kenya has seen a steady decline in the average monthly pay-TV spend, falling to US$20.02 in 2013. At a CAGR of -1.4% this decline will slow to reach about US$18.63 in 2018 as a result of the take-up of basic packages, as operators aim to entice new households to the pay-TV market.

Subscriber growth will be driven by the likes of Wananchi's Zuku TV, which is also available in Tanzania, Uganda and Malawi. Zuku TV offers 105 channels, including African content.

In the satellite sector, MultiChoice's Kenyan subscriber base has seen healthy increases since seeing off competition from GTV in 2009. By end-2013, MultiChoice was reported to have more than 150 000 satellite subscribers. Its pay-DTT platform GOtv reached a similar figure at end-2013, up from just 8 000 a year earlier. Leading cable operator Wananchi had 64 000 subscribers at end-2013, up from 46 800 in 2012.

Chinese-owned pay-TV provider StarTimes has also mounted a challenge to MultiChoice's strong position in the pay-TV market. In response, MultiChoice launched its own rival pay-DTT service, GOtv, in 2011.

In April 2014, GOtv Kenya partnered with Neotion to launch an electronic card that slots into digital TV sets to enable GOtv viewing without the need for a set-top box decoder. GOcards are initially available in Nairobi, Mombasa and Kisumu for US$40, which includes a two-month of GOtv subscription.

The analogue switch-off in Kenya has been delayed via a court bid, but it is possible that the transition to digital will still occur during 2014. Similarly to Nigeria, this has resulted in increased competition in the DTT market as competitors vie for dominance.

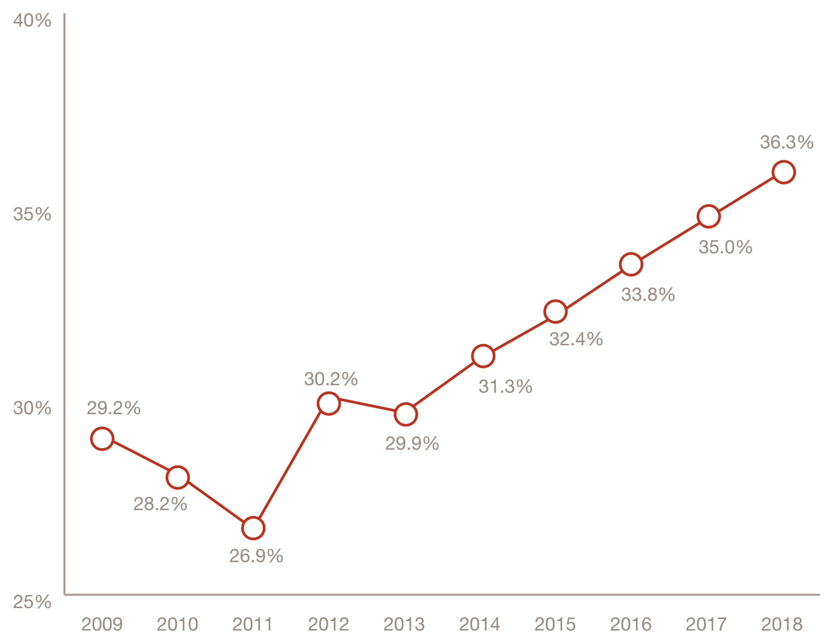
StarTimes is aiming to reach 80% population coverage by the end of 2014, targeting Machakos, Migori, Trans-Nzoia, Laikipia and Muranga to reach 20 counties across Kenya. It has estimated that a US$75 million investment is required to reach 100% network coverage. Coverage currently stands at around 70%.

StarTimes also continues to innovate and launched a new mobile video steaming service, Vooka Online, in May 2014. The platform brings StarTimes content to users via smartphones, priced at US$0.10 per day and aimed at encouraging new subscribers to the market.

In June 2014, both Wananchi and StarTimes were prevented from screening World Cup matches by the High Court. The court case was brought by the Kenya Broadcasting Corporation, which claimed that Wananchi and StarTimes were showing the matches on their digital channels without authorisation.

In 2013, TV accounted for 29.9% of all ad spend in Kenya. This share will increase to 36.3% by 2018 as the TV sector increases in scale. Having generated TV advertising revenues of US$260 million in 2013, yearly double-digit growth is expected up to 2018, with TV advertising revenues thus expected to reach US$528 million in 2018, a CAGR of 15.2%.

Fig. 6: TV advertising's share of total advertising spend, 2009-2018 (%)



Sources: PwC, Ovum

With the pay-TV market still small, 95% of advertising revenues were attributable to terrestrial channels in 2013. This will fall back slightly to just under 93% in 2018 as pay-TV penetration begins to rise. A CAGR of 14.6% in terrestrial advertising spend will see the market reach US$489 million in 2018. DTT launched in 2009 and take-up is expected to accelerate as the country moves towards analogue switch-off.

There was concern in April 2014 over how few Kenyan TV households had purchased the digital set-top boxes required to migrate from analogue signals before the initial September 2014 deadline. The cost of the boxes has been a concern, with some reports suggesting that supply has been curbed to artificially boost prices. It remains unlikely that Kenya will meet the deadline for analogue switch-off and when it does occur many households could be left without coverage.

The transition will bring with it further opportunities for advertisers, with an increasingly fragmented viewership creating more niche markets. The impact of multiscreen services and second-screen viewing will remain very low due to the high number of low-income households in Kenya and poor broadband infrastructure. Fixed broadband penetration was just 2.7% in 2013 and is expected to only increase to 3.9% by 2018, well below the regional average.

Kenya has high rates of advertising agency commission – more than twice the Nigerian price for the same airtime. Commissions should see a reduction as the market matures and competition increases, encouraging further spend. A maturing market should also lead to an expansion in the wider advertising industry, with more agencies launching.

TV to take more than 36% of total advertising revenues by 2018

Global trends in television

The following is extracted from PwC Global Entertainment & Media Outlook 2014-2018

Global TV market to approach US$500 billion by 2018

Global, total TV revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2013-18**
Pay-TV subscription	159 098	170 667	181 373	190 111	198 456	206 884	215 136	221 900	228 809	235 972	3.5%
YOY growth (%)		*7.3%*	*6.3%*	*4.8%*	*4.4%*	*4.2%*	*4.0%*	*3.1%*	*3.1%*	*3.1%*	
Public licence fees	35 821	36 336	36 888	37 372	37 963	38 487	38 918	39 456	39 967	40 482	1.3%
YOY growth (%)		*1.4%*	*1.5%*	*1.3%*	*1.6%*	*1.4%*	*1.1%*	*1.4%*	*1.3%*	*1.3%*	
End-user spending	**194 919**	**207 003**	**218 261**	**227 483**	**236 419**	**245 371**	**254 054**	**261 356**	**268 776**	**276 454**	**3.2%**
YOY growth (%)		***6.2%***	***5.4%***	***4.2%***	***3.9%***	***3.8%***	***3.5%***	***2.9%***	***2.8%***	***2.9%***	
% of total TV market	**59.6%**	**58.5%**	**58.8%**	**58.6%**	**59.0%**	**58.5%**	**58.3%**	**57.2%**	**56.9%**	**56.3%**	
Broadcast TV advertising	130 847	145 057	150 971	157 797	160 782	169 061	176 060	188 108	195 054	204 931	5.0%
YOY growth (%)		*10.9%*	*4.1%*	*4.5%*	*1.9%*	*5.1%*	*4.1%*	*6.8%*	*3.7%*	*5.1%*	
Online TV advertising	1 190	1 713	2 214	2 854	3 659	4 664	5 827	7 108	8 393	9 736	21.6%
YOY growth (%)		*44.0%*	*29.2%*	*28.9%*	*28.2%*	*27.5%*	*24.9%*	*22.0%*	*18.1%*	*16.0%*	
Total TV advertising	**132 037**	**146 770**	**153 185**	**160 651**	**164 441**	**173 725**	**181 887**	**195 216**	**203 447**	**214 667**	**5.5%**
YOY growth (%)		***11.2%***	***4.4%***	***4.9%***	***2.4%***	***5.6%***	***4.7%***	***7.3%***	***4.2%***	***5.5%***	
% of total TV market	**40.4%**	**41.5%**	**41.2%**	**41.4%**	**41.0%**	**41.5%**	**41.7%**	**42.8%**	**43.1%**	**43.7%**	
Total TV market	**326 956**	**353 773**	**371 446**	**388 134**	**400 860**	**419 096**	**435 941**	**456 572**	**472 223**	**491 121**	**4.1%**
YOY growth (%)		***8.2%***	***5.0%***	***4.5%***	***3.3%***	***4.5%***	***4.0%***	***4.7%***	***3.4%***	***4.0%***	

Sources: PwC, Ovum

- Global subscription TV revenues will grow at a CAGR of 3.5% over the next five years to over US$236 billion in 2018. This growth demonstrates that subscription TV is in a healthy position, assisted by the initiatives it has implemented to counter the impact of OTT and other disruptive influences.

- Digital cable will grow at a CAGR of 9.6% over the next five years to reach 455 million subscribers in 2018. The move towards a digital-focused industry means cable will return to growth in the longer term.

- IPTV subscriber numbers are growing quickly, but this success is limited to a few markets. China is one of the few countries making progress and its sheer scale makes it the clear market leader with 31% of all IPTV households globally in 2013.

- When including all TV revenues, China will surpass both the UK in 2014 and Germany in 2016 to reach the number two spot behind the US.

- All BRICS countries – but particularly India and China – have prioritised investment in subscription TV technology. They are reaping the benefits of this by moving up the global TV rankings.

- In the next five years, TV markets in smaller emerging territories are set to show the most impressive revenue growth levels. The top three will be Saudi Arabia (16.1% CAGR), Kenya (15.9% CAGR) and Thailand (14.8% CAGR).

- Global TV advertising revenue is successfully responding to the rise of newer forms of digital media. Global TV advertising revenue will grow at a CAGR of 5.5% over the next five years, confirming TV as the 'place to be' for advertisers looking to reach big audiences.

- Online TV advertising revenue for traditional broadcasters will increase from US$3.7 billion in 2013 to US$9.7 billion in 2018, and more than double its share of total TV advertising from 2.2% in 2013 to 4.5% in 2018. Traditional broadcasters still dominate and are adapting to online opportunities, so creating themselves a significant new revenue stream, despite competition from Internet rivals.

- Terrestrial TV is the primary contributor to advertising revenues, but its share of the TV advertising market will fall from 73% in 2013 to 68% in 2018. Multichannel's share, by contrast, will grow from 25% to 27%, while online TV advertising's share will rise from 2.2% in 2013 to 4.5% in 2018.

- Even in the most advanced TV markets, broadcasters and advertisers are still unclear about how audiences consume their content. Digital media metrics will quickly gain ground in the next five years and despite the apparent resilience of the current TV model, existing players will need to adopt new metrics if they are to compete for advertising revenue in the long term.

Filmed entertainment

Nicola Allan • Associate Director

Definitions

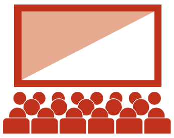
The filmed entertainment segment consists of both out-of-home and in-home components. Out-of-home includes consumer spending at the box office for theatrical motion pictures and advertising spend at the cinema, including on-screen advertisements before the movie. Concession sales of beverages and refreshments in theatres are not included.

In-home includes both physical home video and electronic home video of films, TV programming and other content. Physical home video includes spending on rentals of videos at physical outlets and the purchase of physical home video products. Electronic home video consists of spending through TV set-top boxes and access over the Internet.

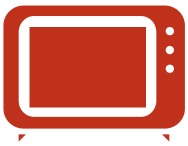
The figures do not include music videos (which are included in the music segment). They also do not include movies or other content licensed to pay-TV or other television content providers (these are included in the television segment).

In brief

Filmed entertainment revenues will continue to grow at a healthy rate. *The market for filmed entertainment in South Africa generated revenues of R2.4 billion in 2013. Fuelled by a growing economy and continued popularity of filmed content viewed either in cinemas or on consumer devices, the market is forecast to grow by a 7.1% CAGR over the next five years to reach R3.4 billion in 2018.*



Box office resilience underscores the continuing popularity of the cinematic experience. *In conjunction with the popularity of shopping malls as a destination for leisure activities, going to the cinema will continue to be popular in South Africa, with box office revenues forecast to reach R881 million in 2018 and cinema advertising closely following with estimated revenues of R851 million in 2018.*

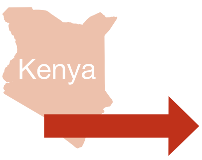


TV-based movie services will replace physical purchases and rentals. *As witnessed in other parts of the media, revenues in the home video segment will continue to transfer from physical to digital formats. In the electronic home video segment this shift will boost revenues by an estimated R585 million over the forecast period.*

Low levels of access to broadband connectivity will hamper growth in over-the-top (OTT) services. *Despite a forecasted growth rate of 87.7% (off a low base), the prospects for OTT delivery of high-quality video services remain constrained by relatively low levels of access to broadband connectivity in the country.*

South Africa continues to be an attractive film location for Hollywood producers. *With the combination of qualified staff, attractive financial incentives, a favourable exchange rate, sunny climate and a wide diversity of spectacular locations, South Africa remains an attractive location for an increasing number of international films.*

Nigeria's filmed entertainment market will surpass US$250 million by 2018. *Nigeria's filmed entertainment market generated revenues of US$178 million in 2013, and, driven by the continuing popularity of the local film industry, Nollywood, revenues will grow to reach an estimated US$258 million in 2018, a CAGR of 7.4%.*



Kenya's filmed entertainment market will stay relatively flat over the forecast period. *Kenya's filmed entertainment market generated revenues of US$37 million in 2013, but with limited access to broadband and few cinema screens available, this is forecast to rise to just US$42 million in 2018, a CAGR of 2.2%.*

South Africa

South Africa's filmed entertainment market will see a 7.1% CAGR rise

Filmed entertainment revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Electronic home video	-	-	175	245	325	403	490	595	724	910	22.9%
OTT/streaming	-	-	-	-	8	14	27	53	101	193	87.7%
Through TV subscription	-	-	175	245	317	389	463	542	623	717	17.7%
Physical home video	1 003	1 016	870	866	862	850	830	814	798	783	-1.9%
Rentals	20	23	24	24	24	24	24	25	25	25	0.8%
Sell through	983	993	846	842	838	826	806	789	773	758	-2.0%
Box office	424	439	559	589	634	684	736	793	853	881	6.8%
Cinema advertising	308	363	522	563	607	652	699	747	797	851	7.0%
Total	**1 735**	**1 818**	**2 126**	**2 263**	**2 428**	**2 588**	**2 755**	**2 949**	**3 172**	**3 425**	**7.1%**
YOY growth (%)		***4.8%***	***16.9%***	***6.5%***	***7.3%***	***6.6%***	***6.4%***	***7.0%***	***7.6%***	***7.9%***	

Note: 2009-2013 South Africa figures have been updated to reflect most recently available financial information
Sources: Aquidneck Consulting, PwC, Ovum

The filmed entertainment segment will continue to see growth over the forecast period, despite the apparent disruption caused by the growth in digital distribution of content, and indeed, the continued threat of piracy, both of which present formidable challenges.

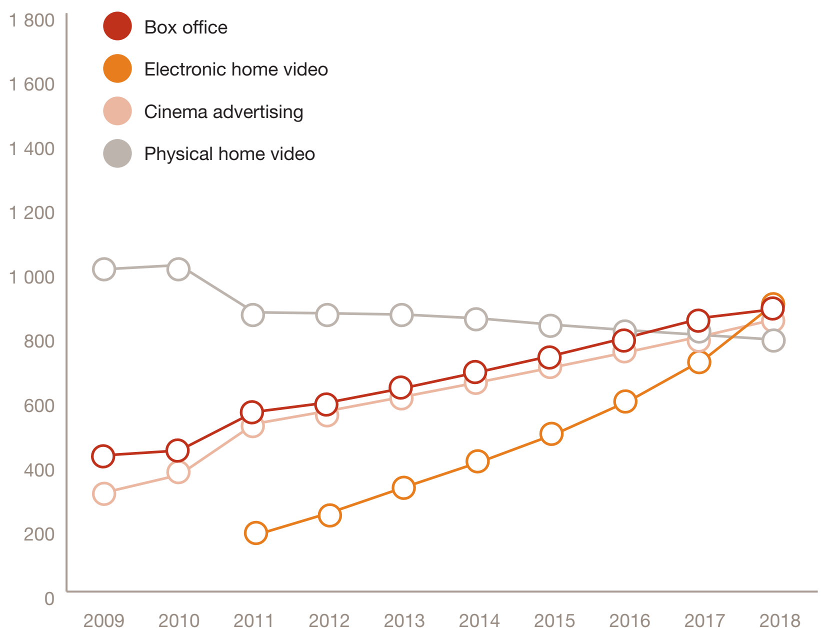
The market for filmed entertainment in South Africa generated revenues of R2.4 billion in 2013. This represented year-on-year growth of 7.3%, which was in turn preceded by 6.5% growth in 2012 and 16.9% in 2011.

Fuelled by a growing economy and a subsequent higher demand from consumers, as well as the enduring popularity of the cinema and adoption of streaming services, which deliver video content to subscribers over the Internet, the market is forecast to grow by a 7.1% CAGR over the next five years to reach R3.4 billion.

Annual growth is expected to accelerate in the latter half of the forecast period, with 7.6% growth in 2017 and 7.9% in 2018.

Filmed entertainment market boosted by continued popularity of cinema and the adoption of streaming services

Fig. 1: Filmed entertainment revenues by segment, 2009-2018 (R millions)



Sources: Aquidneck Consulting, PwC, Ovum

The next five years will see a shift from physical to electronic home video

Cinemas are often located in shopping malls, a popular location for South Africans to spend their leisure time. Box office revenues are forecast to grow at a CAGR of 6.8% over the next five years to reach R881 million in 2018.

Cinema delivers a captive audience from relatively affluent backgrounds, which will contribute towards cinema advertising growing by 7.0% CAGR over the forecast period, leading to revenues of an estimated R851 million in 2018. Cinema revenues are evenly split between box office revenues at 51% and advertising revenues at 49%.

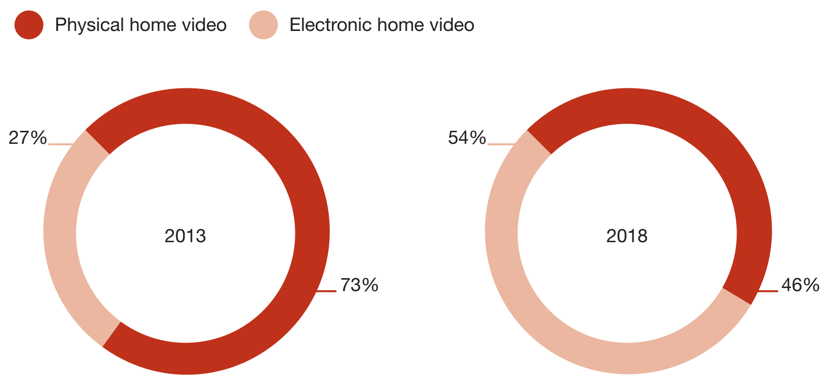
In the home, consumers are moving away from the physical video format to electronic content delivery from providers such as DStv Box Office. However, the overall market for home video will not suffer from the change, with revenues forecast to rise by over R500 million over the next five years.

The electronic home video segment is expected to double its share of the home entertainment market, accounting for approximately 27% of the market in 2013, but reaching 54% in 2018.

Despite price rises, cinema admissions will continue to flourish

Cinema admissions are forecast to grow by a 3.3% CAGR and reach 32.5 million in 2018, up from 27.5 million in 2013. Average ticket prices will also rise, from just over R23 in 2013 to R27 in 2018.

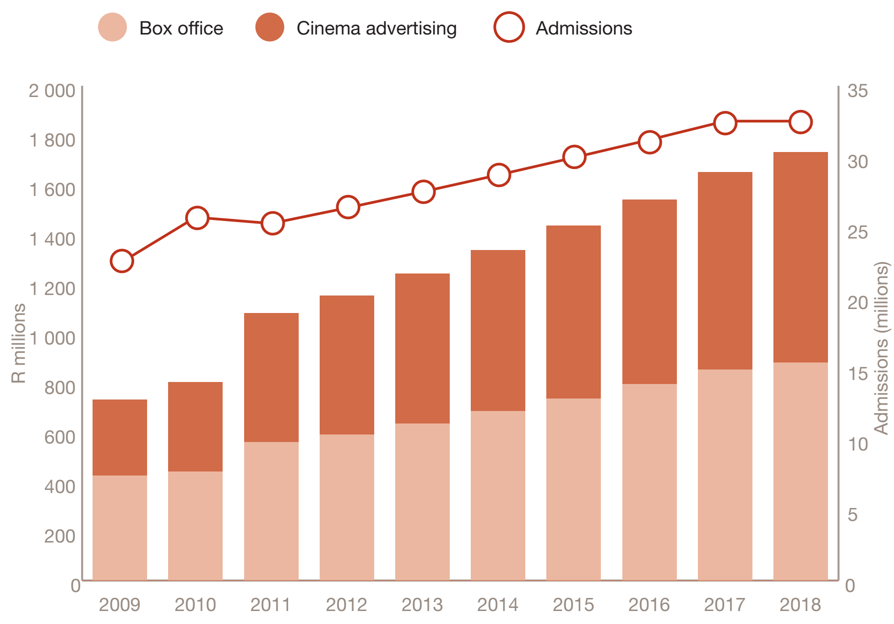
Fig. 2: Filmed entertainment revenue share by category, 2009-2018 (%)



Sources: Aquidneck Consulting, PwC, Ovum

Cinema's popularity will continue throughout the forecast period

Fig. 3: Cinema revenues (R millions) and admissions (millions), 2009-2018



Sources: PwC, Ovum

In a digital age, when films can be easily be viewed on TVs, mobile devices and tablets, as well as on the big screen, it may seem counterintuitive that box office remains so crucial to revenues. As well as demographic reasons, such as growth in the middle class, there are also strategic business reasons why the cinema experience is still crucial.

For all the change caused by the conversion to digital, and the disruption caused by window compressions, new revenue streams, reduced film slates and competition from global producers, the core economic model of the American film industry remains – to date – largely unchanged. The six Hollywood majors and the mini-majors continue to produce big-budget movies, which dominate box office charts around the world.

The studios make strenuous attempts to protect their investments. Traditional release patterns therefore persist. The average theatrical release window for US studio films is still around four months. Films will be seen exclusively in cinemas during this period. Only after this period will they make their way on to other viewing platforms.

Exhibitors charge premium prices for the big-screen experience (especially 3D) and still see the cinema launch as the best way to promote their films. Cinema continues to drive ancillary sales, even as release windows come under pressure from evolving consumer expectations.

Cinema attracts audiences by positioning itself as an affordable form of entertainment to be enjoyed with friends and family. In order to retain audience enthusiasm for cinema, operators are investing in improving both the visual and audio experiences for customers. Market leader Ster-Kinekor is converting all of its cinemas to the latest in digital projectors, improving picture quality and clarity, as well as upgrading the audio systems from Dolby 5.1 to Dolby Atmos.

Ster-Kinekor, part of the Primedia Group, has 54 cinema complexes in South Africa, which translates into 400 screens and 63 000 seats. In addition, it has the largest 3D footprint across South Africa with 58 state-of-the-art 3D cinemas. Ster-Kinekor has pioneered cinema concepts such as Cinema Nouveau, the world's largest dedicated art-house multiplex circuit with five complexes and a total of 34 screens, 15 digital cinema houses and 3 580 seats.[1] The improvements to facilities and cinema's relative affordability have driven box office revenues from a low of R424 million in 2009 to R634 million in 2013.

Following on from the opening of Ster-Kinekor's first IMAX theatre in 2013, at the Gateway Theatre of Shopping north of Durban, the company announced in April 2014 plans to build another at the Grove Mall in Pretoria. The theatre opened in June in time for the release of *Transformers: Age of Extinction*. In June 2014, Ster-Kinekor announced that a third IMAX theatre would open in Eastgate, Johannesburg, during the second half of 2015.

Cinema chains are also segmenting their audience by offering a premium cinema experience. Ster-Kinekor's Cine Prestige, the 'business-class' cinema experience, offers large leather seats with ample space to store snacks, and fewer than 50 other movie patrons in attendance, which offers a more exclusive environment to watch the latest blockbuster.

The company has rolled out the concept at the Grove Mall in Pretoria East, its flagship site at Gateway in Durban, at Sandton City and Cradlestone Mall in Johannesburg, in addition to The Zone @ Rosebank. Premium film tickets come in at around R79, compared to around R52 for standard movie tickets.

Ster-Kinekor has also partnered with Extreme Fighting Championship (EFC) Africa to show footage of matches on its screens, capitalising on the popularity of mixed martial arts in the country.

Nu Metro is the next largest chain in South Africa, accounting for approximately a third of the cinema market with 162 screens in 17 complexes. While Nu Metro has generated healthy revenues it remains a challenge to generate adequate profits.

January 2014 saw the announcement that Times Media Group had sold Nu Metro and its affiliate Popcorn Advertising to Durban-based private equity company, One Fifty Capital. In a similar vein to Ster-Kinekor, Nu Metro has injected new life into its operations. Cinema is no longer just about going to see a film on the big screen. Rather, the idea is to create a complete experience, from the moment tickets are bought online to the experience in the foyer, which will be quicker as tickets will be on mobile devices. One Fifty plans to roll out Nu Metro's luxury cinema brand, Scene, offering patrons 'VIP' cinemas with leather recliners and a private pre-screening bar and lounges.[2]

1 "Overview", Ster-Kinekor Theatres, http://www.primedia.co.za/company/ster-kinekor-theatres/ (accessed 6 July 2014)

2 Adele Shevel and Tina Weavind, "Plan to boost Nu Metro, Exclusive Books", BDlive, http://www.bdlive.co.za/business/media/2014/01/12/plan-to-boost-nu-metro-exclusive-books (accessed 19 January 2014)

Both cinema operators are taking advantage of the increase in smartphone ownership in the country, with Ster-Kinekor and Nu Metro Cinemas offering apps to enable customers to book tickets, browse cinema listings and watch trailers.

Ster-Kinekor launched a new app for Windows phones in January 2014, making it now available for all platforms, while One Fifty Capital released a Nu Metro application for iPhone, iPad, and Android, enabling customers to preview movies, check show times, book tickets and have their tickets delivered electronically. The app also enables users to share their experiences on Facebook and Twitter.

While these initiatives enable cinema chains to engage with more affluent consumers, revenue is also generated from gaining the custom of lower-income households.

The major cinema complexes are often situated far from where the majority of South Africans live. Therefore the National Film and Video Foundation is looking to support cinema construction in low-income areas, with Nigeria's Cinemart in discussions to offer lower-cost but good-quality venues in low-income, densely populated areas, boosting revenues and admissions.

In February 2014, more than 20 film clubs headed into the townships of Johannesburg for the second annual Film Clubs Conference. The conference included discussions about how the arts can change lives and also considered ways of expanding the movement within the Greater Johannesburg and Gauteng areas, as well as extending these models to other metropolitan areas and provinces.[3]

Aspiring filmmakers in Diepsloot, north of Johannesburg, will benefit from the opening of the first film studio in the township. The Department of Arts & Culture has partnered with Top Crew Home Brew Movies to make the studio a reality. The department provided R1.5 million in order to create the Top Crew Film training programme.

The wider industry will also benefit from an increasing number of films being shot in South Africa, with Marvel Studios filming portions of Marvel's *Avengers: Age of Ultron* in the Johannesburg city centre and surrounding areas in Gauteng. The Gauteng Film Commission showcased the city to Marvel Studios in the Autumn of 2013, sharing information about Johannesburg's physical assets and the benefits of filming in the region, including a government film incentive.

Cape Town Film Studios is home to a Hollywood-style film studio for local and international filmmakers alike. Drama series *Black Sails* began shooting at the studios in 2013 and is scheduled to run for three to five years. More than ten productions have used the studio to date.

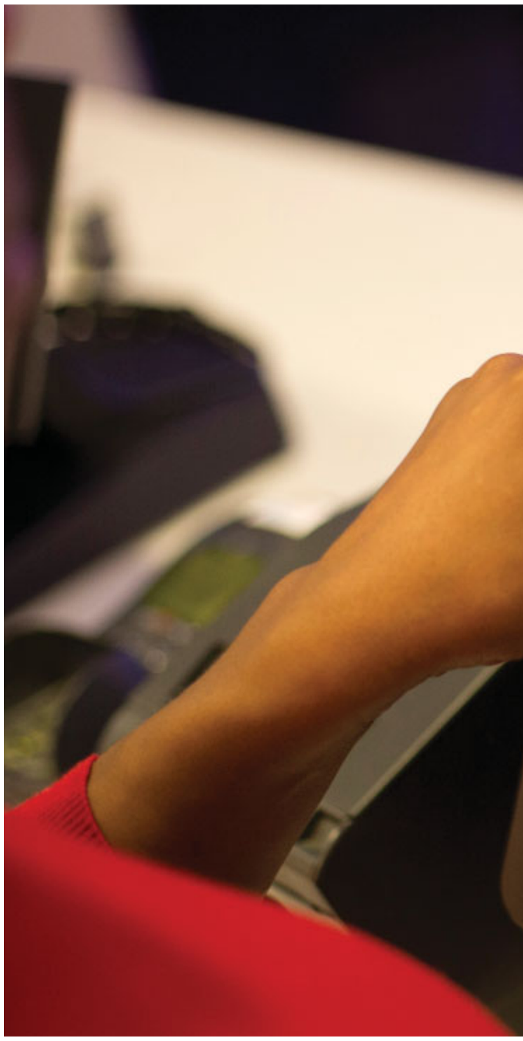
One of the year's major film releases, *Mad Max: Fury Road*, was filmed in South Africa and Namibia, with R326 million being spent locally. At the other end of the scale, in July 2013, the short film *Magic Bullet* was shot in South Africa using only an iPhone. The production won Best Film at the iPhone Film Festival.

In addition to rebates, South Africa is chosen as a film location due to the weaker Rand relative to the other major currencies, making filming costs cheaper than other locations such as Australia.

Cape Town Film Studios has delivered the country's first home-grown box-office success in three decades this year with a film based on the life of Nelson Mandela.

The Department of Trade and Industry (DTI) has invested R60 million and the incentive schemes are bearing fruit, with the department estimating that with every R1 spent on production, another R3 is spent in the wider economy.

The department has found that the South African film industry contributes R3.5 billion annually to the country's GDP, while providing employment for more than 25 000 people. All of these factors are set to fuel the growth in box office revenues over the next five years.



3 "Film Clubs Project to host second annual Film Clubs Conference," Media Update, http://www.mediaupdate.co.za/?IDStory=59426 (Accessed 6 July 2014)

Local film enjoys strong year

South African-made films enjoyed a strong year at the box office in 2013, with two films in the overall top ten. Comedy *Schuks! Your Country Needs You* grossed R23.9 million to take overall fifth place, while biopic *Mandela: Long Walk to Freedom* grossed R20.5 million.

Other films to prosper included *Khumba*, *Spud 2: the Madness Continues*, and *As Jy Sing*. In terms of awards, *Of Good Report* won accolades including best film, best director and best actor at the 2014 South African Film and Television Awards.

Top five local films at the South African box office, 2013

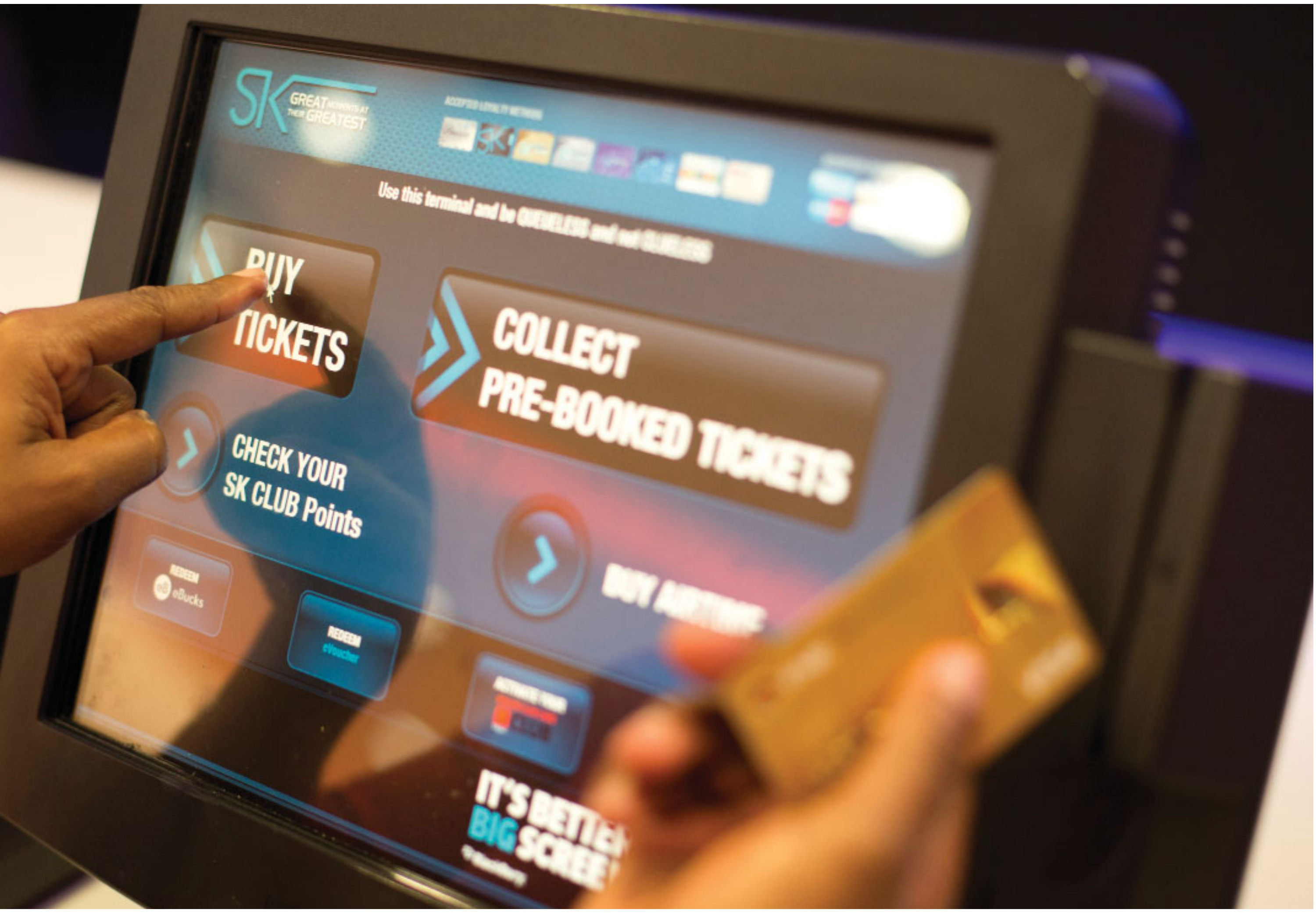
Film	Gross
Schuks! Your Country Needs You	R23 884 440
Mandela: Long Walk To Freedom	R20 476 237
Khumba	R7 457 916
Spud 2: the Madness Continues	R6 672 142
As Jy Sing	R5 703 915

Sources: Box Office Mojo, PwC, Ovum

Top five international films at the South African box office, 2013

Film	Gross
Despicable Me 2	R38 979 897
Fast and Furious 6	R36 487 709
Iron Man 3	R30 769 038
Frozen	R25 670 888
The Smurfs 2	R20 859 333

Sources: Box Office Mojo, PwC, Ovum



Cinemas offer advertisers the opportunity to deliver an immersive experience.

Furthermore, the first half of 2014 has seen revenue from local films rise 43% on the same period last year, to R33 million from R23 million, according to the National Film and Video Foundation. The top three local films between January and June 2014 were *Pad na jou Hart*, which grossed R11.6 million, *Faan se Trein*, which made R7.2 million, and *Vrou Soek Boer*, which made R5.5 million. The highest-grossing film overall in the first six months has been *Amazing Spider-Man 2*, which earned R21.8 million.

Cinema advertising has unique advantages for a captive audience

Cinema advertising is forecast to grow by a CAGR of 7.0% over the next five years to reach R851 million in 2018. In addition to the factors driving cinema attendances and box office revenues, cinema offers advertisers the opportunity to deliver an immersive experience to its audiences.

In 2013, Ster-Kinekor completed the digital conversion of all its sites around South Africa. With digital technology, the entire cinema viewing experience has undergone a profound change. The picture quality and clarity of the image is considerably improved while the state-of-the-art surround sound has also been upgraded, ranging from Dolby 5.1 all the way through to the ultimate Dolby Atmos experience.[4]

Cinema is an attractive medium for advertisers because the audience members are discouraged from using their mobile phones in cinemas and so are more likely to pay attention to the screen, while cinemagoers are more likely to be of above-average income levels.

Initiatives such as Cine Prestige will enable advertisers to target affluent consumers during their leisure time.

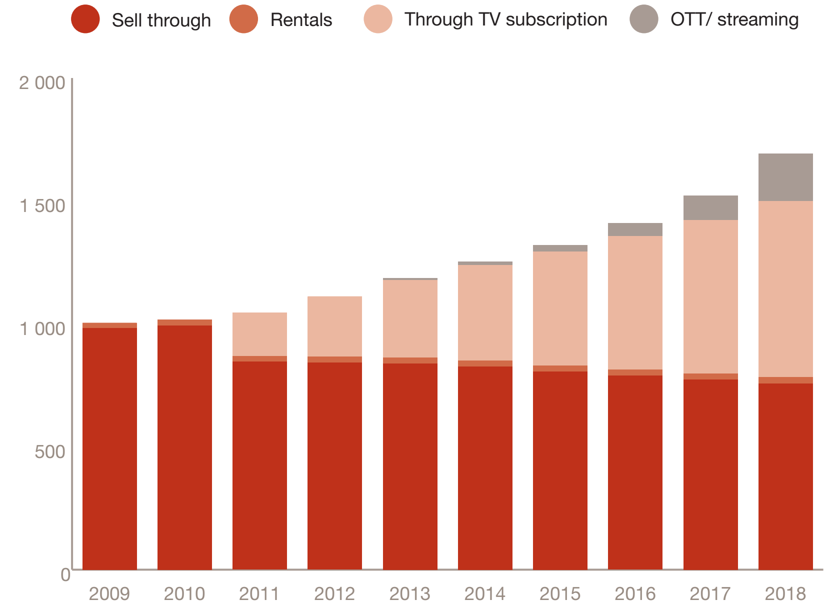
And it's not only cinema screens that provide advertising opportunities, with advertising space available in cinema foyers, restrooms, self-service terminals and even on cinema doors. The cinema foyers have been used by advertisers such as Fanta to encourage passers-by to sample their products.

TV subscription rises boost home video revenues

The electronic home video segment is forecast to be the fastest growing in the South African filmed entertainment market, with growth forecast to be just under a 23% CAGR over the forecast period, leading to revenues of R910 million in 2018. This growth in electronic home video will offset declines in the physical sell-through segment.

TV-based movie services will replace physical purchases and rentals

Fig. 4: Home video revenues by type, 2009-2018 (R millions)

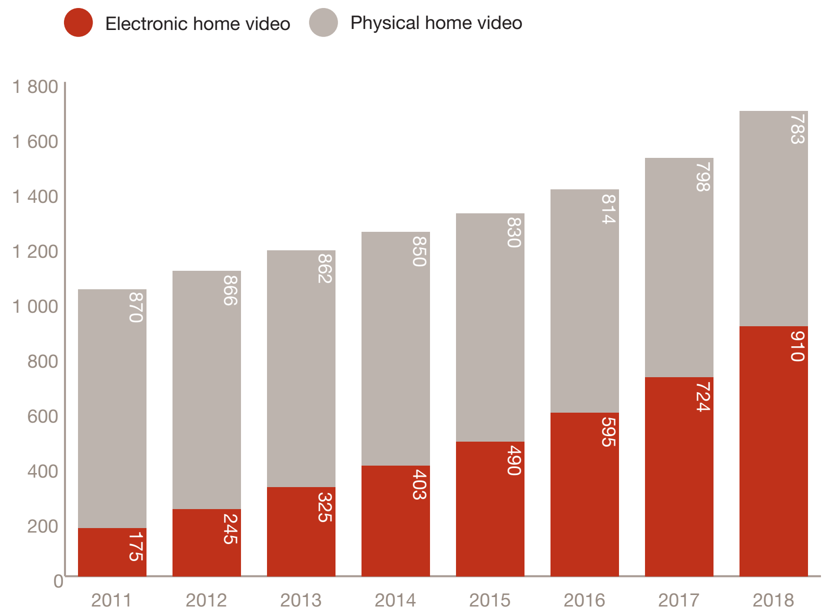


Sources: Aquidneck Consulting, PwC, Ovum

4 "Ster-Kinekor completes roll out of new era in cinema viewing in record time," Cinemark, http://cinemark.co.za/ster-kinekor-completes-roll-out-of-new-era-in-cinema-viewing-in-record-time/ (accessed 6 July 2014)

Electronic home video revenues to surpass physical in 2018

Fig. 5: Physical home video vs electronic home video (R millions), 2011-2018



Sources: PwC, Ovum

The total combined revenue from OTT/streaming services and broadcasters' video on demand (VOD) services will grow at a CAGR of 22.9% to overtake physical home video revenue in 2018.

The decline in the number of shops stocking physical home video (aside from supermarkets, which typically only sell a limited number of titles) is contributing to the decline in the physical home video market.

Yet even with consumers shifting their viewing patterns, as the growth of video streaming services enables viewers to access long-form video content digitally across multiple screens and devices, there is evidence of some resilience in the physical home video market, arguably boosted by the popularity of TV series box sets.

MultiChoice's DStv platform will be responsible for the bulk of growth in the home video segment. As of March 2014, the platform had five million subscribers in South Africa. The company is evolving to cater not only for subscribers accessing content via satellite, but also for consumers who are less likely to pay for a TV subscription, but might access content via a tablet device.

DStv's online version of its BoxOffice movie rental service, launched in 2013, offers customers the opportunity to rent and stream films directly from the BoxOffice website, or to rent and download films via the DStv Desktop Player app. A DStv subscription is not required to access the service and customers only need to sign up for a BoxOffice Account. DStv also offers customers an online catch-up service, providing premium subscribers over 400 hours worth of content to watch online or to download and watch later on compatible devices.[5]

DStv's BoxOffice video-on-demand (VOD) service was launched in July 2011 and June 2014 saw the first price rise since its launch. For DStv Premium and DStv Extra subscribers, new movies cost R27 through their PVRs and online, while non-DStv subscribers now pay R32. In addition, DStv BoxOffice rental prices are now R10 for old films.

Owners of Samsung's Smart TVs will be able to access DStv BoxOffice via an application on the televisions enabling them to rent and watch movies via their home Internet connection. South Africans can also buy and rent movies in Apple's iTunes Store, while M-Net Showcase enables South African viewers to 'binge' on their favourite series.

Telkom published an invitation to industry to bid for the provisioning of VOD services in January 2014. By 2015, Telkom aims to provide customers with an uncapped Internet, voice services and VOD priced at a flat rate. It is reported that the company has held talks with Comcast, Bertelsmann, Naspers and Netflix to explore the potential for the companies to carry content on Telkom's fixed-line networks.

At the time of publication, Netflix has stated that the company has no plans to enter the South African market (although many tech-savvy Internet users in the country already access their platform). Backing up this statement is the announcement that MultiChoice customers will be able to see the second season of the Netflix-owned drama series *House of Cards* available via DStv Catch Up service, before being shown on pay-TV broadcaster M-Net.

5 DSTV Catch up, http://selfservice.dstv.com/self-service/services/dstv-catch-up/ (accessed 6 July 2014)

Physical home video will decline throughout the forecast period

Growth of OTT streaming services will, however, be limited by relatively low levels of broadband access. Fixed broadband penetration is forecast to remain below 20% in South Africa, even in 2018.

For the foreseeable future, the majority of consumers purchasing films on-demand will do so via their satellite TV subscription. In addition to the lack of broadband, a further consideration will be whether consumers will find Telkom's mooted fixed-price data packages affordable.

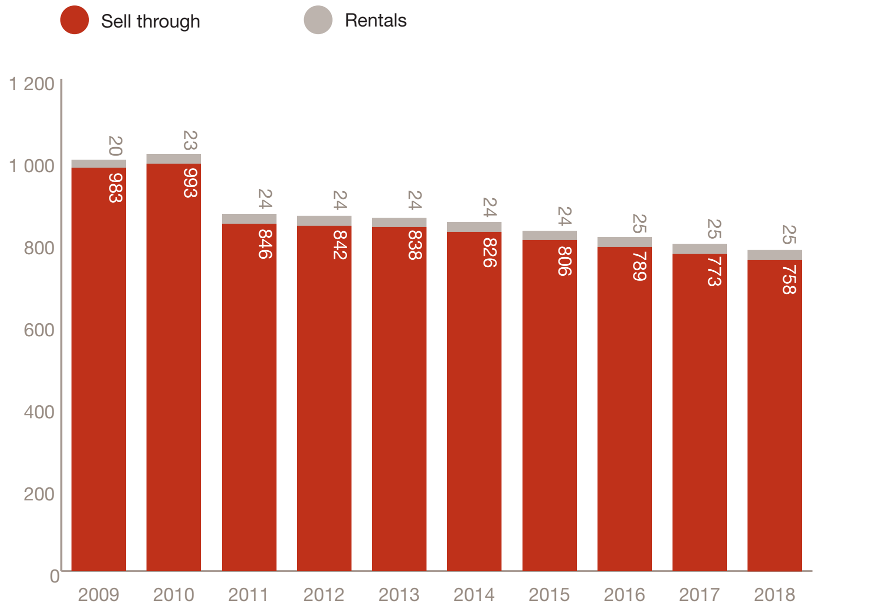
The adoption of OTT content remains constrained as broadband connections are not available throughout the country, and so film aggregators such as Iroko Partners distribute their content in physical DVDs.

The physical home video market is forecast to continue its decline as a result of competing formats for delivery of filmed entertainment, falling by a CAGR of -1.9%. Although the rental market is forecast to stabilise at a relatively low R25 million, it represents only a fraction of the overall home video market.

The slump in physical DVD sales in South Africa will, however, be less pronounced than falls witnessed in other countries as a result of limited broadband coverage restricting the availability of streaming services.

The prospects for streaming services remain tied to the levels of broadband coverage in the country. Meanwhile, consumers have begun to download films via DStv's BoxOffice Online.

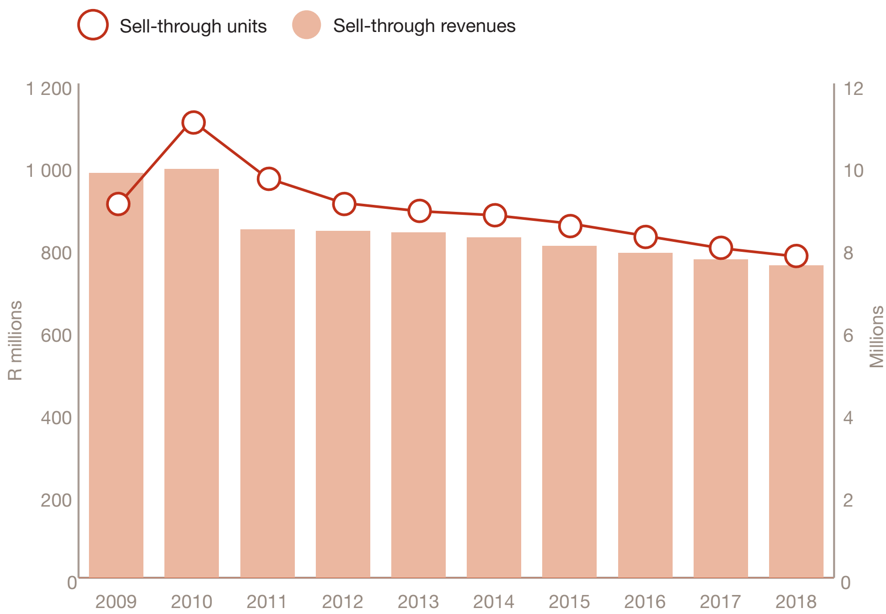
Fig. 6: Physical home video revenues by type, 2009-2018 (R millions)



Sources: Aquidneck Consulting, PwC, Ovum

Sell-through units to drop over forecast period

Fig. 7: Physical sell-through video revenues (R millions) and unit sales (millions), 2009-2018



Sources: Aquidneck Consulting, PwC, Ovum

Quality, price, speed of access

A successful filmed entertainment model depends upon three crucial elements: quality, price and speed of access. Without an alluring product in the first place there would be no revenues, while for home consumption of electronic home video in particular, the set-price 'all-you-can-eat' model has seen success across the globe. This, coupled with instant access anywhere, is the model to follow for today's consumer.

Quality	Price	Speed of Access
• Quality image, clarity, sound – "movie theatre quality" ◦ The higher the quality, the more likely consumers are to watch/purchase. • Quality of content – genre; viewing experience ◦ Movie that has received a lot of praise or "buzz".	• Based on perceived value If the calibre of material is high, there's more willingness to pay ◦ But consumers want to limit the amount they pay for something they watch at home. • Looking for "bang for the buck" – paying to see a movie that is worth it (such as tentpole releases like "Dark Knight") ◦ Don't want to pay incrementally to what they're already paying for subscription service. • Pay a specific set price – per episode or per month ◦ Everything anywhere for under $20 per month.	• Speed of download = faster access ◦ The faster the download, the faster the "access". ◦ Most consumers assumed this interpretation. • Convenience is really important ◦ The faster the download speed, the more convenient. ◦ Will not wait if the download speed is too slow. • Quick buffering ◦ Quick and easy transitions from one episode to the next. • Access anywhere • Access relative to release window ◦ Readily available soon after it aired or was in theaters. ◦ Today's movies. Right now. Right here.

Source: The Speed of Life, PwC Consumer Intelligence Series - Premium content consumption: responding to the 'instant access' consumer

Nigeria

Box office revenues to drive Nigeria's filmed entertainment market

Filmed entertainment revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Electronic home video	1	10	8	10	12	15	17	18	20	22	11.4%
OTT/streaming	-	-	-	-	0*	0*	0*	0*	1	2	87.7%
Through TV subscription	1	10	8	10	12	14	17	18	19	20	9.6%
Physical home video	72	73	72	70	68	67	66	65	64	63	-1.7%
Rentals	4	5	5	5	5	5	5	6	6	6	1.4%
Sell through	68	68	67	65	63	62	61	59	58	57	-2.0%
Box office	57	57	85	91	97	105	116	129	149	171	11.9%
Advertising	1	2	1	1	1	1	1	2	2	2	9.7%
Total	**131**	**142**	**166**	**172**	**178**	**188**	**200**	**214**	**235**	**258**	**7.4%**
YOY growth (%)		***8.2%***	***17.0%***	***3.1%***	***4.7%***	***4.9%***	***6.0%***	***7.0%***	***9.3%***	***10.0%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
*less than US$100 000
Sources: PwC, Ovum

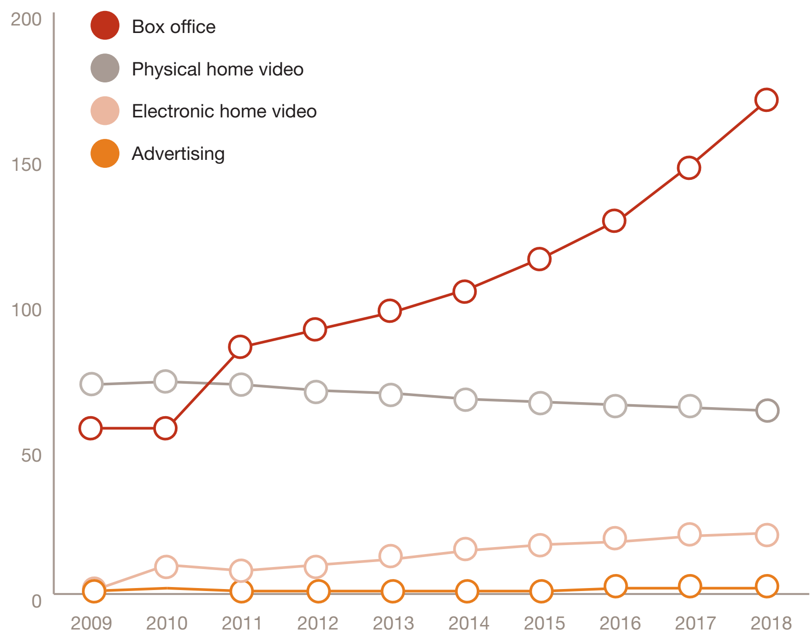
After expanding rapidly in the early part of the review period, the Nigerian film entertainment market grew by 4.7% in 2013 to reach US$178 million and is forecast to grow by CAGR of 7.4% over the forecast period to reach US$258 million in 2018.

Only India's Bollywood industry outstrips Nigeria's 'Nollywood' in terms of the number of films produced, while the industry is also thought to be Nigeria's second-largest employer. With 200 films produced per month, revenues per film are small. *Ije: The Journey*, released in 2010, is the highest-grossing Nollywood film so far, but total takings for the production were under US$500 000.

Nollywood films are typically low-budget, with the wide availability of camcorders and digital recording devices accounting for their large volumes. Production times normally come in at under a month and films sell around 20 000 units on DVD. This enables a quick financial turnaround: a movie can be profitable within two to three weeks of release.

Nigeria's filmed entertainment market to surpass US$250 million in 2018

Fig. 8: Filmed entertainment by segment, 2009-2018 (US$ millions)



Sources: PwC, Ovum

However, the World Bank estimates that 90% of DVDs in circulation are pirated. With assistance from the World Bank, the Nigerian Government is developing anti-piracy measures such as a source identification code.

Low broadband penetration has inhibited the scope of OTT services in Nigeria, but with the number of fixed broadband households rising to 13% in 2018, from 5% in 2013, such services may be able to gain a foothold.

Mobile Internet access will see even more rapid growth: 25% of Nigerians will have access to the Internet via a mobile device by 2018, thus providing an opportunity for delivering Nollywood content digitally.

Nollywood aggregator iROKOtv already streams Nollywood films to the Nigerian diaspora around the globe. It currently focuses on DVDs within Nigeria itself, but this will change.

MultiChoice is launching DStv Box Office in Nigeria, with new movies showing as soon as they appear in the cinema. Subscribers will be able to rent and keep movies for up to 48 hours, with MultiChoice confident that its technology will make it difficult for pirates to copy and sell the material.

Breakthroughs by the likes of DStv are putting pressure on the physical sell-through market. Electronic home video revenues came in at US$12 million in 2013 and are expected to grow by CAGR 11.4% over the forecast period to top US$22 million in 2018.

Cinemas are scarce in Nigeria, with approximately one screen for every five million citizens. Nigerians watch movies either in theatres such as those run by Silverbird, or video shacks, which typically show pirated films. However, box office revenues are forecast to increase by an 11.9% CAGR and reach US$171 million in 2018 due to an expansion in the construction of cinemas.

Cinemart, for example, has eight cinemas across Nigeria – two are purpose-built and the rest conversions – with the firm looking to construct 400-seat cinemas and multiplexes with four to six screens.

Beacon Media Network is the foremost cinema advertising company in Nigeria, providing advertising in Silverbird Cinemas, Ozone Cinemas and Genesis Cinemas. Cinema advertising revenues will remain around US$2 million over the forecast period.

Kenya

Kenya's filmed entertainment market to stay flat over forecast period

Filmed entertainment revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Electronic home video	0*	0*	0*	0*	1	1	1	1	1	2	34.2%
OTT/streaming	-	-	-	-	-	-	0*	0*	0*	1	-
Through TV subscription	0*	0*	0*	0*	1	1	1	1	1	1	11.4%
Physical home video	32	32	32	32	31	32	32	32	32	32	-0.3%
Rentals	2	2	2	2	2	3	3	3	3	3	2.8%
Sell through	30	30	30	30	29	29	29	29	29	29	-0.6%
Box office	2	3	4	4	4	4	5	5	6	6	8.8%
Advertising	1	1	1	1	1	1	1	1	1	2	14.5%
Total	**35**	**36**	**37**	**37**	**37**	**38**	**39**	**39**	**40**	**42**	**2.2%**
YOY growth (%)		***4.5%***	***2.7%***	***-0.8%***	***0.5%***	***0.7%***	***1.1%***	***1.6%***	***2.7%***	***5.0%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
*less than US$100, 000
Sources: PwC, Ovum

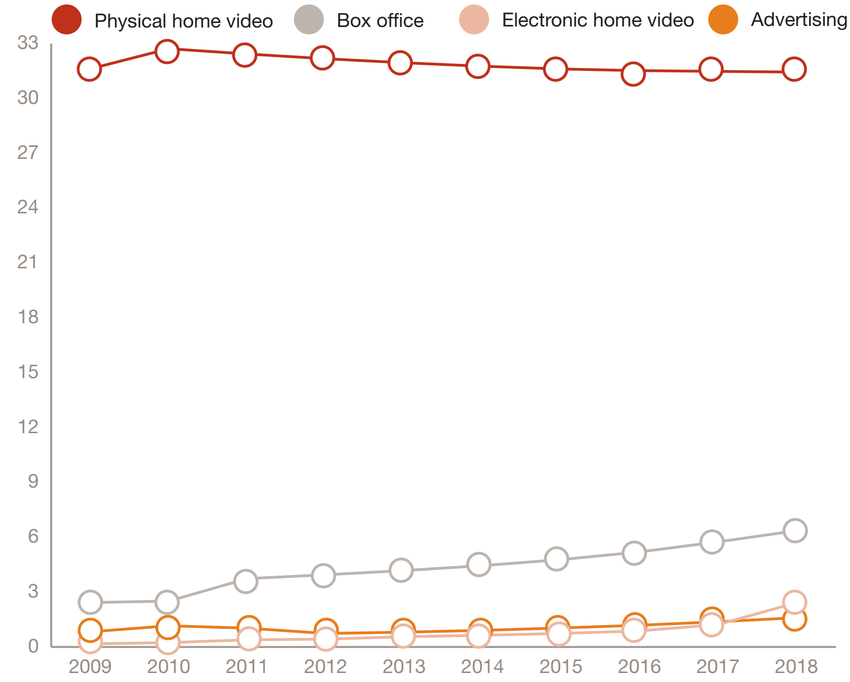
In 2013, the Kenyan filmed entertainment market generated revenues of US$37 million, a rise of US$2 million on the low figure recorded in 2009. The market is forecast to reach US$42 million in 2018; returning to revenues last seen in 2008.

Physical home video accounts for the majority of Kenya's revenues. Planet Media, one of the country's major operators, is the multimedia arm of Nakumatt Holdings and its retail outlets stock books, music and DVDs. The company has also established a cinema, and in December 2012 completed a switch from analogue to digital in its cinema screens in Westgate Mall.

Breakthroughs such as this will have a positive effect on box office revenues towards the end of the forecast period. For the time being, the popularity of home entertainment alternatives and the wide availability of pirated movies will continue to hamper growth.

Physical home video is primary source of revenue

Fig. 9: Filmed entertainment revenues, 2013-2018 (US$ millions)



Sources: PwC, Ovum Telecoms & Media

There is only one cinema screen for every two million citizens in Kenya. As with Nigeria, Kenyans often favour viewing films at video shacks, which often show pirated material. While cinemas are under construction with an emphasis on affordable entertainment, Fox Theatres is also focussing on affluent consumers with an IMAX theatre system showing 3D movies. Cinemas at Thika Road Mall and New Muthaiga Mall in Nairobi also show 3D movies.

Kenya has one of the lowest levels of broadband penetration in the world, with just 4% of the population forecast to be connected to fixed broadband by 2018, meaning electronic home video revenues will remain depressed throughout the forecast period.

Mobile Internet access will be much higher, however, with 47% of Kenyans able to access the Internet via a connected personal device by 2018, providing some possibilities for electronic formats. While the electronic home video segment is forecast to grow at a CAGR of 34% over the forecast period, it will only generate US$2.4 million in 2018.

Global trends in filmed entertainment

The following is extracted from PwC's Global Entertainment and Media Outlook 2014-2018

Global filmed entertainment market to reach US$110 billion in 2018

Global filmed entertainment revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Electronic home video	6 392	7 456	9 273	11 053	13 187	15 651	18 572	22 105	26 734	32 700	19.9%
OTT/streaming	2 759	3 155	4 166	5 239	6 571	8 274	10 488	13 407	17 429	22 702	28.1%
Through TV subscription	3 633	4 301	5 107	5 814	6 616	7 377	8 084	8 698	9 305	9 998	8.6%
Physical home video	43 728	43 308	40 830	38 464	36 361	34 496	32 804	31 244	29 774	28 391	-4.8%
Rentals	13 490	13 312	12 353	11 489	10 712	10 017	9 398	8 846	8 352	7 889	-5.9%
Sell through	30 238	29 996	28 477	26 975	25 649	24 479	23 406	22 398	21 422	20 502	-4.4%
Box office	30 234	32 025	32 570	34 499	36 118	38 041	40 074	42 223	44 468	45 890	4.9%
Advertising	2 058	2 254	2 366	2 502	2 608	2 723	2 830	2 933	3 020	3 111	3.6%
Total	**82 412**	**85 043**	**85 039**	**86 518**	**88 274**	**90 911**	**94 280**	**98 505**	**103 996**	**110 092**	**4.5%**
YOY growth (%)		***3.2%***	***0.0%***	***1.7%***	***2.0%***	***3.0%***	***3.7%***	***4.5%***	***5.6%***	***5.9%***	

Sources: PwC, Ovum

- Globally, filmed entertainment revenue will rise at a CAGR of 4.5% from US$88.3 billion in 2013 to US$110.1 billion in 2018, passing US$100 billion in 2017. While some of this expansion will be driven by growing demand in emerging markets, notably China, mature markets such as the US, the UK and Japan will also continue to grow.
- The total combined revenue from OTT/streaming services and broadcasters' VOD services will grow at a CAGR of 19.9% to overtake physical home video revenue (the sale and rental of DVDs and Blu-ray discs) in 2018.
- OTT/streaming will see the fastest rates of growth (28.1% CAGR), rising from US$6.6 billion globally in 2013 to US$22.7 billion by 2018, and will exceed revenue from physical sell-through by 2018.
- Global box office revenue will exceed revenue from physical home video in 2014 and grow over the forecast period to US$45.9 billion by 2018, from US$36.1 billion in 2013, at a 4.9% CAGR.
- China will overtake Japan to become the world's third-largest market for filmed entertainment (behind the US and UK) in 2018. Total revenue in China will reach US$7.0 billion, up from US$3.8 billion in 2013, at a CAGR of 13%.
- In the next five years, while big-budget Hollywood movies will still appear first in a cinema, release windows elsewhere will continue to contract and evolve. As new players enter the market and new platforms grow in popularity, traditional distribution models will be disrupted.


TRANSITION 1
TRANSITION 2

Radio

Charles Stuart • Associate Director
Alinah Motaung • Senior Manager

Definitions

The radio segment includes all advertising spend on radio stations and radio networks.

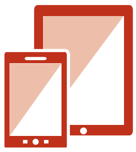
Advertising revenue is measured gross of agency commissions and net of discounts and value-added incentives, as extracted from the Radio Advertising Bureau (RAB) Revenue Report.

In brief

Radio advertising revenues are expected to pass R6 billion by 2018. *The radio market in South Africa generated R4.2 billion in revenues in 2013, up from R2.7 billion in 2009. Advertising revenues in South Africa's radio market are forecast to continue their strong and steady growth, with an overall CAGR of 8.2%.*

Radio remains an attractive medium for advertisers and listeners. *Radio retains its importance in South African society, with audiences split evenly by gender and age and around 33 million people listening regularly. Radio provides opportunities to reach a wide audience in terms of geographic spread and also enables advertisers to focus on a specific niche market as stations target particular languages, locations and/or age groups.*

South African radio stations are still embracing social media platforms in order to enhance engagement with their audiences. *As broadband and smartphones remain out of reach for many South Africans, radio will continue to play an important role in entertaining and engaging with those sections of the population who might otherwise be excluded from mainstream media. Radio stations are still, however, embracing social media platforms in order to enhance engagement with their audiences.*



New technologies offer important distribution channels for radio. *SAARF's AMPS report published in April 2014 shows that online listenership remains around 5% of South Africans, while 33% of the population listen to radio content on their phones.*

Nigeria's radio market continues its steady growth. *Revenues of US$89 million in 2013 are forecast to rise to an estimated US$105 million in 2018. This is driven by the fact that radio's content remains relevant to Nigerians as 80% of output has to be produced locally, compared with 60% for television. In July 2014, the Nigerian Government unveiled plans to introduce content access fees to replace radio licence fees.*

Kenya's radio market will continue its rapid growth. *Kenya saw radio revenues of US$305 million in 2013, and this will reach a forecast US$439 million in 2018. Improving real GDP, rising on average at 6.2% per annum, will contribute to an increasing number of Kenyans moving from rural to urban areas, boosting radio audiences and radio advertising in the country.*

South Africa

Radio advertising revenues to surpass R6 billion by 2018

Radio revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Advertising	2 664	3 019	3 243	3 612	4 170	4 503	4 899	5 304	5 729	6 176	8.2%
Total	**2 664**	**3 019**	**3 243**	**3 612**	**4 170**	**4 503**	**4 899**	**5 304**	**5 729**	**6 176**	**8.2%**
YOY growth (%)		***13.3%***	***7.4%***	***11.4%***	***15.4%***	***8.0%***	***8.8%***	***8.3%***	***8.0%***	***7.8%***	

Note: 2009-2013 South Africa figures have been updated to reflect most recently available financial information
Sources: RAB, PwC, Ovum

Advertisers are shifting budgets towards radio audiences

Despite intensifying competition from new technologies and digital entertainment, radio revenues continued to grow solidly. Revenues in the radio market in South Africa surpassed R4 billion in 2013, up from R2.7 billion in 2009.

During the review period commencing in 2009, there was a surge in advertising around the 2010 FIFA World Cup, but the radio market has been able to retain its popularity with advertisers, with further growth of 7.4% in 2011 and 11.4% in 2012. Radio remains an important medium for South Africans to keep abreast of key events shaping the country, such as the funeral of Nelson Mandela and the trial of Oscar Pistorius.

For all the media consumption threat of streaming music and video, radio retains its position as one of South Africa's, and indeed, the world's pre-eminent media platforms. The fact that big brands and small local advertisers alike continue to invest heavily in radio illustrates the strength of the platform as a means of reaching mass market consumers at true scale.

Advertising revenues in South Africa's radio market are forecast to continue to grow in a strong and steady fashion, with an estimated CAGR of 8.2%, reaching a projected R6.2 billion in 2018.

The general election held in May 2014 will be one of the key contributors towards growth during the year, with political parties utilising the wide range of national, regional and community stations to get their message out to specific audiences.

Radio's popularity with advertisers stems from its ability to deliver specific audiences. For example, *Umhlobo Wenene FM* has an audience approaching five million listeners, who are Xhosa speakers, or people who understand Xhosa, the second most widely spoken language in the country.

Radio has played a key role in Nedbank's Eugene Khoza being used to reach middle-income and aspiring middle-income South Africans. Khoza, a comedian, appeared in adverts from the bank promoting 'savvy life choices', with the bank acting as a 'voice of reason' in everyday scenarios.

As ever, fuelling the growth in radio revenues is the popularity of traditional radio output – not just music but also discussions and current affairs programmes around contentious topics such as e-tolls, national and local news, weather and sport.

Stations thrive on the popularity of presenters, with the recent passing of popular *Metro FM* DJ, Eddie Zondi, deeply felt, and the potential for listeners to be part of the show's community.

Radio is able to tailor output to local areas, with regional and community stations reflecting current weather and traffic conditions, as well as being able to feature extended coverage of local sports teams. Listeners are engaged with the stations via social media (a station's Facebook page or Twitter feed) and more conventional means such as the radio phone-in.

What's more, radio offers relatively low costs of consumption when compared with television. Radio stations have been successful in adapting to technological advances by making their content accessible on mobile devices and will benefit further as consumers take advantage of the growth in the country's LTE network. Furthermore, *Power FM* and some SABC commercial stations have made podcasts of their shows available via SoundCloud, giving listeners the chance to catch up with shows they have missed.

Radio's share of total advertising revenues will approach 10% by 2018

In a country where less than 20% of households are forecast to have a broadband connection by 2018, radio remains an attractive medium for advertisers as it reaches approximately 90% of the adult population.

Public transport in South Africa remains inadequate, with the private car continuing to be a critical mode of transport for people getting to work. Growing car ownership has led to further traffic congestion and with commuting times getting longer, radio advertisers have a captive audience of in-car listeners.

However, interactive car dashboards are enabling music streaming apps to make their presence felt. This development threatens to take radio listening time away from traditional radio, but this is not expected to be significant over the forecast period.

Radio in South Africa currently receives no direct public funding, other than a negligible amount in respect of educational programming. Government does, however, fully fund *Channel Africa* – a radio station established out of the remnants of the apartheid regime's *Radio RSA,* which is today operated by the SABC and broadcasts exclusively into Africa. *Channel Africa* is an international radio station, whose mandate is to support South Africa's foreign policy. Its self-proclaimed mission is to be "The Voice of the African Renaissance".

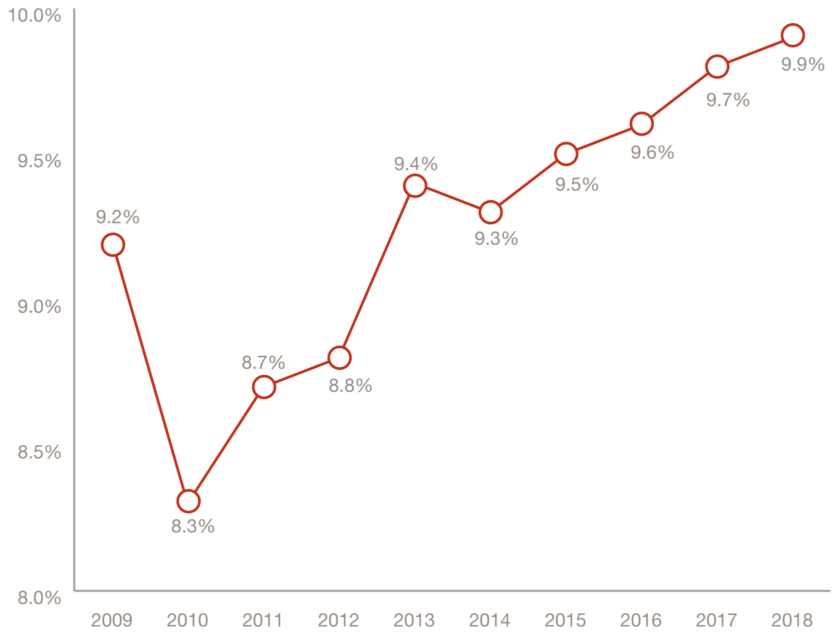
In October 2013, the Department of International Relations and Cooperation went live with *Ubuntu Radio*, a 24-hour Internet radio station. Like *Channel Africa*, the station is aimed at enhancing communication on South Africa's foreign policy and has a talk radio format. The station's target audience is both South Africans and the international community, with contributions from think-tanks, academics and diplomats.

Radio also has a role in galvanising support for campaigns, for example *Talk Radio 702's* Walk the Talk event, sponsored by Discovery and hosted by the City of Joburg. The event consistently attracts more than 50 000 walkers and this year featured a 20-km walk to mark 20 years of democracy in South Africa.

Radio is also able to bind people together behind a cause, as in the *Bring Back Our Girls* campaign across Nigeria and the rest of the world following the abduction of 234 schoolgirls in Chibok by Boko Haram militants.

After a fall in radio advertising's share of total advertising spend in 2010, which was related to the increased advertising spend in the other media in respect of the World Cup, radio will gain a larger share of total advertising in South Africa each year for the forecast period and account for 9.9% of advertising spend in 2018.

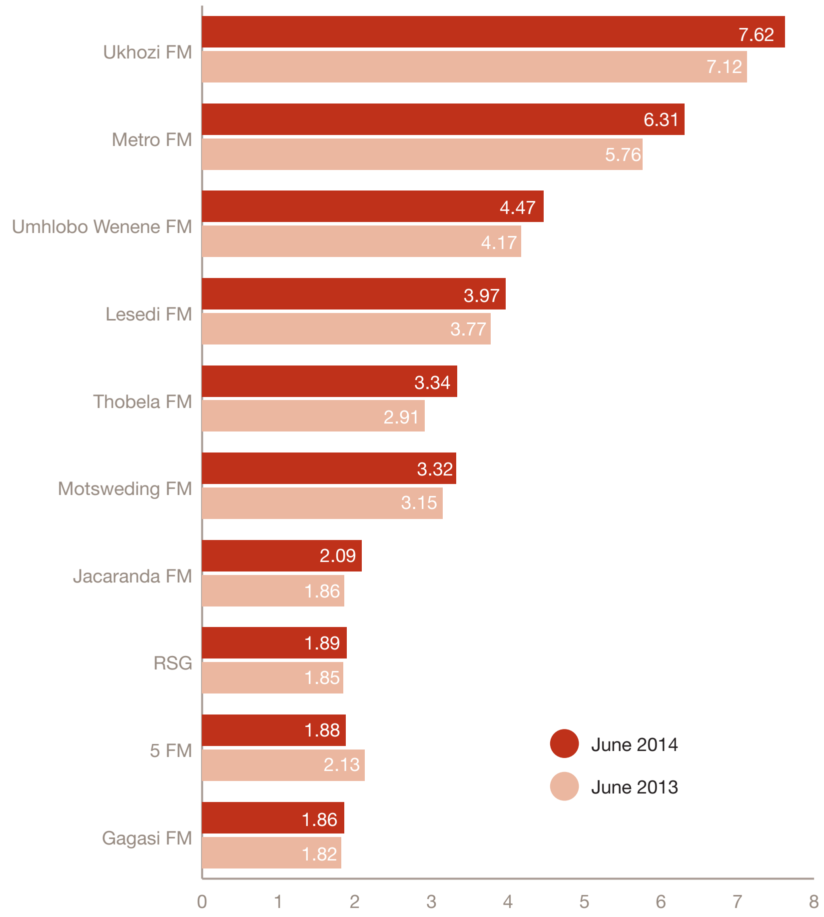
Fig. 1: Radio advertising revenues as a proportion of total advertising revenues, 2009-2018 (%)



Sources: PwC, Ovum

Ukhozi FM remains South Africa's favourite radio station

Fig. 2: Top 10 radio stations by listenership, June 2014 (millions)



Source: SAARF RAMS (June 2014)

Radio draws audiences from all sections of South African society

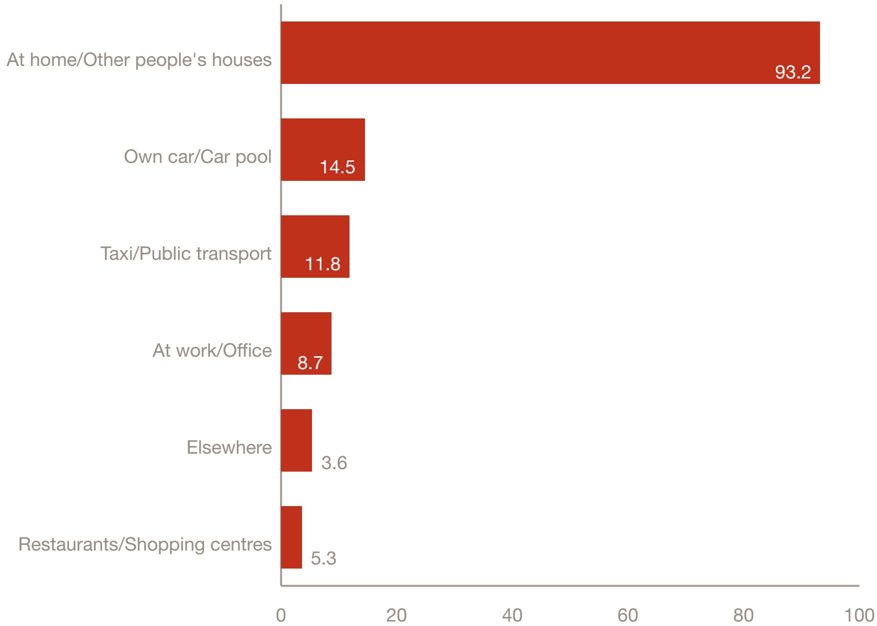
June 2014 statistics from SAARF show that radio listenership remains constant at an average of 3.3 hours per day. The Free State and Limpopo provinces continue to be the regions with the highest listenership levels. The Free State has returned to the top with residents listening to an average of 4.25 hours of radio content a day, while Limpopo residents' listening levels remain at 4.12 hours. Listeners of African language stations typically spend longer periods listening to their chosen stations

Listeners remain loyal to particular stations, with audiences listening to 1.8 to 2.0 stations per week. Listeners in Gauteng tune in to the highest number of stations per week with an average 2.3 stations.

Radio provides advertisers with great reach, with total audience figures in excess of 33 million listeners. What's more, listeners comprise large cross sections of South African society, with all age ranges and both men and women regularly listening. That said, the SAARF RAMS (Radio Audience Measurement Survey) in June 2014 showed a small decline in listenership among younger people, which will be important to track in future as music streaming services and podcasts gain in popularity.

Home dominates sites of radio listenership

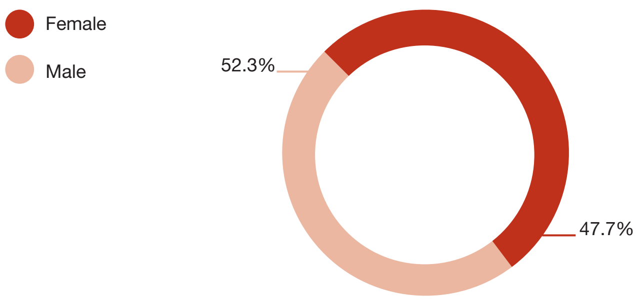
Fig. 3: Places where respondents listen to radio (%)



Note: Totals may exceed 100% as respondents indicate listening to radio in multiple locations
Source: SAARF RAMS (June 2014)

Radio appeals to both male and female audiences

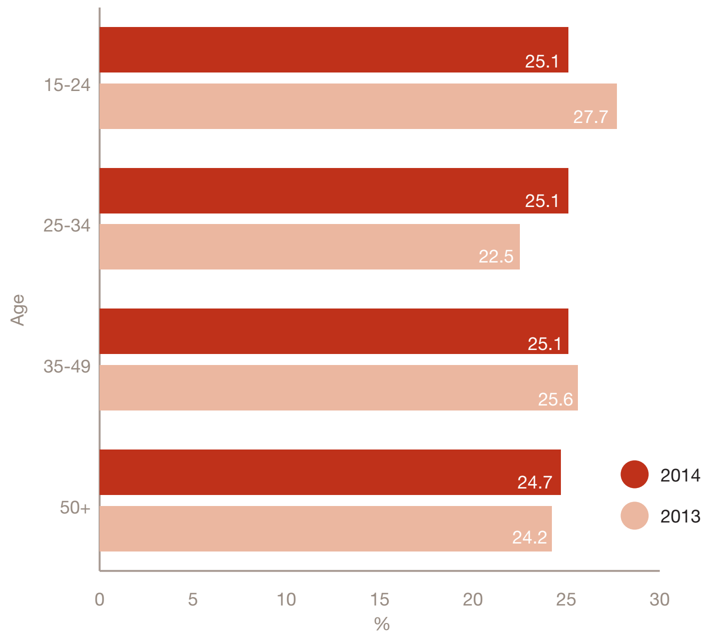
Fig. 4: Audience split by gender (%), June 2014



Source: SAARF RAMS June (2014)

Radio's appeal dropping among younger listeners

Fig. 5: Radio audience split by age (% share), June 2014



Source: SAARF RAMS (June 2014)

Zulu-language radio has the largest audience within South Africa

Radio's ability to engage in different languages delivers distinctive audiences to advertisers

Zulu is the most common home language for radio listeners, with over 8.5 million listeners, followed by Xhosa with just under 5.8 million listeners and Afrikaans with 5.2 million listeners. Radio is listened to by speakers of all of South Africa's 11 official languages.

Broadcasting in Zulu, *Ukhozi FM* has the highest number of listeners in South Africa at over 7.6 million.

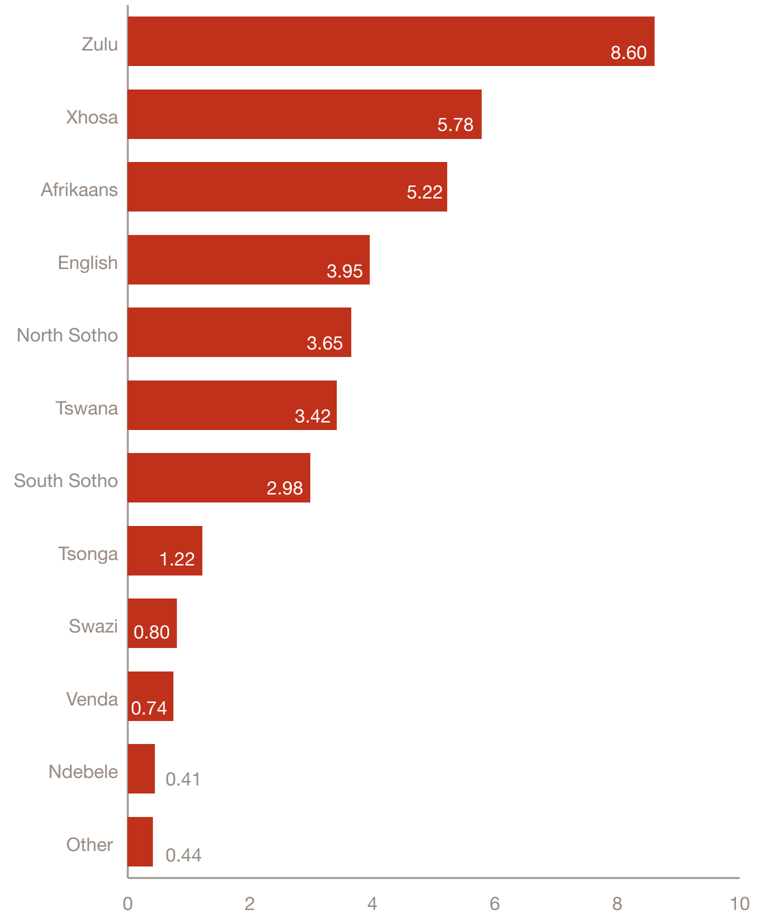
Celebrating its 54th birthday in 2014, the station has not changed its philosophy of bringing a mix of 'edutainment' and 'infotainment' to its listeners – a mix of music, news, current affairs and talk shows in among traffic information and sports news.

The station looks to provide community leadership in addition to entertainment, with the goals of engendering pride in South Africa and assisting Zulus to retain their cultural identity.

Lesedi FM focuses on providing a mix of entertainment, gospel and motivation to its South Sotho-speaking listeners. It has an audience of almost four million, mostly in the Gauteng region.

Many of the stations are looking to be a focal point for their local languages, offering listeners music, current affairs and educational talks with *Umhlobo Wenene FM* serving Xhosa speakers, *Motsweding FM* Tswana speakers, *Thobela FM* North Sotho speakers and *RSG* Afrikaans speakers.

Fig. 6: Radio audience split by home language, April 2014 (millions)



Source: SAARF AMPS

The output of national stations *Metro FM* and *5FM*, together with regional players *Jacaranda 94.2*, *94.7 Highveld Stereo* and *East Coast Radio,* covers pop music, news, traffic and sports, as well as programmes orientated around the times of the day (breakfast shows and drive time).

There were 217 community radio stations in South Africa in June 2014. This figure has increased rapidly over the last decade and continues to grow with 15 new stations launched in 2014. These stations serve particular ethnic communities (such as *Hindvani Radio* and *Arrowline Chinese Radio*) or individual locations (for example, *Maputaland Community Radio)*. MTN's 2014 Radio Awards saw *Radio Tygerberg* winning community radio station of the year.

ICASA, whose role it is to issue broadcast licences, ensure universal access and hear disputes brought against licensees, regulates the industry.

Dynamism in the radio sector is demonstrated by the launch of new commercial stations in the Eastern Cape, where an MSG Afrika-led consortium won a radio licence for the province in February 2014. The Free State also awarded a licence to Histotrim, majority-owned by MSG Afrika, in the same month.

Largest proportion of listeners come from LSM 4 to 7

LSM 6 group accounts for most listeners

In terms of the Living Standards Measure (LSM), which divides the population up into ten groups based on affluence, the highest proportion of listeners come from the LSM 6 group, which accounted for 23.8% of listeners in June 2014. Listeners from the LSM groups 4 to 7 account for 66% of all listeners.

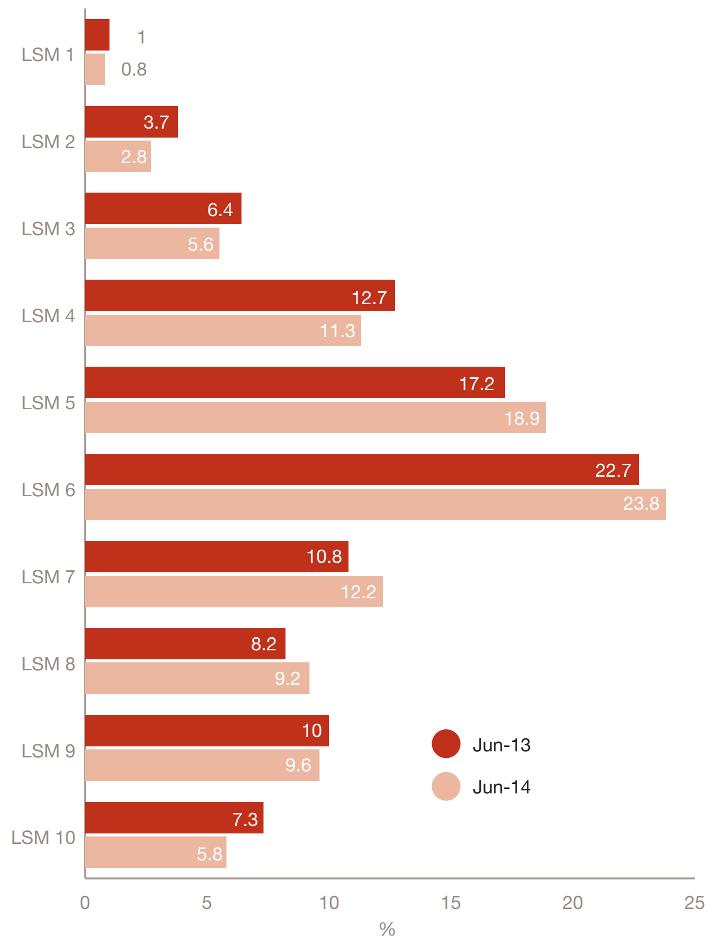
Radio stations retain their audiences in the digital age

Thus far, traditional radio stations have not been threatened by Internet radio stations due to a lack of broadband coverage, while radio stations have anticipated the competition by moving to online platforms. *CliffCentral,* now broadcasts 12 hours a day live on cliffcentral.com, and on the WeChat application through live streaming. Many stations will likely follow this example as the cost of data falls.

The lack of a regulatory framework for the Internet radio in South Africa makes it an easy platform into which new radio stations can expand. The challenge is that the metrics for measuring Internet radio listenership in South Africa are also only just starting to gain traction. Accurate listenership figures are crucial in determining appropriate advertising rates, which currently vary substantially.

Radio Oorboord and *Interwebsradio's* operations are run on a more amateur level, with the owners paying for their licences as a personal expense. The stations' DJs are responsible for their output, as opposed to the station determining a playlist. Currently, the stations lack advertising revenues, instead running affiliate programmes whereby they receive commissions for referred sales of music.

Fig. 7: Radio audience split by LSM profile (%), June 2014



Source: SAARF AMPS

Radio has retained its audience despite the launch of music streaming services such as Simfy, available via mobile devices, with listeners valuing the non-music content broadcast by stations. Furthermore, the cost of mobile data means that listening to online services is currently expensive.

February 2014 saw the launch of Spinlet, a digital music service that will compete with iTunes, Splice Vas Africa and Simfy in South Africa. The company already has 850 000 customers across South Africa, Nigeria and Kenya, with artists receiving 60% in royalties. Interestingly, the company is transparent with artists, telling them the frequency with which their music is downloaded or streamed, and from where.

In 2013, only 13% of households were connected to the Internet via fixed broadband, with the medium remaining an exclusive one. Internet radio stations such as *2oceansvibe* are thus able to offer advertisers a relatively wealthy and tech-savvy audience because their audience are accessing the service only via smartphones or broadband connections.

Phones are an increasingly important platform for radio listening in South Africa: SAARF reports that in December 2013, 32.6% of the population listened to radio content on their mobile phones, up from 30.3% in June 2013.

Music streaming looks set to compete with radio in the homes of affluent South Africans as well. Furthermore, radio is under threat in one of its long-standing roles of providing entertainment for South Africans during their long car commutes. Interactive car dashboards are enabling music streaming apps to make their presence felt. This development, though currently in its infancy, threatens to take some share of listening time away from traditional radio stations.

Penetration of mobile Internet outstrips Internet connections via fixed broadband and is growing more rapidly. This will boost the number of people listening to radio content over the Internet as carriers bundle services in order to increase ARPU levels.

Swedish music streaming service Spotify looks set to launch in South Africa and the firm is likely to mimic the pricing strategies seen elsewhere. In December 2013, Spotify launched free music streaming on smartphones and tablets, complementing its existing free desktop offering. Then, in early 2014, Spotify removed caps on listening hours from all its free tiers. These were arguably the single two most disruptive moves in streaming audio since the advent of Apple iTunes.

The smartphone is set to become the key device for audio streaming services. New players are entering the market and, unlike traditional radio broadcasters, they do not need approval from the regulator, ICASA.

CliffCentral was initially available via WeChat and DStv, but today is available online only. According to the station's WeChat Official Account it has 108 000 subscribers, over 40 000 followers on Facebook, and over 25 000 followers on Twitter. Furthermore, the station's website has had just under a million page views and over 150 000 users.

Traditional broadcasters are responding by offering their stations as apps on the leading smartphone platforms. Kagiso Broadcasting and Primedia Broadcasting, for example, offer apps to listen to their stations.

The number of mobile phone users in South Africa is forecast to surpass 49 million in 2018, accounting for over 90% of the country's population.

Much of the growth in mobile phone usage will come from users adopting smartphones, and crucially, encouraged by carriers offering more competitively priced promotions for data.

Mobile Internet leads the way for online connections

Unlike music streaming services, radio has never been a one-way communication medium, with phones and talk shows a long-term staple of the industry. In the digital age these formats have readily embraced social media to actively engage with audiences.

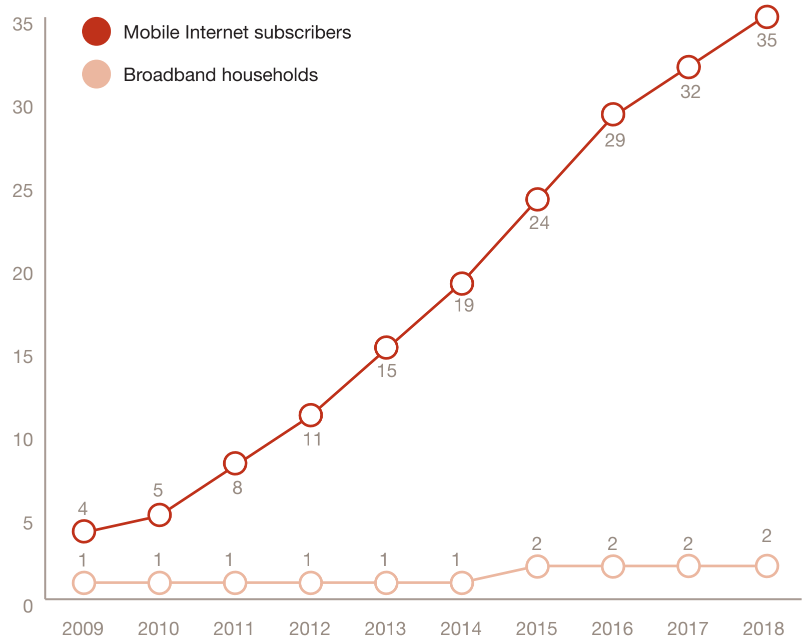
Radio stations' websites are being integrated with social media applications, making it easy for users to share stories with the station's digital community via a number of social media platforms.

Kagiso Broadcasting is an example of a company seeking to better utilise this opportunity. It has augmented its stations' online presence with new teams evaluating the point at which social media and radio meet, thereby informing future strategy.

The opportunity to deepen the broadcaster's relationship with listeners is clear, although monetising this remains a challenge. One approach is for social media platforms to provide two-way communications between the audience and presenters (and advertisers) facilitated by SMS, online, mobile phones, social networks, podcasts and vodcasts.

Radio stations are looking to establish and engage with communities of listeners by being interactive and inclusive. Advertisers are able to gauge audience reaction to their campaigns in real time by the number of likes or retweets their promotions elicit.

Fig. 8: Fixed broadband households and mobile Internet subscribers, 2009-2018 (millions)



Note: Whereas mobile Internet data deals with individuals, fixed broadband is a measure of the number of households with connectivity
Sources: PwC, Ovum

DAB+ is on trial

Though radio is still predominately an analogue market, audiences are quickly adopting digital media on other platforms and expect radio to be similarly portable and ubiquitous. How the radio business responds to the digital transition over the coming years will determine the shape of its long-term future.

The DAB+ standard for digital radio broadcasts is being trialled in Gauteng as a replacement for the congested FM and AM dials. The National Association of Broadcasters (NAB) and the Southern African Digital Broadcasting Association (Sadiba) have been running a 12-month trial since February 2014.

State-owned signal distributor Sentech is providing the DAB+ signal free of charge to trial participants using high-powered transmitters on the Sentech tower in Brixton and on the Kameeldrift tower outside Pretoria. In August 2014, Sentech announced that it will test DAB+ as from October 2014.

Prior to any commercial launch of digital radio in South Africa there needs to be agreement between television and radio broadcasters. This is because the spectrum ring-fenced for digital audio broadcasting (DAB) is currently being used by television broadcasters.

A completely separate trial is also under way to examine the replacement of analogue medium-wave broadcasts with DRM (Digital Radio Mondiale) broadcasts. The specific challenge for DRM will be the availability of suitable receivers in cars. In its August 2014 announcement, Sentach also announced that it would be testing DRM from October 2014 alongside DAB+.

Despite digital radio providing listeners a wider choice, encouraging consumers to switch will be challenging as it is thought that local authorities will not be as aggressive as those in other markets in turning off FM signals.

Despite the DAB+ trials, it is expected that traditional analogue radio, supplemented by the Internet, will continue to dominate the radio sector in South Africa for the foreseeable future.

Experts give RAMS a clean bill of health

The RAMS survey has previously come in for criticism due to changes to the research methodology and the time taken between conducting and publishing the survey findings – the changing sample components have resulted in the industry lacking the baseline data for time series comparisons in order to monitor changes in listener patterns.

The NAB and SAARF commissioned Roger Gane, the former MD of the media research division of Ipsos UK, and MD of RAJAR, the UK's radio audience measurement body, to conduct a technical audit of the RAMS survey during 2013. The report found that the RAMS survey audience was both representative and stable.

In addition, the South African radio industry made strides in demonstrating the return on investment for radio advertising by adopting the RadioGAUGE tool, which measures radio advertising awareness, brand perception and ad creativity effectiveness.

The current RAMS contract will, however, end in December 2014 and the NAB has already initiated the tender process to award a new contract for a credible and robust radio audience and currency survey (RACS). The new RACS contract will be for a period of five years and is for the design, development and implementation of the new survey. The NAB expects to award the tender in November 2014.[1]

For those considering Internet radio, there is no comparable tool for measuring effectiveness or audience reach, as the radio industry currently does not have an organisation with an industry-recognised methodology.

TMG on an acquisition spree

Confirming radio's potential is the news that media conglomerate Times Media Group (TMG) is building stakes in radio broadcasters with the acquisition of a 49% stake in *Radio Africa*, a controlling 60% stake in *Vuma FM* and full acquisition of Mpumalanga's *MPower*, all in the space of four months.

Radio DJs know their audience; music streaming services in comparison are just guessing…

A music streaming service can have a catalogue of more than 30 million tracks, which can be dizzying for the consumer. Millions of tracks do not guarantee a good user experience. In fact, they offer so much choice that there is in effect no choice at all. This is the 'tyranny of choice'.

Curation is the answer and radio broadcasters have the opportunity to capitalise. Radio does not even attempt to deliver all the music in the world, but rather the music that its audiences want to hear. It delivers the relatively small number of songs that matter rather than the 30 million that don't.

1 http://www.nab.org.za/nabnews.asp accessed 29 August 2014

Radio has the opportunity to reassert itself as the trusted voice of curation and taste. The brands of the DJ, the show and the station are beacons that can guide the consumer. For all of the technological innovation and disruption on the horizon, no amount of algorithms can replace the human touch of radio. This is the value that radio broadcasters must learn how to communicate clearly and at scale in the digital marketplace.

...But radio must pay its dues

The NAB has been in dispute with the South African Music Performance Rights Association (SAMPRA) regarding needletime royalties payable for the broadcast of copyrighted sound recordings. A judgment delivered by the Commissioner of Copyright at the Copyright Tribunal in 2012 set the needletime royalty rate of up to 7% of gross revenues as an equitable measure.

Following the Tribunal's ruling, the NAB lodged an application for leave to appeal the judgment to the Supreme Court of Appeal (the SCA), and the leave to appeal was granted. The matter was heard on 17 February 2014 and a ruling was passed by Judge Navsa on 14 March 2014, providing that the royalty be 3% of net broadcasting revenue. On 24 April 2014, SAMPRA lodged a further leave to appeal with the Constitutional Court, arguing amongst others that the SCA failed to interpret the relevant sections of the Copyright Act in line with the spirit, purpose and object of the Bill of Rights. The application was dismissed by the Constitutional Court on 4 August 2014, thereby confirming the appropriateness of the royalty calculation as set out in the SCA ruling.

Nigeria

Nigeria's radio market to exceed US$100 million in 2017

Radio revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Advertising	75	79	81	86	89	92	95	98	101	105	3.3%
Total	**75**	**79**	**81**	**86**	**89**	**92**	**95**	**98**	**101**	**105**	**3.3%**
YOY growth (%)		***5.6%***	***2.6%***	***5.0%***	***4.0%***	***3.5%***	***3.1%***	***3.2%***	***3.3%***	***3.5%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

Nigeria is an emerging radio market with revenues of US$89 million in 2013. The country is shaking off the tight regulations set down on its radio and TV markets, which had previously prevented the market's development, but over the forecast period radio revenues will grow only modestly by a CAGR of 3.3% to reach US$105 million by 2018, topping US$100 million in 2017.

The Nigerian radio market is still regulated by the National Broadcasting Commission, but today there are more than 150 radio stations broadcasting in the country.

For the people of Nigeria, radio is the main source of information as televisions are mostly used by affluent citizens and urban dwellers. Radio's content is also more relevant to Nigerians as 80% of output has to be produced locally, compared with 60% for television.

In addition, foreign broadcasters including *Voice of America* and the *British Broadcasting Corporation* are key providers of news in the country.

Radio advertising will benefit from an economy where real GDP is forecast to grow by on average 6.9% per annum over the next five years. Another attraction for advertisers is the rapid urbanisation of the Nigerian population, with the World Bank forecasting that 63% of Nigerians will live in urban areas by 2017, up from 47% in 2008. This process, combined with economic growth, creates new consumer demand for advertisers' products.

Many radio stations have their own distinctive output to attract audiences and advertisers:

- *Beat FM 99.9* premieres new music with a focus on popular presenters;
- *Inspiration FM 92.3* caters to a multicultural audience;
- *Lagos Traffic Radio* was launched by the Lagos State Government in May 2012 to help listeners navigate the traffic congestion in the city;
- *Nigeria Info 99.3,* launched in 2012, provides audiences with talk shows, news and sport; and
- *Wazobia FM's* flagship programme, Sandar Girma (staff of honour), examines government policies.

In addition, a number of Nigerian radio stations have started to present formal music charts and structured playlists.

In 2012, there was a switchover to digital broadcasting, while Nigerian radio stations are available via the Internet and smartphones too. Radio stations such as *Cool FM 96.9* are available on streaming services such as Streema, while the *Nigeria Radio Player 1* is available as an app for iPhones and iPads. Despite listening to radio content on smartphones, consumers still encounter the problem of the country's erratic electricity supply.

Internet streaming also offers a way for Nigerian expatriates to keep in touch with music and news from home, which represents a new and potentially affluent segment to advertisers.

Mobile Internet subscriptions are forecast to reach 45% penetration in 2018, soaring up from just 0.5% of the population in 2009.

In July 2014, the Nigerian Government unveiled plans to introduce content access fees to replace radio licence fees. The current radio licence fees have proved difficult to collect, but content access fees will take advantage of the new digital technology for the purposes of collection. The move is planned to be in place in time for Nigeria's move to DTT broadcasting by 2015.

Kenya

Kenya's radio market will continue its rapid growth

Radio revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Advertising	148	216	253	269	305	329	355	381	409	439	7.5%
Total	**148**	**216**	**253**	**269**	**305**	**329**	**355**	**381**	**409**	**439**	**7.5%**
YOY growth (%)		***46.5%***	***17.2%***	***6.2%***	***13.4%***	***7.9%***	***7.7%***	***7.5%***	***7.3%***	***7.2%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

Kenya's radio market had revenues of US$305 million in 2013. Total radio revenue grew by a remarkable 106% between 2009 and 2013, reflecting a burgeoning market.

Historically, the commercial development of the radio market has been constrained by the dominance of state-funded Kenya Broadcasting Corporation (KBC).

As well as being state funded, the KBC also receives revenue from advertising. KBC has a Swahili service in addition to its flagship English service. It also operates regional services in the major languages spoken across Kenya: Somali, Borana, Rendilie, Burji, Turkana, Meru, Embu, Maasai, Kamba, Luo, Kisii, Kalenjin, Luhya, Suba, Teso and Pokot.

KBC's influence also derives from its ability to cover the largest geographical area. Radio remains the most important medium in rural areas.

According to figures published in August 2013, *Radio Citizen* has the largest national reach (39%), followed by *Milele* with 26% national reach. An alternate source put *Radio Citizen's* national reach at 46% in the second quarter of 2013 with *Radio Taifa* second with 24%.

The radio market is poised to continue its growth, albeit at a slower pace than in previous years, and will see revenues reach US$439 million in 2018, a CAGR of 7.5%.

Radio advertising provides a cheaper way to reach urban and rural audiences in the country compared with television or print. The growth in radio advertising has attracted international media companies to invest in the Kenyan market with South Africa's Times Media Group buying a 49% stake, at an outlay of US$18.6 million, in Kenya's privately-owned Radio Africa Limited.

Improving real GDP, rising on average at 6.2% per annum, will contribute to an increasing number of Kenyans moving from rural to urban areas, boosting radio audiences and radio advertising in the country. According to World Bank forecasts, 29% of Kenyans will be living in urban areas by 2017, representing a rise of nine percentage points from 2008.

Internet-delivered services are likely to be more widely adopted by Kenyans over the forecast period. By 2018, 50% of Kenyans over 15 will have a mobile Internet subscription, up from just 1.8% in 2012. The actual penetration of Internet access will likely be far higher as users also access the Internet via standard data bundles.

In 2014, the Kenyan Diaspora Community set up a new radio station, *Taifa Radio*, in the UK. The station is hosted on the Diaspora website and available on smartphones.

Global trends in radio

The following is extracted from *PwC Global Entertainment & Media Outlook 2014-2018*

Global radio revenues will grow at a 2.7% CAGR

Global radio revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2013-18**
Advertising	31 294	31 885	32 700	33 284	34 121	35 048	36 026	37 046	38 049	39 088	2.8%
YOY growth (%)		*1.89%*	*2.56%*	*1.78%*	*2.51%*	*2.72%*	*2.79%*	*2.83%*	*2.71%*	*2.73%*	
Public funding	6 762	6 799	6 783	6 778	6 801	6 875	6 876	6 934	6 909	6 882	0.2%
YOY growth (%)		*0.5%*	*-0.2%*	*-0.1%*	*0.3%*	*1.1%*	*0.0%*	*0.9%*	*-0.4%*	*-0.4%*	
Satellite radio	2 474	2 613	2 828	3 216	3 536	3 798	4 086	4 406	4 656	4 779	6.2%
YOY growth (%)		*5.6%*	*8.3%*	*13.7%*	*9.9%*	*7.4%*	*7.6%*	*7.8%*	*5.7%*	*2.6%*	
Total	**40 530**	**41 297**	**42 311**	**43 278**	**44 458**	**45 721**	**46 988**	**48 386**	**49 614**	**50 749**	**2.7%**
YOY growth (%)		***1.9%***	***2.5%***	***2.3%***	***2.7%***	***2.8%***	***2.8%***	***3.0%***	***2.5%***	***2.3%***	

Sources: PwC, Ovum

- Total radio revenue will reach US$50.7 billion by 2018, rising from US$44.5 billion in 2013. Nevertheless, it will be a market under pressure from streaming music – a movement that could have repercussions for radio's digital future. Annual growth is expected to slow from 3.0% in 2016 to 2.3% in 2018.
- Although China's total radio revenue will be more than 50% higher in 2018 than in 2013, the country will still only account for 6% of global radio revenue by 2018. The US, by contrast, will account for 44% of global radio revenue, with Germany in second place with 9%.
- Radio advertising revenue will reach US$39.1 billion by 2018, rising at a CAGR of 2.8%. Yet broadcasters are at risk from music streaming providers as services launch free-to-consumer mobile offerings and compete directly for radio advertising dollars.
- Interactive car dashboards are enabling music streaming apps to make their presence felt. This development threatens to take radio listening time away from both traditional and satellite radio.
- There are few success stories in digital radio, with the market's technology transition path unclear. Analogue technology remains the global listening choice, while the inroads made by music streaming apps create an uncertain future for digital.
- The prospect of music catalogues running to 30 million tracks can be dizzying for the consumer. Curation is the answer and radio broadcasters have the opportunity to capitalise, thus minimising competitor disruption.

Music

Natalia Gomes • Manager
Tana Viviers • Manager

Definitions

The music segment consists of consumer spending on recorded music, including both physical and digital recorded music, live music played at concerts and revenue from sponsorship of live music. It does not include revenue from merchandise or concessions at live music events. It includes both digital and non-digital revenue, and revenue from both consumer and advertising spending.

The recorded music component comprises physical and digital formats:

- Physical recorded music covers any retail or online purchase of official physical albums (i.e. CDs), single sound recordings or music videos; and
- Digital recorded music considers the sale of any licensed music distributed digitally to connected devices (including PCs, tablets, smartphones and dedicated music players) and is split between streaming and downloads:
  - Streaming comprises revenue from subscription and advertiser-supported streaming services. Note that service providers do not break this revenue out into consumer and advertising components; and
  - Downloads includes revenues from any licensed recorded music downloaded via app stores or licensed services.

Mobile music here refers to the purchase of ringtones and ringback tones only. Revenues from music services that are delivered wirelessly to connected devices are included under digital.

All consumer spending is measured at retail level, which can be substantially higher than the wholesale or trade value revenues reported. This segment includes both digital and non-digital revenue and is revenue from consumer spending.

Figures for live music revenues are made up of consumer spending on tickets to concerts and music festivals as well as sponsorship revenues. No other consumer spending at live music events, such as merchandise or refreshments, is included in the live music total. This segment is non-digital and represents revenue from consumer and advertising spending.

The total number of music units sold at retail level, both physical and digital, includes both single tracks (as either physical or digital singles) and albums (either digital or physical).

The number of individual music tracks sold digitally includes digital singles, albums and paid-for music videos.

The number of physical music units sold includes albums on CD, single sound recordings and paid-for music videos.

In brief

The music market continued to see a decline in total revenues, with music revenues decreasing by 2.7% in 2013. *South Africa saw a 2.7% fall in total music revenue in 2013, as a sharp drop in physical recorded music was not compensated for by rises in digital recorded music and live music revenues. The music market was worth R2.13 billion in 2013, down from R2.19 billion in 2012. Annual revenue is forecast to grow marginally by a CAGR of 0.5% to remain relatively flat at R2.18 billion in 2018.*

Gains made by digital retailers will fall short of compensating for the physical decline. *Revenue from the retail value of physical sales is expected to total R384 million in 2018, less than half the equivalent revenue in 2014. Digital music sales will increase at an estimated CAGR of 17.3% in the next five years and total R345 million in 2018. However, the gains made by digital retailers will fall short of compensating for the physical decline.*

Sales of physical units will continue to decline. *The number of physical unit sales will decrease at a CAGR of 8.8% between 2014 and 2018, with unit sales forecast at 9 million in 2018, just under half the 20 million figure in 2009. Digital unit sales will rise at a CAGR of 18.5% to end 2018 at 18 million units.*

Download sales growth may be slowing, but the format remains strong. *Mobile formats provided over half of all digital trade revenue up to 2012. However, despite steady sales in ringback tones, a decline in sales of ringtones and other mobile products will see mobile sales edge downwards.*

Live music will continue to show strong growth, overtaking spending on recorded music in 2014. *Consumer spending on live music is forecast to rise at a CAGR of 7.8%, reaching R1.45 billion in 2018, up from R998 million in 2013. Spending on live music will overtake spending on recorded music in 2014.*

Growth in music revenues in Nigeria remains sluggish. *Nigeria saw a 1.6% rise in total music revenues in 2013 to US$53 million, up from US$47 million in 2009. Annual revenue is forecast to grow by an estimated CAGR of 9.3% to reach US$81 million in 2018.*

Spending on digital music overtook overall retail spending on physical formats in 2013. *Spending in Nigeria on physical formats will total an estimated US$11 million in 2018, less than half the value in 2009. Spending on digital music, which overtook spending on physical music in Nigeria in 2013, will increase at a forecast CAGR of 20.8% in the next five years to total US$61 million in 2018.*

In Kenya, growing digital sales will more than compensate for physical format declines. *Kenya's total music revenues rose 0.3% in 2013 to US$20 million, aided by growth in digital music. Annual revenue is forecast to rise at a CAGR of 6.3% to reach US$27 million in 2018. Digital sales in Kenya will increase at a CAGR of 17% to US$18 million in 2018. Growing digital sales will more than compensate for physical format declines.*

South Africa

The South African music market will rise at a CAGR of 0.5% in the next five years

South Africa, music revenue, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical	1 592	1 460	1 290	1 163	974	785	653	548	460	384	-17.0%
Digital	71	84	89	87	155	203	241	280	315	345	17.3%
Downloads	10	11	12	15	86	128	155	178	191	197	17.9%
Mobile	51	42	51	49	46	45	45	44	44	44	-0.8%
Streaming	10	31	26	23	23	30	41	58	80	104	35.7%
Total recorded music	1 663	1 544	1 379	1 250	1 129	988	894	828	775	729	-8.4%
Live music	748	819	880	936	998	1 068	1 147	1 236	1 337	1 451	7.8%
Total music revenues	**2 411**	**2 363**	**2 259**	**2 186**	**2 127**	**2 056**	**2 041**	**2 064**	**2 112**	**2 180**	**0.5%**
YOY growth (%)		***-2.0%***	***-4.4%***	***-3.2%***	***-2.7%***	***-3.3%***	***-0.8%***	***1.2%***	***2.3%***	***3.3%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

South Africa's music market was worth R2.13 billion in 2013, down from the 2009 figure of R2.41 billion. Annual revenue is forecast to grow marginally by a CAGR of 0.5% to remain relatively flat at R2.18 billion in 2018.

South Africa will underperform the Europe, Middle East and Africa (EMEA) region and global trends in terms of annualised growth. Over the next five years, the EMEA region will grow at a CAGR of 0.7% and globally the rise in the value of music will be 1.2%.

Digital music distribution continues to evolve rapidly and spending on the different music formats and services is set to increase in the next five years. The transition away from physical formats is changing the landscape, with the benefits of the rollout of digital music services starting to become evident. For the recorded music industry overall, digital growth will not fully compensate for the physical decline which will continue throughout the forecast period.

South Africa's music sector will underperform EMEA and the world in terms of CAGR in the next five years

Fig. 1: South Africa, EMEA and global music sector CAGR (%), 2013-2018

Sources: PwC, Ovum

Retail spending on physical formats will continue its downward decline into 2018. Revenue from retail of physical sales is expected to total R384 million in 2018, down from R974 million in 2013.

Digital sales will account for 47% of South African recorded music retail sales by 2018

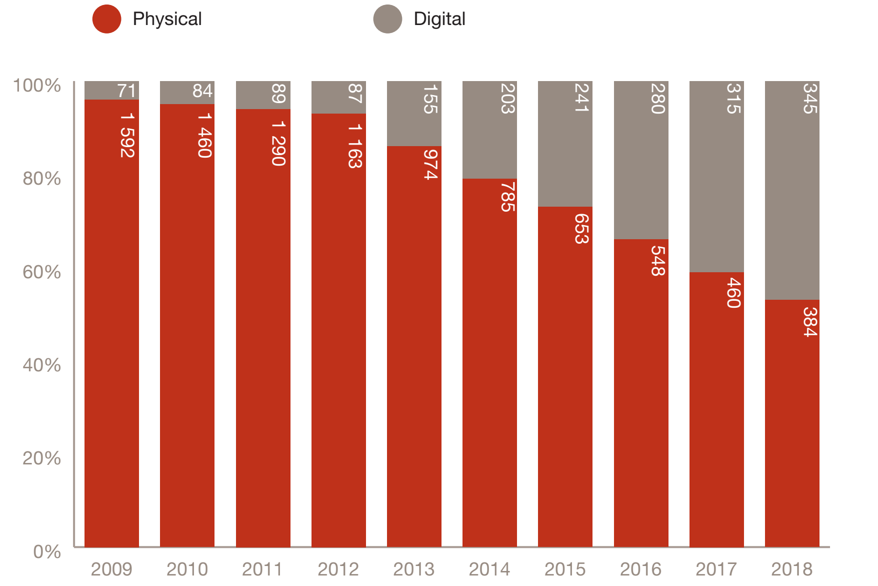
Continued growth in broadband and smartphone penetration is accelerating the shift to digital music. Digital music is cheaper, offers instant access and is more portable, all major advantages. While Apple's iTunes store spearheaded the digital transition, in future the growing availability and popularity of streaming services based on access to a library of content, rather than individual transactions, will be a more important driver of digital growth.

Retail spending on digital music will increase at an estimated CAGR of 17.3% in the next five years and will total R345 million in 2018. But digital gains will not make up for the physical decline and total recorded music revenue is forecast to decrease at a CAGR of -8.4% over the next five years to R729 million in 2018.

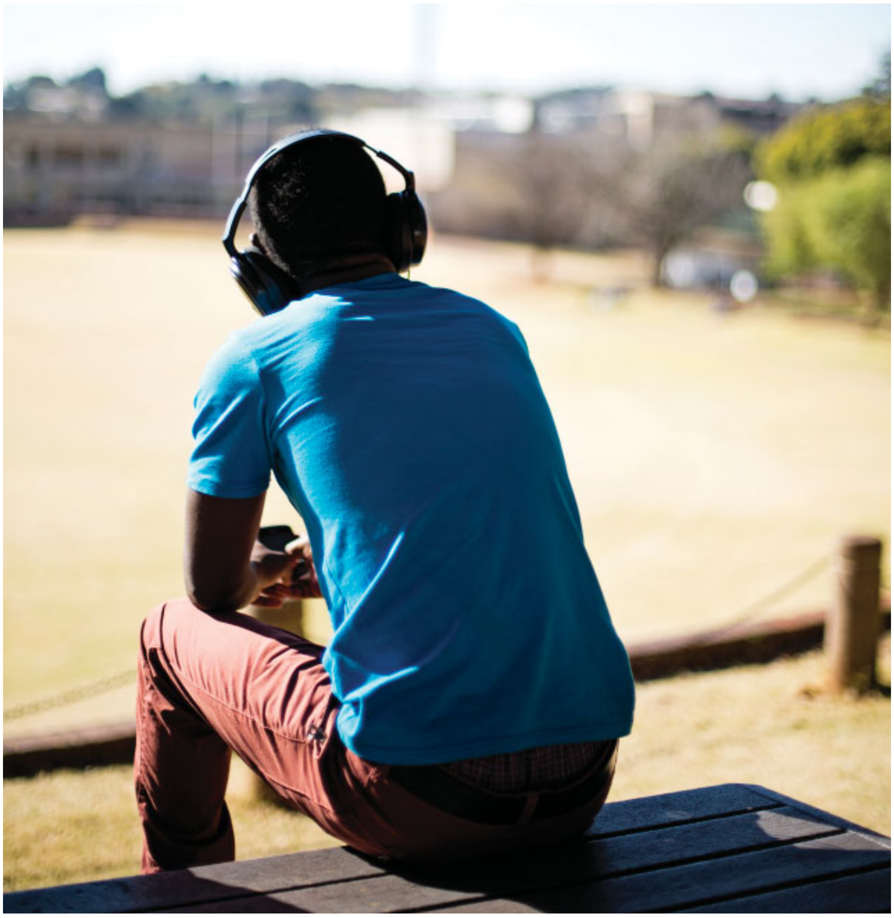
Although strong annual growth is forecast for retail spending on digital music, by 2018, digital will still account for less than half (47%) of total retail spending on recorded music.

The number of physical unit sales will decrease at a CAGR of -8.8% in the next five years, with unit sales in 2018 forecast at 9 million, less than half of the total of 20 million in 2009. Digital unit sales will rise at a CAGR of 18.5% to 18 million in 2018.

Fig. 2: Recorded music retail sales by revenue (R millions) and format share, 2009-2018 (%)



Sources: PwC, Ovum



South African recorded music unit sales will rise at a CAGR of 3.9% in the next five years

Recorded music unit sales, 2009-2018 (units million)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical	20	19	17	17	15	13	12	11	10	9	-8.8%
Digital	1	1	1	1	8	11	14	16	17	18	18.5%
Total	**21**	**20**	**18**	**18**	**23**	**24**	**26**	**27**	**27**	**27**	**3.9%**

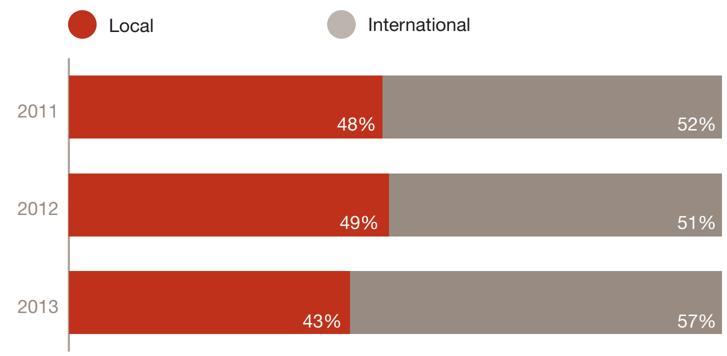
Sources: PwC, Ovum

In the past ten years or so, the dominance of international repertoire has steadily been eroded by releases by domestic artists. Although the share taken by international artists increased to 57% last year, up from 51% in 2012, the international share is still much lower than it used to be. In 2000, international repertoire accounted for almost three-quarters of the trade value of physical format sales.

Local repertoire is divided among ethnic groups and cities. In the African community, music styles range from local versions of hip hop and R&B to the township dance genre kwaito, as well as pop, gospel and choral styles such as Zulu isicathamiya singing and harmonic mbaqanga. Although a number of acts release music in English, the past few years have seen a resurgence in the popularity of Afrikaans artists.

International repertoire accounted for the majority of physical recorded music trade sales in 2013

Fig. 3: Physical recorded music trade sales by repertoire share, 2011-2013 (%)



Source: Recording Industry of South Africa

Music retail's digital challenge

Despite the continued dominance of the CD album in South Africa, much of the future focus for music retail will be on the digital side. Almost half of all CD sales in the country are by one retailer and the decline in the popularity of the format has resulted in the closure of many smaller independent 'bricks-and-mortar' music sellers.

Undeterred, traditional retailers such as Musica are going head-to-head with digital competitors. Musica is not underestimating its well established brand as its main asset in its battle for market share. Part of the South Africa-based Clicks Group, it is the market leader for CD sales. Clicks indicated that Musica increased its market share of CD sales in South Africa in 2013 to 46.2%, from 43.7% in 2012.

Because of low Internet penetration, Musica has only faced limited competition from online retailers of CDs. Musica sells CDs and music videos online but has not yet launched a download store. Not entering the download or streaming sector might prove to be detrimental in the long run, given the impact on download sales caused by the rollout of iTunes.

Apple launched its music store in South Africa in December 2012 and download sales subsequently exploded. Although a number of other download stores are operating in the country, most notably telecoms operator MTN's Play store, none has been as successful as iTunes.

Mobile formats provided over half of all digital trade revenue up to 2012. However, despite steady sales in ringback tone sales, a decline in the sales of ringtones and other mobile products will see mobile sales edge downwards annually in the next five years.

The Kleek offers South African music fans a local music-streaming service

The international music subscription services operating in South Africa are Deezer, Rara.com, Rdio and Simfy. In June 2014, MTN partnered with Simfy in an exclusive deal that sees MTN offer the service to its subscribers at a reduced rate. MTN customers can access the Premium Plus tier of the service for R49 a month, compared with the full price of R60. In addition to online and mobile access to about 23 million tracks, the Premium Plus tier enables offline playback.

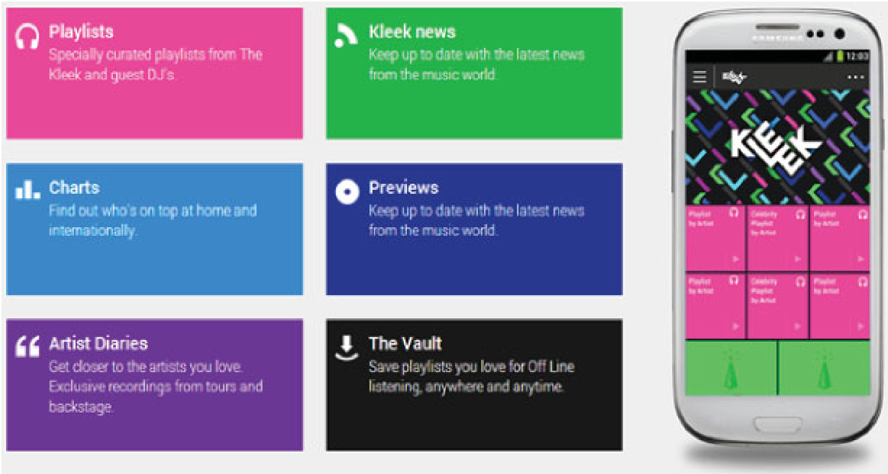
Local competition comes from The Kleek, a music-streaming service targeted at the African market, with a mix of local and international tracks. The service was launched in 2013 by Universal Music Group (UMG) in partnership with Samsung.

The Kleek is embedded in Samsung Android handsets as part of a two-year deal in which the South Korean manufacturer acts as the service's exclusive smartphone partner. Buyers of the handsets access the service free of charge for the first 12 months of usage. The Kleek is funded by UMG and enabled by Indian mobile value-added service platform provider IMI Mobile.

Live music

The live music sector has proved to be far more stable than recorded music. Consumer spending on live music is forecast to rise at a CAGR of 7.8% over the next five years, reaching R1.45 billion in 2018, up from R998 million in 2013. Spending on live music will overtake spending on recorded music in 2014. By 2018, live music will account for 67% of consumer spending on music in South Africa.

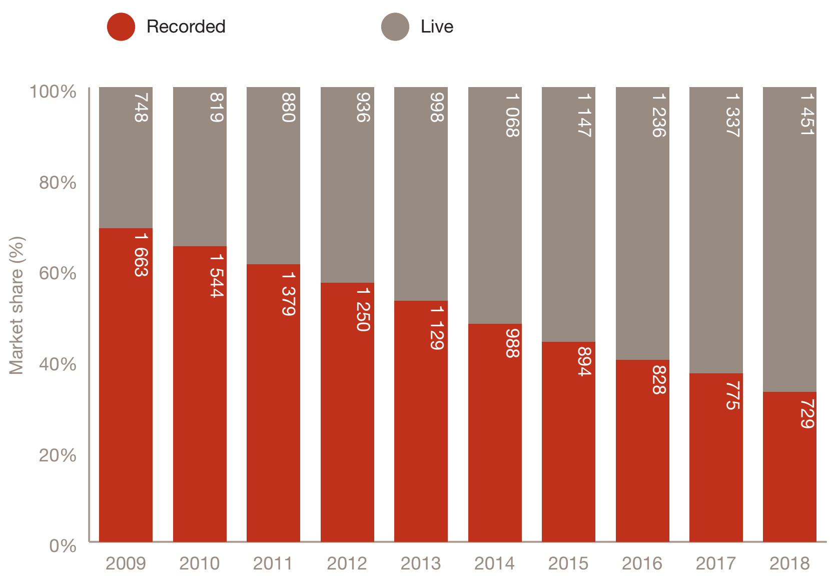
The Kleek service promotion screenshot



Source: The Kleek

Consumer spending on live music will overtake recorded music in 2014

Fig. 4: Consumer spending revenue (R millions) and market share, live vs recorded music, 2009-2018 (%)



Sources: PwC, Ovum

South Africa's music industry follows European model

South Africa is unique on the continent of Africa for being the only country with a music market that resembles those in Europe and North America. Similarities extend to the dominance of recorded music sales by the major record companies. The three majors, UMG, Sony Music Entertainment (SME) and Warner Music Group (WMG), account for around three-quarters of distribution share and two-thirds of sales share. SME is the biggest of the majors, with its share boosted by the July 2013 acquisition of the leading independent company Select Musiek.

Independent record companies in South Africa are represented by the Association of Independent Record Companies (AIRCO), which was formed in 2006 by the Department of Arts & Culture, Business & Arts South Africa, the Moshito Music Conference and the Southern African Music Rights Organisation (SAMRO). Notable independent music companies include Mozi Musiek, Sheer Sound, Rhythm Records and Bula Music.

South Africa's live sector is also more akin to Western countries than to its African neighbours. A small number of large promoters are dominant and behind most of the big-name acts to perform in the country. International promoter Live Nation operates in South Africa, having formed a strategic alliance with Big Concerts (a local concert promoter) to act as their exclusive promotion partner for all tours in the country.

Before the Live Nation alliance, Big Concerts was the dominant South African live promoter. Since it was established in 1989, Big Concerts has sold more than 10 million tickets and produced concerts for approximately 300 international artists. The company promotes concerts in the largest South African cities, including Johannesburg, Durban and Cape Town. Artists that have played in South Africa through Big Concerts this year include Bruce Springsteen, Joss Stone and Armin van Buuren, while Thirty Seconds to Mars are scheduled to perform in November 2014.

According to a report published at the beginning of 2014 by Concerts South Africa and funded by Rikskonsertene (Concerts Norway), the Norwegian Ministry of Foreign Affairs, and the SAMRO Foundation, most South African cities have an active and flourishing live music scene. The report, 'Song Lines: Mapping the South African Live Performance Landscape', found that South Africa's live sector has made significant progress in the last few years, with more venues providing backline PA systems and about three-quarters able to accommodate credit-card payments.

The report said that 93 music festivals were staged in South Africa in 2013, the majority of which were rock or arts festivals. The most notable music festivals are: the *Cape Town International Jazz Festival*, which is held annually in April, and *RAMfest*, a rock festival staged in Cape Town, Durban, Port Elizabeth and Johannesburg in March.

Beyond the larger festival and arena circuits, most South African cities have a large number of bars, clubs and restaurants that stage live music. Most of these venues host local acts. However, although these small-scale venues offer good opportunities for artists to be heard, they pay very little and are largely a means for promotion. Sponsorship and funding of live music is targeted at the bigger events and the smaller club circuit usually receives little in the way of financial support.

Authors' rights collections continue to rise

Authors' rights in South Africa are managed by SAMRO. For the 12 months ended June 2013, SAMRO's total group year-on-year revenue increased 11% from R384.3 million to R426.6 million. Music rights income also rose 10% from R337.4 million to R371 million.

SAMRO became a not-for-profit company in 2013 due to changes to the South African Companies Act, which meant the authors' society was required to convert to a cooperative or become a not-for-profit organisation. SAMRO defaulted to the latter as the cooperative model did not achieve a majority vote at the company's 2012 annual general meeting.

This change meant that certain benefits paid to SAMRO members, such as non-royalty revenue and contributions to the collection society's retirement annuity fund, were no longer permissible in terms of the Companies Act unless changes were made to the founding documents in the form of a new memorandum of incorporation.

Total income generated by performing-rights licences increased 13.8% in the 12 months ended June 2013 to R355.2 million, up from R312.1 million in the preceding 12 months. General licensing was the biggest success story with revenue up 22.9% from R80.3 million to R98.7 million. The big increase followed the issuing of more music licences.

Copyright protection and copyright law amendments

The rise in household broadband Internet penetration has brought with it increased use of unauthorised music distribution services. Sales of illegal hard formats by vendors in many street markets have evolved from simple copies of albums to CDs and DVDs containing large numbers of unauthorised content downloads.

Organised pirate operations are often behind the supply and distribution of pirate copies and, despite education efforts and campaigns to warn consumers away from the black market for music, consumers remain attracted by the low prices.

Efforts by music companies in South Africa to prevent the spread of unauthorised music online have encountered the same sort of roadblocks faced by trade bodies and music companies elsewhere in the world. Internet service providers (ISPs) have become the focus of music company attention to control or block access to unauthorised distribution services in South Africa, but like many of their international counterparts, the South African ISPs have refused to take action.

At the end of 2013, South Africa enacted new 'traditional knowledge' legislation as part of the Intellectual Property Amendment Act 2013. The aim of the act was to amend certain laws (the South African Copyright Act [1978], the Performers Protection Act [1967], the Trade Mark Act [1993] and the Design Act [1993]) so as to provide better protection of indigenous knowledge.

The DTI first published its Intellectual Property Amendment Bill in 2009. The Bill was amended numerous times after several stakeholder groups expressed concerns about various issues contained in it. Opposition to the Bill resulted in the DTI employing an independent organisation to conduct an impact assessment on the amendments to the different acts.

The DTI submitted the Bill to South Africa's Parliament in 2010, and it was passed by the National Assembly in the same year. However, simmering opposition eventually forced the country's president, Jacob Zuma, to refuse to sign the bill in March 2013 and insist that it be returned to Parliament for consideration by the House of Traditional Leaders. The bill was reviewed by the Provincial Legislatures, who subsequently reported back to the National Council of Provinces. In December, the Bill was signed by Zuma and published in the Government Gazette.

In April 2014, the South African Government changed the tax system for digital goods sold in the country by overseas companies. In last year's budget, then Finance Minister, Pravin Gordhan, said all overseas suppliers of digital goods must be registered as value-added tax (VAT) vendors in South Africa. Before then, overseas vendors did not charge VAT on their digital goods and so the Government missed out on the collection of the service tax.

Since 1 April 2014 consumers have been charged 14% VAT on digital goods, regardless of whether they are bought from a local service or an international supplier. Some services absorbed the extra costs and prices remained unchanged. Others simply add the extra charge to the total price of the digital goods.

A global trend that will also impact the South African market is the analysis of digital data to develop targeted marketing campaigns. Smart use of fan data is a new concept that should allow record companies, promoters and advertisers to provide more personalised and targeted marketing. They will need to partner with big data providers, but there is optimism that this strategy can increase engagement and, ultimately, revenues.

Nigeria

The Nigerian music market will expand at a CAGR of 9.3% over the next five years

Music revenue, 2009-2018 (US$ million)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical	26	25	23	22	20	18	16	14	12	11	-11.1%
Digital	13	16	18	21	24	28	33	40	49	61	20.8%
Downloads	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.7	10.5%
Mobile	13	15	18	20	23	27	32	39	48	60	21.0%
Streaming	0*	0*	0*	0*	0*	0*	0*	0*	0*	0.1	41.6%
Total recorded music	39	41	41	43	44	46	49	54	61	72	10.6%
Live music	8	8	8	8	9	9	9	9	9	9	1.8%
Total music revenues	**47**	**49**	**49**	**51**	**53**	**55**	**58**	**63**	**70**	**81**	**9.3%**
YOY growth (%)		***2.8%***	***2.7%***	***2.8%***	***1.6%***	***3.8%***	***6.3%***	***9.1%***	***12.2%***	***15.6%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
*less than US$100 000
Sources: PwC, Ovum

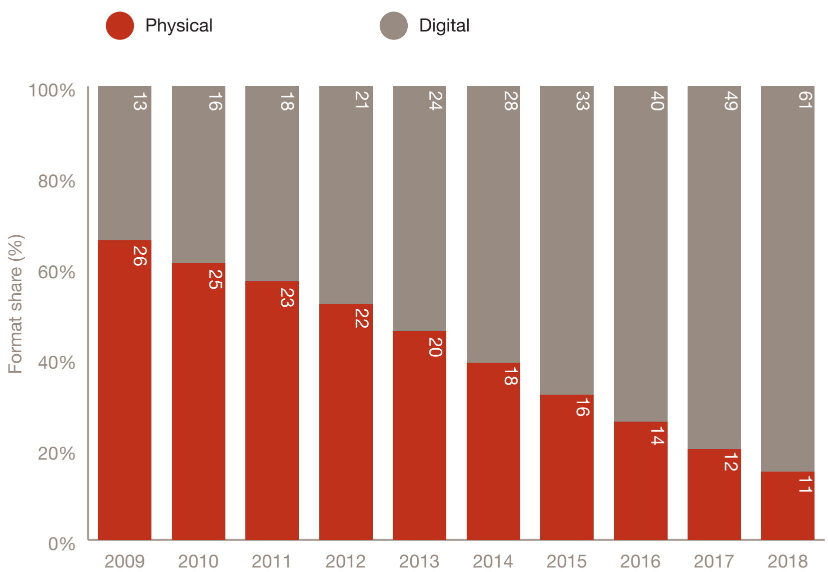
Nigeria's music market generated revenue of US$53 million in 2013, up from US$47 million in 2009. Annual revenue is forecast to grow by an estimated CAGR of 9.3% to reach US$81 million in 2018.

Retail spending on physical formats has been falling for the last few years and will continue to do so over the forecast period. The retail value of physical sales will total US$11 million in 2018, less than half the value in 2009.

Retail spending on digital music, which overtook spending on physical music in Nigeria in 2013, will increase at a forecast CAGR of 20.8% in the next five years to total US$61 million in 2018. The rise in digital sales will more than compensate for physical declines and annual spending on recorded music overall will increase at a CAGR of 10.6%.

Digital sales will account for more than four-fifths of Nigeria's recorded music sales in 2018

Fig. 5: Recorded music retail sales by revenue (US$ millions) and format share, 2009-2018 (%)



Sources: PwC, Ovum

Unit sales of physical formats of recorded music will follow retail spending and also decline over the next five years. However, little growth is expected for digital unit sales. The number of physical unit sales is expected to decrease at a CAGR of -5.6% in the next five years, with unit sales in 2018 forecast at nearly three million, while digital unit sales are expected to remain at around one million each year until 2018.

Nigeria recorded music unit sales will fall at a CAGR of -5.6% in the next five years

Recorded music unit sales, 2009-2018 (units million)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical	5.3	5.1	5.0	4.8	4.3	3.9	3.6	3.2	2.9	2.7	-9.4%
Digital	0.4	0.5	0.6	0.7	0.7	0.8	0.9	0.9	1.0	1.1	9.5%
Total	**5.7**	**5.6**	**5.6**	**5.5**	**5.0**	**4.7**	**4.5**	**4.1**	**3.9**	**3.8**	**-5.6%**

Sources: PwC, Ovum

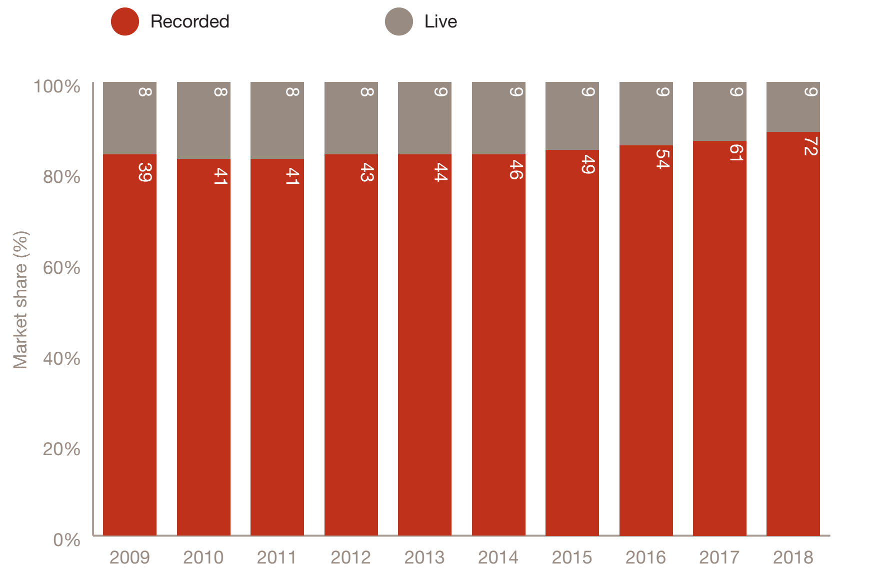
Despite Nigeria's position as one of the wealthiest and most populous countries in Africa, per-capita spending on recorded music is very low. Legitimate retailers have a long history of struggling to compete with organised illegal selling of CD copies for a fraction of the price of legitimate versions. Artists often complain of little return on the release of albums, with many relying on live performances as their main source of income.

Broadband Internet access is forecast to rise in the next five years and beyond. While this will create a bigger potential customer base for digital services operating in the country, the number of users of unauthorised distribution services will also grow.

Currently there are no initiatives at government level to deal with online piracy and so the likes of Apple's iTunes, which launched in Nigeria at the end of 2012, will find it very difficult to generate any meaningful growth in the country.

Consumer spending on live music events in Nigeria is set to grow at a CAGR over the next five years of 1.8%. However, the faster rate of growth in spending on digital music will mean that live will account for a decreasing share of total music revenue over the next five years.

Fig. 6: Consumer spending by revenues (US$ millions) and share of live and recorded music, 2009-2018 (%)



Sources: PwC, Ovum

Digital growth reduces live music's share of the market

One of the biggest live music events in Nigeria is the annual Star Music Trek tour, which sees a number of top local acts play in ten of the country's major cities over the course of ten weeks. The 2014 tour ended in June with performances from local artists Wande Coal, Kcee, Harrysong, Sean Tizzle and May D in Surulere, Lagos.

Big gains for authors' rights

In addition to the problems faced by the recorded music sector regarding unauthorised distribution, authors and publishers have long suffered from the use of their music without receiving remuneration. However, in the last year or so, the Copyright Society of Nigeria (COSON) has made big strides in forcing music users to pay for licences.

In May 2014, COSON signed what it described as a historic music copyright royalty agreement with the entire broadcasting industry in Nigeria. The signing ceremony in Lagos was attended by a number of high-profile broadcasting executives, including Emeka Mba, the director-general of the National Broadcasting Commission (NBC); Mallam Abubakar Jijiwa, the director-general of *Voice of Nigeria* and chairman of the 400-member Broadcasting Organisations of Nigeria; and Afam Ezekude, the director-general of the Nigerian Copyright Commission (NCC).

The deal between COSON and the broadcasting sector brought an end to a long disagreement between the parties, which culminated in COSON filing a number of copyright-infringement lawsuits against some of Nigeria's leading broadcasters. The NBC and the NCC subsequently stepped in to resolve the dispute and a committee involving all the parties was formed. Negotiations started at the beginning of 2014, culminating in the agreement concluded in May.

COSON has yet to publish detailed royalty collection and distribution figures and so the precise impact of the new agreement is not yet known. However, given that broadcasting is traditionally the biggest revenue generator for authors and publishers in most markets around the world, the importance of the new agreement should not be understated.

In addition to raising royalties for authors and publishers in Nigeria, the deal sets a good precedent for other industry sectors in the country that use COSON member music but continue to operate unlicensed.

Kenya

Kenya's music market will rise at a 6.3% CAGR in the next five years

Music revenue, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical	12	11	11	11	10	9	9	8	7	7	-6.8%
Digital	4	5	6	7	8	9	11	12	15	18	17.0%
Downloads	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	7.5%
Mobile	4.1	5.1	6.1	7.1	8.0	9.0	10.4	12.1	14.5	17.6	17.2%
Streaming	0*	0*	0*	0*	0*	0*	0*	0*	0*	0*	38.0%
Total recorded music	16	16	17	18	18	18	20	20	22	25	6.7%
Live music	1	2	2	2	2	2	2	2	2	2	2.6%
Total music revenues	**17**	**18**	**19**	**20**	**20**	**20**	**22**	**22**	**24**	**27**	**6.3%**
YOY growth (%)		***4.4%***	***3.7%***	***4.1%***	***0.3%***	***2.7%***	***4.0%***	***5.9%***	***8.3%***	***11.1%***	

Note: 2009-2013 figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

*less than US$100,000

Kenya's music market generated US$20 million in 2013, up from US$17 million in 2009. Annual revenue is forecast to rise at a CAGR of 6.3% over the next five years to reach US$27 million in 2018.

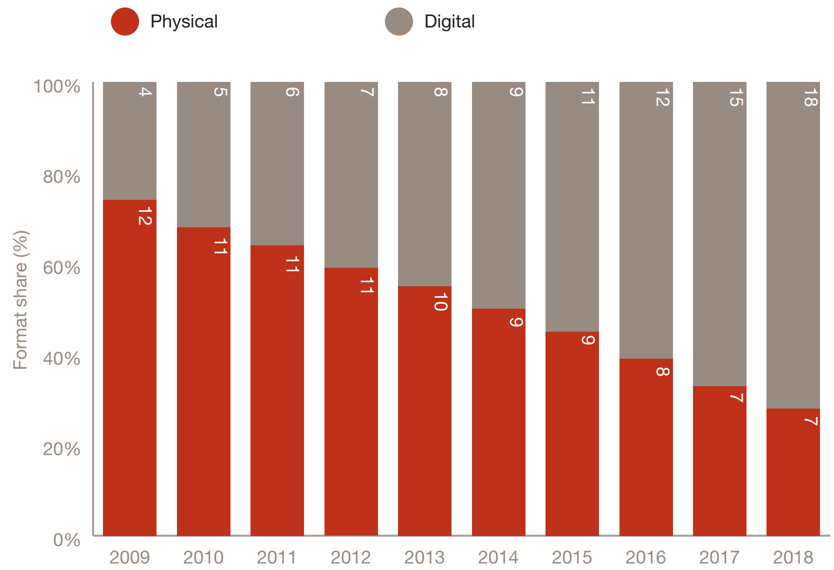
Retail spending on physical formats has been falling for the last few years and will continue to do so over the forecast period. The retail value of physical sales will total US$7 million in 2018, down from US$10 million in 2013.

Consumer spending on digital music, however, will grow to overtake physical spending in 2014. Digital sales will increase at a CAGR of 17% in the next five years and total an estimated US$18 million in 2018.

The rise in digital sales will more than compensate for the decline in physical formats so that total spending on recorded music will rise at a CAGR of 6.7% to reach US$25 million in 2018.

Digital sales will overtake physical sales in 2015

Fig. 7: Recorded music retail sales by revenues (US$ millions) and format share, 2009-2018 (%)



Sources: PwC, Ovum

Kenyan recorded music unit sales will fall at a CAGR of -4.1% in the next five years

Recorded music unit sales, 2009-2018 (millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical	2.4	2.4	2.3	2.3	2.1	2.0	1.9	1.8	1.6	1.5	-6.2%
Digital	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	6.8%
Total	**2.6**	**2.6**	**2.6**	**2.6**	**2.4**	**2.4**	**2.3**	**2.2**	**2.0**	**2.0**	**-4.1%**

Sources: PwC, Ovum

Kenya's nascent digital music sector faces very similar problems to most other African countries. Although the country has a growing youth population that is interested in all things musical, broadband Internet access is low, with less than 2% of households having access. The country does, however, offer a good addressable market for mobile music services, given that more than a quarter of the population will end this year with a high-speed mobile Internet connection.

However, legal digital music services face competition from unauthorised music services as well as free online offerings. ISPs that are not bound by any agreement to take action to prevent access to free music, added to lax copyright laws, make it difficult for rights holders to force ISPs to change their attitudes.

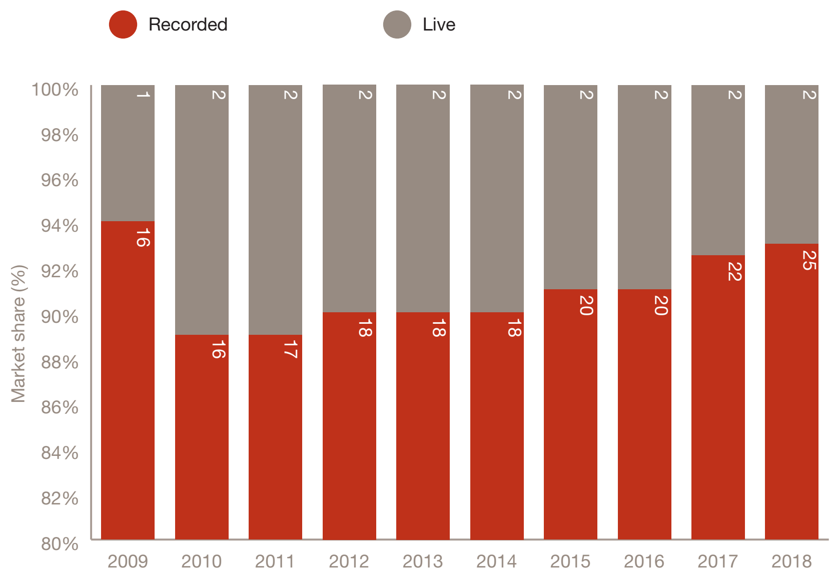
The pattern of recorded music unit sales will mirror spending, with unit sales of physical products falling and digital unit sales growing. The number of physical unit sales will decrease at a CAGR of -6.2% in the next five years to reach 1.5 million in 2018. Digital unit sales will rise at a CAGR of 6.8% to reach 0.5 million in 2018.

Consumer spending on live music events in Kenya is set to grow, with a CAGR over the next five years of 2.6%. However, live music is easily the smallest of the three music sectors and by 2018 will only account for 7.4% of total music revenue.

The most notable live music event in the country is the Kenya Music Festival, which is held at the Kenyatta International Conference Centre in Nairobi over ten days during August. Traditionally, only African artists perform at the event.

Live music will continue to make up a small proportion of total Kenyan music revenues

Fig. 8: Consumer spending by revenues (US$ millions) and share of live and recorded music, 2009-2018 (%)



Sources: PwC, Ovum

Kenya offers little in the way of meaningful revenue for the recorded music industry. According to the World Bank, Kenya's gross national income per capita is below US$1 000, which is lower than the average for sub-Saharan developing countries.

Widespread unauthorised distribution of CDs severely limits any prospects of establishing a growing 'bricks-and-mortar' music retail sector. However, music use and the need for businesses to pay for licences are slowly becoming recognised.

At the beginning of 2014, the Music Copyright Society of Kenya (MCSK) launched a plan to increase the level of royalty collections by concentrating its focus on regional artists. The plan involves MCSK teaming up with regional radio and TV broadcasters to increase airplay for artists based outside the country's bigger cities.

The authors' society has signed new agreements with radio stations in the coastal region, including *Pilipili FM*, *Radio Kaya*, *Sheki FM* and *Baraka FM*, which had previously not been submitting log sheets for the music they had been playing, and therefore artists had not received royalties from the plays.

Last year, the Nakuru County Musician Association (NCMA) said that MCSK should open more local offices in the country or the association will withdraw membership. NCMA said its members were struggling to access royalties collected by MCSK and that the functions of the collection society should be devolved. The NCMA also called on MCSK to reinvest some of the revenue collected from venues in the development of new talent.

Global trends in music

The following is extracted from PwC's *Global Entertainment & Media Outlook 2014-2018*

Global music industry to see 1.2% CAGR growth

Global music revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2013-18**
Physical	18 218	15 633	14 342	12 716	11 287	10 171	9 270	8 551	7 931	7 434	-8.0%
Digital	6 507	7 259	7 757	8 720	9 432	10 180	10 906	11 545	12 020	12 491	5.8%
Downloads	3 782	4 677	5 055	5 743	5 986	6 258	6 520	6 755	6 891	7 057	3.3%
Mobile	2 219	1 925	1 664	1 447	1 298	1 230	1 212	1 233	1 292	1 399	1.5%
Streaming	506	657	1 038	1 530	2 148	2 692	3 174	3 557	3 837	4 035	13.4%
Total recorded music	24 725	22 892	22 099	21 436	20 719	20 351	20 176	20 096	19 951	19 925	-0.8%
Live music	25 509	24 583	25 540	26 170	26 696	27 262	27 900	28 630	29 487	30 521	2.7%
Total music revenues	**50 234**	**47 475**	**47 639**	**47 606**	**47 415**	**47 613**	**48 076**	**48 726**	**49 438**	**50 446**	**1.2%**
YOY growth (%)		***-5.5%***	***0.3%***	***-0.1%***	***-0.4%***	***0.4%***	***1.0%***	***1.4%***	***1.5%***	***2.0%***	

Sources: PwC, Ovum

- Global total digital recorded music revenue will exceed physical recorded music revenue for the first time in 2014, with revenues of US$10.18 billion and US$10.17 billion respectively. Growth in digital music has given consumers greater choice and allowed many different formats to flourish. Greater service appeal for consumers will improve sales and by 2018, the year-on-year decline in total recorded music revenue will be just -0.1%.
- Global digital music downloading revenue saw near unbroken double-digit year-on-year growth from 2009-2012, but will only rise at a 3.3% CAGR to 2018, reaching US$7.1 billion. Apple is the dominant player, so all eyes will be on its typically innovative release initiatives to keep downloads relevant.
- Big music retail chains have largely been excluded from the growth of digital music, but some are adjusting their strategies by branching out into streaming. Their efforts will contribute to a 13.4% CAGR rise in global digital music streaming revenue for the forecast period.
- The introduction of low-cost smartphones in many emerging markets will present new opportunities to access affordable music. This will help global mobile music revenue to rise by a 1.5% CAGR to 2018, driven by countries such as Nigeria (21.0%), Malaysia (10.0%) and China (8.5%).
- While global total live music revenue will rise by a CAGR of 2.7%, countries such as South Africa, Brazil and Indonesia will see increases of 7.8%, 6.3% and 8.0% respectively, as emerging markets increasingly establish themselves as key locations for festivals and tours.
- Record companies are increasingly turning to digital data analysis as a means of developing targeted marketing campaigns. They are also beginning to see ways in which fan data can be used to drive tailored promotions to better engage consumers. Getting this analysis right will have positive repercussions for recorded music revenue.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Magazine publishing

Sharon Horsten • Associate Director

Definition

This segment comprises revenue in respect of both consumer-focused and trade magazines (i.e. magazines aimed at a professional audience). This revenue is for both digital and non-digital formats, and is derived from both consumer and advertising spending.

Circulation revenue for both consumer and trade magazines comprises spending by readers on either single sales from retail outlets or via subscriptions in print, and via downloads of individual copies or subscriptions delivered digitally direct to a connected device such as a PC or tablet.

This segment considers advertising spend for both consumer and trade magazines in both traditional print and through digital online magazines either direct through a magazine website, or magazines distributed directly to a connected device such as a PC or tablet.

Magazines published under contract (customer magazines/contract or custom publishing) are included within the print advertising section. Trade magazines are also included in the business-to-business publishing chapter.

Licensing of merchandise is not included in this segment.

In brief

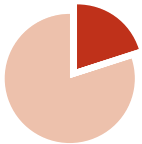
Total magazine revenue will continue to show growth over the forecast period. *South Africa's magazine market, comprising consumer and trade magazine revenue, grew 5.5% in 2013 to reach R9.0 billion, with consumer magazines accounting for the bulk of the rise. Revenue is forecast to reach R11.9 billion in 2018, passing R10 billion in 2015. This represents a CAGR of 5.7% over 2013 revenues of R9.0 billion. Consumer magazines will continue to form the vast majority of the market, at 91% in 2018.*

Emerging middle class is changing the shape of the market. *Readership of large magazine titles is falling as the demographic profile of magazine readers changes. This is being brought about by the emerging middle class in South Africa who are generally not buying established major titles.*

Smartphones will be the key to digital magazine revenues. *Smartphones will have an impact on South African consumer magazine sales, but tablet ownership, which has been a major spur to the market in other countries, is too low to impact the consumer market significantly. With smartphone penetration expected to reach 60% in 2018, digital consumer magazine revenue will rise from R119 million in 2013 to R708 million in 2018. Innovations in digital magazines will help to drive the growth in digital revenue.*

Circulation revenues will increase its share of the consumer magazine publishing market. *Circulation revenue will increase its market share of the consumer magazine market from 60% to 63%, as advertisers target the emerging middle class via magazines with smaller readerships that cost less. Advertisers will also spend more online, which is typically cheaper, meaning that growth in consumer circulation spend will outpace growth in consumer advertising spend.*

Portfolio changes remain the order of the day. *Magazine publishers in South Africa are continuing to restructure their portfolios in order to grow in a highly competitive market. A number of magazines were discontinued in 2013, but fewer than in 2012, hinting that the market may be stabilising. New magazine titles in 2013 and 2014 include The Box, a lifestyle and exercise magazine; Lose it!, a diet magazine; Bella, an Afrikaans women's glossy; and SA Sports & Health Monthly.*



Trade magazines to see smaller market share. *Trade magazines make up a very small proportion of the magazine market, but with tablet ownership higher among professionals, trade magazines will see a much higher rate of digitisation.*

Advertising revenues remain underdeveloped in Nigeria. *The Nigerian magazine market saw an 8.6% rise in revenues in 2013 to reach US$250 million, US$20 million more than in 2012. Advertising revenues are underdeveloped in Nigeria, accounting for just 11% of consumer magazine revenues in 2013, dropping further to 9% in 2018. Advertisers are wary of Nigerian magazines since there is no official auditor of circulations, but advertising revenues will grow despite this. However, consumer circulation revenue growth will be significantly higher.*

Consumer magazine print circulation revenues continue to dominate the Kenyan market. *Kenya's magazine revenues were US$68 million in 2013, up 8.9% on the prior year. The magazine market will be worth US$99 million in 2018 with a CAGR of 7.8%. The vast majority of revenue comes from consumer magazine print circulation revenues, but consumer magazine advertising revenue will grow at a 4.0% CAGR as advertisers gain confidence in the medium.*

South Africa

The market continues to grow despite closures of major consumer titles

Magazine publishing market, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer magazines	**5 482**	**6 264**	**7 038**	**7 814**	**8 237**	**8 786**	**9 311**	**9 833**	**10 392**	**10 883**	**5.7%**
Consumer circulation	2 832	3 532	4 081	4 653	4 926	5 341	5 743	6 127	6 494	6 854	6.8%
Print	2 831	3 530	4 067	4 618	4 856	5 228	5 583	5 920	6 242	6 549	6.2%
Digital	0*	2	14	35	70	113	160	207	252	305	34.2%
Consumer advertising	2 650	2 732	2 957	3 161	3 311	3 445	3 568	3 706	3 898	4 029	4.0%
Print	2 650	2 732	2 942	3 130	3 262	3 370	3 453	3 530	3 628	3 626	2.1%
Digital	-	-	15	31	49	75	115	176	270	403	52.6%
Trade magazines	**600**	**635**	**696**	**752**	**798**	**841**	**898**	**944**	**979**	**1 015**	**4.9%**
Trade circulation	134	154	164	173	183	193	220	237	249	260	7.3%
Print	134	154	164	173	183	193	204	216	224	231	4.8%
Digital	-	-	-	-	-	-	16	21	25	29	-
Trade advertising	466	481	532	579	615	648	678	707	730	755	4.2%
Print	466	481	518	551	574	588	594	589	570	542	-1.1%
Digital	-	-	14	28	41	60	84	118	160	213	38.8%
Total	**6 082**	**6 899**	**7 734**	**8 566**	**9 035**	**9 627**	**10 209**	**10 777**	**11 371**	**11 898**	**5.7%**
YOY growth (%)		***13.4%***	***12.1%***	***10.8%***	***5.5%***	***6.5%***	***6.0%***	***5.6%***	***5.5%***	***4.6%***	

Note: 2009-2013 South Africa figures have been updated to reflect most recently available financial information
* Less than R1 million
Sources: PwC, Ovum

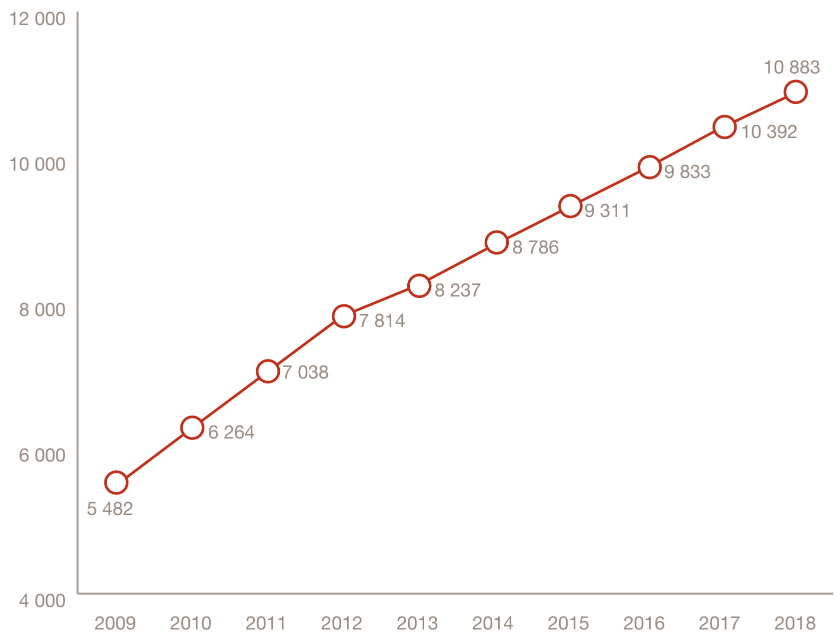
Continuing expansion in the South African consumer magazine market

The South African magazine market, consisting of consumer and trade magazine revenues, will reach R11.9 billion in 2018, having grown at a CAGR of 5.7% from R9.0 billion in 2013. Most of the growth will come from consumer magazines, which will also see growth of 5.7% CAGR over the forecast period.

Consumer magazine revenues in South Africa will pass R10 billion in 2017, before reaching R10.9 billion in 2018, having grown by a 5.7% CAGR. In 2013, the consumer magazine market stood at R8.2 billion, with 60% of total revenue coming from circulation spending on magazines.

The rate of growth of the consumer magazine market is slowing but healthy

Fig. 1: Total consumer magazine spending, 2009-2018 (R millions)



Sources: PwC, Ovum

Readership of magazines, which has seen a decline over the past few years, increased between June and December 2013, with 47.6% of South Africans reading at least one magazine, according to South Africa Audience and Research Foundation's (SAARF) All Media and Products Study (AMPS). In June 2013 this figure had stood at 46.8% and in December 2012, AMPS found readership of magazines to be 46.9%. However, following a change in methodology, this cannot be directly compared to AMPS 2013 readership data, even if it does support anecdotal evidence that overall readership is rising again.

With the rise in magazine readership comes an increase in consumer magazine circulation revenue. Growth in circulation spending over the past few years has slowed, but remains strong, with a forecast CAGR of 6.8% to 2018. Circulation spending will increase from R4.9 billion in 2013 to an estimated R6.9 billion in 2018, as the emerging middle class continue to drive increases in the number of South Africans reading magazines. It should be noted that growth in 2010 was primarily due to South Africa's hosting of the FIFA World Cup and such large increases are unlikely to be seen again.

Digital magazines will gain little traction despite publisher efforts

Total revenues from digital consumer magazines will reach a forecast R708 million in 2018 as consumers access increasing amounts of content online and on mobile devices. Revenues in 2013 stood at R119 million, with the bulk being generated by circulation spending.

Circulation spending will decrease its share of the total digital consumer magazine market to 43% by 2018, down from 59% in 2013, as advertisers gain confidence in advertising in digital consumer magazines. By 2018, digital consumer advertising revenues will reach an estimated R403 million, up from R49 million in 2013, a CAGR of 52.6% over the forecast period.

Magazine publishers are also continuing to expand their reach by creating online stores and forums. The market is currently providing digital copies at a large discount to move users to online platforms, but there is a fine line between driving digital growth and pushing consumers away from print.

Digital circulation revenue is highly reliant on tablet penetration, with digital editions largely consumed on tablets rather than laptops. Tablets have inbuilt distribution mechanisms for digital magazine editions, making them the primary target for publishers' digital innovation. Increasing fixed broadband penetration is also enabling access to digital magazines, although advertising revenue is larger due to the much larger audience for magazine websites compared with digital magazine editions.

A significant challenge for publishers revolves around how consumers find digital magazines in the first place. App stores are cluttered with content, as are digital newsstands, and publishers are finding it difficult to make sure their content stands out from the crowd.

"We now know that the digital space can and does work for publishing, with some specialist knowledge and precise tweaking of the old print model, and the realisation that in the digital space you cannot expect people to buy your work, only to read it.[1]"

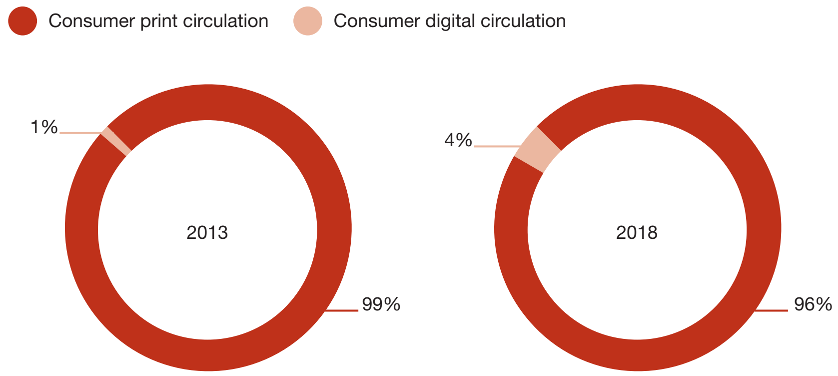
The cost of optimising content for the web and for smartphones can also be significant to publishers. Smaller publishers, in particular, lack the resources to efficiently produce digital content – large publishers are able to invest in one system that can be rolled out across their titles, with cost-effectiveness increasing with scale.

As a result, digital editions of magazines are often sold in South Africa as simple PDFs or apps with limited amounts of interactive content. Often they are international titles that have already been digitized for other markets, as local publishers have been put off releasing digital editions by the investment costs involved.

1 "Odyssey Magazine, Simply Green shine in free-to-reader digital format", Media Update, http://www.mediaupdate.co.za/?IDStory=65802&utm_source=Media%20Update%20newsletter%2012%20June%202014&utm_medium=email&utm_campaign=weekly%20newsletters (accessed 20 June 2014)

Publishers will find it difficult to monetise digital content

Fig. 2: Print vs digital circulation, 2013 and 2018 (%)



Sources: PwC, Ovum

Tablets are important devices for reading digital magazines, as they offer the closest experience to a print magazine – images can be reproduced in high resolution and tablets are portable. However, in South Africa, smartphones will have a larger impact than tablets over the forecast period given the relative levels of smartphone and tablet penetration.

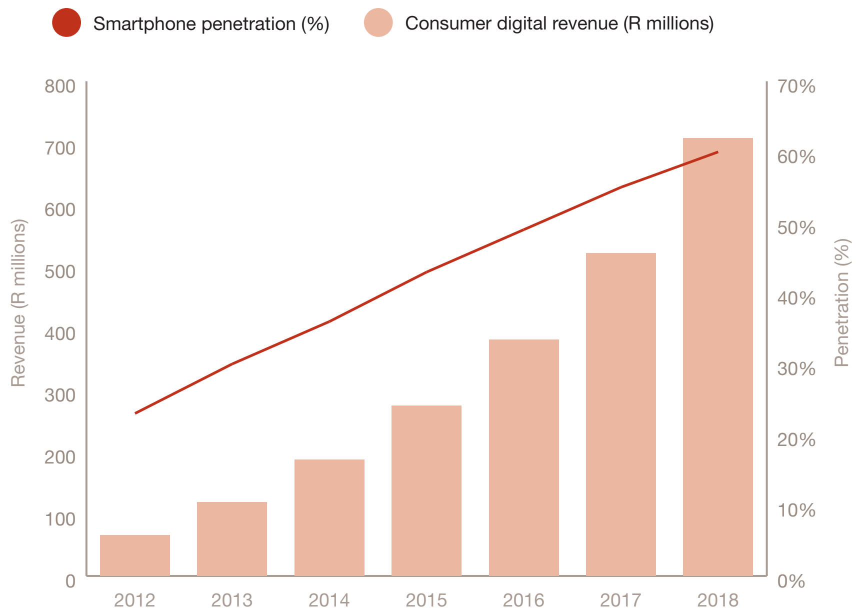
In 2013, smartphone penetration stood at 30%, compared to just 3% for tablets. While tablet penetration will increase to 9% in 2018, smartphone penetration will reach 60% in the same time period.

Smartphones are not necessarily ideal for viewing magazine content because of their small screen size but with little other option, South African publishers will have to optimise their websites and digital editions carefully to cater for the smartphone reader.

According to Prakash Patel, CEO of mobile application agency Prezence, proper digitisation requires a mobi site, responsive to all phones, to reach a maximum number of readers. The strategy is: mobi site first, and only then an app.[2]

Smartphones will be the key to digital magazine revenues

Fig. 3: Consumer digital revenue (R millions) vs smartphone penetration (%), 2012-2018



Sources: PwC, Ovum

2 Zweli Mokgata, "Magazines – Holding up in SA", Financial Mail, December 20 – January 8 2014: 36

Bundle arrangements have proved popular in South Africa, with Media24's Kaboedel offering a bundle of 19 English-language digital magazines or 14 Afrikaans digital magazines including *Sarie*, *True Love*, *Men's Health* and *Tvplus* for R99 a month. They also offer a bundle of five digital sports magazines including *Kick Off* and *Runner's World* for R63 a month and a motoring bundle consisting of *TopCar*, *Top Gear* and *Drive Out* for R52 a month.

Publishers are experimenting with alternative business models, including subscription models and paywalls. Currently magazine websites generate little in terms of circulation revenue and magazine publishers will have looked carefully at the newspaper industry's experiments with paywalls in order to develop their digital strategies.

One strategy that publishers could consider is establishing over-the-top (OTT) video networks that take advantage of their valuable brand names. Crowdfunded examples, such as Twitch for the gaming industry, already exist, but there is space for traditional publishers to follow this example. These networks can tie in with digital magazine editions, which can have video integrated into them as well as real-time updates for breaking news.

The most pressing issue for magazine publishers is that, while tablet ownership is the key to growing digital circulation revenues, it also brings easy access to competing content such as films, games and music.

Revenue growth will continue to be a challenge for publishers in the digital space and it is likely that digital publishing will evolve into something very different from the print publishing industry, as publishers work out how best to monetise their content digitally.

Specialist content has fared better than general magazine content with the rise of digital consumption. Some niche magazines have managed to increase circulation revenue since niche content is typically much harder to find online at the same level of quality as is offered in a magazine, giving titles such as *Amakhosi* an advantage over websites. However, the audiences for specialist content are small and publishers will not be able to hinge their print businesses on this alone.

Slowing growth in circulation revenues makes it increasingly important for publishers to firm up their digital strategies by changing pricing to drive circulation and making it easier for brands to produce content for digital magazine editions, with print not expected to reach a plateau in the next five years.

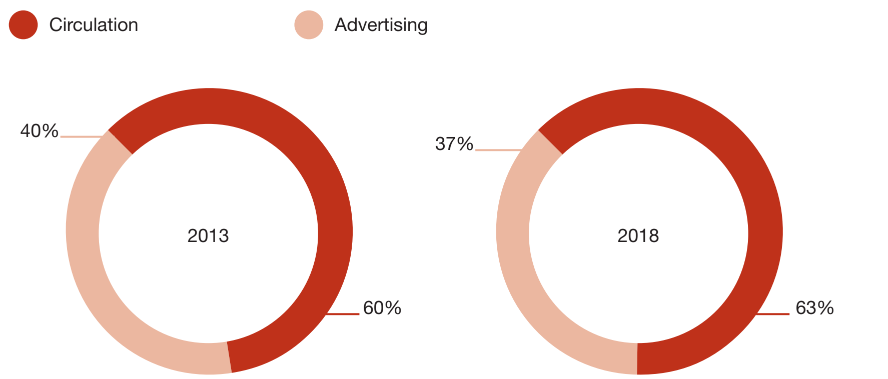
Increasing discretionary spending to drive consumer advertising growth

For consumer magazine markets with a high number of subscriptions, the lower dependence on advertising as a source of income offers some degree of security in poor economic climates. However, as South Africa's economy is showing some growth, and as an emerging middle class looks to spend its discretionary income, so advertising budgets are likely to continue increasing.

When reading niche magazines covering topics such as diving or golf, readers are actively looking for further information and are highly receptive to advertising relevant to the subject. Lifestyle magazines, particularly high-end magazines, suit luxury goods advertisers, as readers are often looking for items that will improve their appearance or homes.

Circulation remains the keystone of the consumer magazine market

Fig. 4: Consumer magazine circulation vs advertising, 2009 vs 2013 vs 2018 (%)



Sources: PwC, Ovum

For many people, adverts are part of the experience of reading a magazine, so not only are readers more likely to engage with the advert, but they are far more likely to recall them after viewing than they do with some other forms of media.

However, publishers in general need to ensure they are not over dependent on advertising revenues. Advertising spend in consumer magazines is directly linked to the level of economic activity in the country and is driven as much by the rise and fall of the business cycle as circulation.

Due to the volatility of advertising, many publishers have a strategic intent to reduce their dependence on this revenue stream by growing their content and circulation revenues, as well as exploring other revenues such as e-commerce. However, this has so far been difficult to achieve in practice.

Online offers more advertising opportunities, especially where magazine websites use social interactions to encourage repeat visits. These revenues are accounted for in the online advertising segment rather than in the consumer magazine segment, but nevertheless generate income for publishers.

Advertising on websites has an advantage over print advertising since the reader can link directly to the advertiser's website. Online advertising is often more targeted than print since tracking cookies can give the advertiser more information about a particular user. An advert in a print magazine can only be aimed at the average reader of a magazine.

Websites can also be a mechanism for increasing readership. Social features encourage website users not only to share content with their friends, but also to read the magazine too. Reusing material from printed editions means that magazine websites can have a wealth of content that appears in search engines, driving traffic without the publisher having to promote the title further.

Advertisers have been less enthusiastic about digital magazine advertising because of the small audiences involved and the difficulty in creating advertising content for the digital editions. The benefits of print magazine advertising do not translate to magazine websites, so the challenge for magazine publishers is to migrate consumers to digital magazine editions.

Kick Off increases revenues amid setbacks for other major titles

By 2018, consumer advertising revenues will reach an estimated R4.0 billion, up from 2013 revenues of R3.3 billion. The vast majority of these revenues will come from advertising in print consumer magazines, with 99% of consumer advertising revenue from print in 2013.

By 2018, this percentage will have decreased to below 90% as consumers access more and more magazine content online, causing digital consumer advertising revenues to reach a forecast R403 million from just R49 million in 2013.

In order to grow their digital advertising revenue, publishers are experimenting with different forms of advertising content to make adverts more interactive and engaging. Some publishers are working with companies such as Layar to introduce augmented reality adverts that combine print with digital content and bridge the gap between the two.

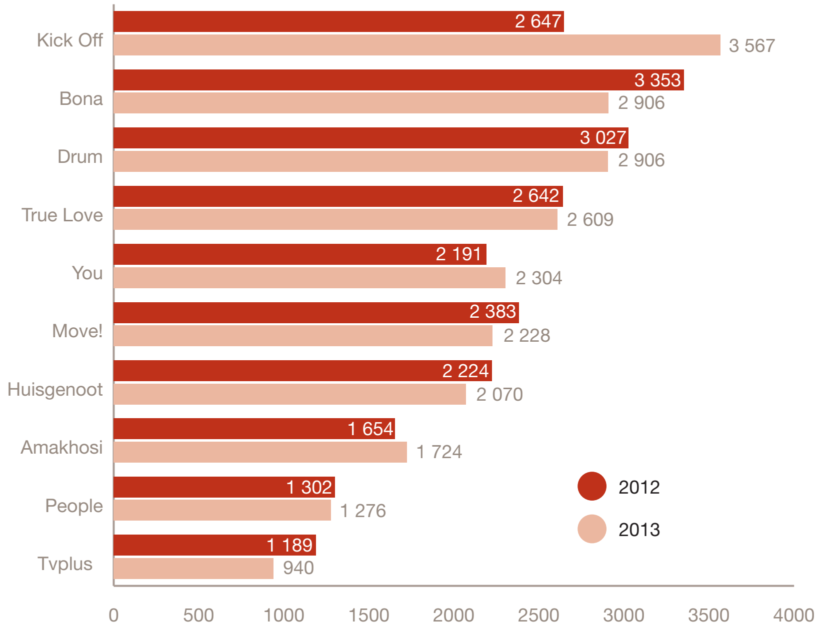
Porter magazine, launched in February 2014 by Net-a-Porter and available in 60 countries including South Africa, is the most advanced example of this type of innovation. Every item featured in the magazine, which is available to buy from Net-a-Porter.com, can be purchased by either clicking on the item in the digital version or scanning the print version with a smartphone or tablet app.

The app will also direct readers to a brand's website, where they can purchase items that Net-a-Porter does not sell. There is no doubt that this type of innovation will increase as publishers look to generate growth in their digital revenue.

Emerging middle class is changing the shape of the market

While the emerging middle class is spending increasing amounts on consumer magazines, many of the magazines targeted at this group have smaller readerships than established titles. Readership of most of the major titles decreased in 2013 compared with 2012, but some, such as *Amakhosi*, have rebounded. *Bona*, previously the largest magazine in South Africa by readership, saw another decline in readership in 2013, having fallen by 18% in 2012. Also in 2013, *Kick Off* magazine added a large number of readers to become South Africa's most read magazine with over 3.5 million readers a month.

Fig. 5: Average issue readership of top-selling magazines, 2013 vs 2012 (thousands)



Sources: PwC, Ovum, SAARF AMPS

Digital will see more traction in the trade market than the consumer market

While declining readerships and increasing circulations may seem at odds with each other, this is a sign of the changing South African population. With a rising middle class, the average number of people living in a household has declined while the total number of households has increased.

This results in declining readership numbers but, since magazines are being read by more affluent readers, this is not necessarily a problem for advertisers. There are also a growing number of older people in South Africa as demographics gradually shift, so catering to their needs will represent another opportunity for publishers.

Portfolio changes remain the order of the day

Media24 is the largest publisher in terms of revenue, while the largest advertisers are Unilever and L'Oréal, with the emphasis on health and beauty products. Media24's weekly general-interest magazine *Huisgenoot* has a circulation of 2 070 000, while its women's titles, *Sarie* and *Move!*, are also popular. Other top publishers include Caxton, Ramsay Media and Associated Media Publishing.

In order to drive growth in the market, publishers have launched and closed multiple new titles over the past couple of years in order to see which titles gain traction. Women's and celebrity magazines are seeing the largest declines while niche titles, which feature content that is difficult to obtain free online, have been more robust.

In 2013 there were fewer closures than 2012, when Media24 shuttered a number of magazines including *Sports Illustrated South Africa*, *South Africa Garden* and *Shape*. Nevertheless, closures last year included two magazines aimed at teenage girls, *Seventeen* and *Saltwater Girl*.

Men's magazines in South Africa have fared poorly in recent years, as in other markets such as the UK. In May 2013, *Playboy SA* announced that it would go digital only, having seen poor circulation levels due to what it called 'conservative readers'. *FHM SA* was closed in April 2014, having had similar issues with circulations, which in turn had an impact on advertising revenues at the title.

New titles in 2013 and 2014 include *The Box*, a lifestyle and exercise magazine; *Lose it!*, a diet magazine; *Bella*, an Afrikaans women's glossy; and *SA Sports & Health Monthly*.

Market pressures have resulted in the dissolution of the Magazine Publishers Association of South Africa (MPASA). Operating costs for MPASA were unsustainable and support for publishers has been transferred to Print and Digital Media South Africa (PDMSA), which represents all types of print and digital media companies.

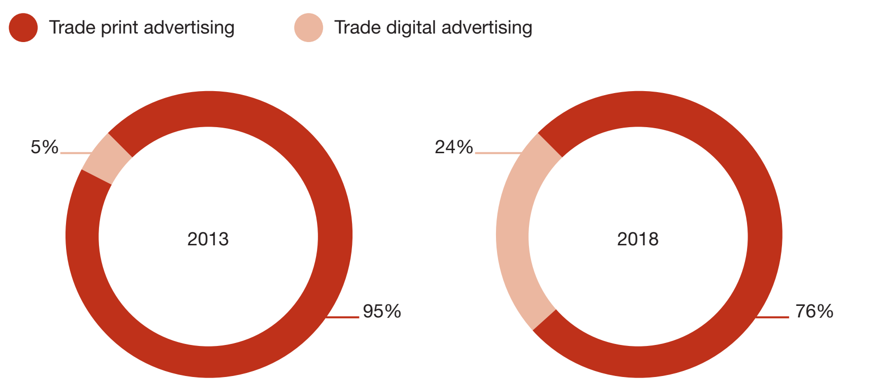
Trade magazines to see smaller market share

Revenues from trade magazines will reach a projected R1.0 billion in 2018, having seen a 4.9% CAGR over the forecast period, rising from R798 million in 2013. Trade magazines in South Africa are shrinking as a proportion of the overall growth in the magazine publishing market and will account for 8.5% of total magazine publishing revenues in 2018, down from 8.8% in 2013. This decline is a continuation of an existing trend, with trade magazines accounting for 9.9% of magazine revenues in 2009.

Trade magazine circulation revenues accounted for 23% of the trade magazine market in 2013. While this is forecast to rise to 26% in 2018, advertising revenues are the key to the trade magazine market.

This is due to the fact that a large proportion of trade magazines are free-to-trade, being solely ad-funded.

Fig. 6: Trade magazine advertising, print vs digital, 2013 vs 2018 (%)



Sources: PwC, Ovum

Tablet editions will be critical for trade magazine publishers

Tablets will have more of an effect on trade magazine revenues than smartphones, despite much lower ownership levels, because professionals are much more likely to have tablets than people from other demographic groups.

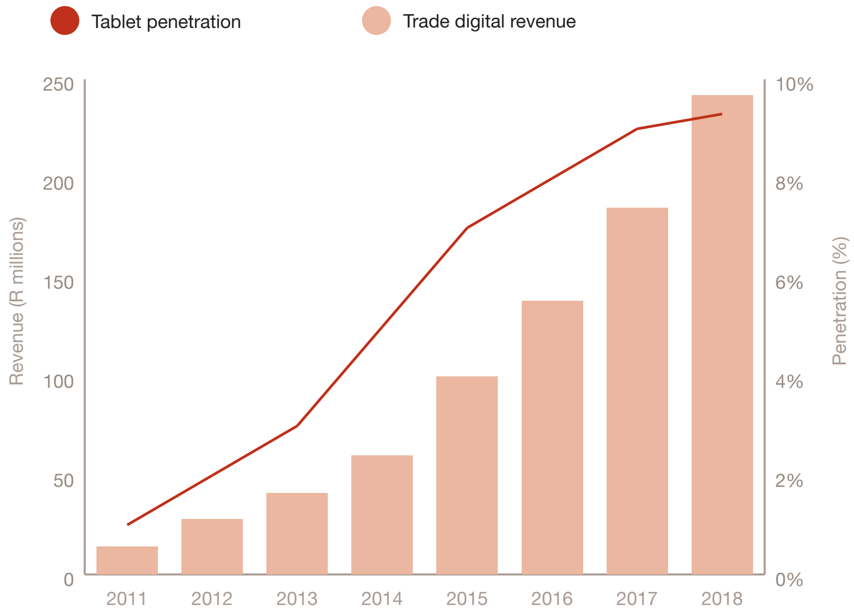
While tablet penetration will increase from 3% to 9% over the next five years, digital trade magazine revenues will grow from R41 million in 2013 to a forecast R242 million in 2018, with year-on-year growth for digital trade magazine revenues remaining at over 30% for the duration of the forecast period and the overall CAGR standing at 42.4%.

Long-term growth will outpace growth in tablet penetration, but the key in this market will be a critical mass of tablet owners.

With increasing circulations, trade magazine advertising will also rise. Total trade magazine advertising revenue will rise from R615 million in 2013 to an estimated R755 million in 2018, a CAGR of 4.2%. Trade magazine digital advertising revenue will increase while trade magazine print advertising revenue decreases, as readership of trade magazines moves to the digital platform.

New industries will also have an impact on trade magazine revenue, with new titles springing up to take advantage of business models and practices.

Fig. 7: Trade magazine digital revenue (R millions) and tablet penetration (%), 2011-2018



Sources: PwC, Ovum

Since trade magazines are often free, the market is restricted by the cost of postage. With digital editions this cost is eliminated, so publishers will be keen to drive businesses towards digital magazines, resulting in 24% of trade magazines revenue coming from digital by 2018, compared to 7% of consumer magazine revenues.

However, digital growth will be slower in the trade magazine sector, with smartphones, key to the consumer magazine sector, being owned by a much larger proportion of South Africans than tablets, which are integral to trade magazine access.

Nigeria

Nigeria's magazine market continues to see healthy growth

Magazine publishing market, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer magazines	**135**	**191**	**203**	**218**	**237**	**261**	**281**	**305**	**327**	**350**	**8.1%**
Consumer circulation	114	170	181	194	212	234	254	277	299	321	8.7%
Print	114	170	181	194	211	234	254	277	299	320	8.7%
Digital	-	-	0*	0*	0*	0*	0*	0*	0*	0*	18.6%
Consumer advertising	21	21	22	24	25	27	27	28	28	29	2.7%
Print	21	21	21	22	23	24	24	24	24	24	1.1%
Digital	0	0	1	2	2	3	3	4	4	5	15.6%
Trade magazines	**9**	**12**	**12**	**12**	**13**	**15**	**16**	**18**	**20**	**22**	**10.3%**
Trade circulation	6	9	9	9	10	12	13	15	17	19	12.6%
Print	6	9	9	9	10	12	13	15	17	19	12.6%
Digital	-	-	-	-	-	-	0*	0*	0*	0*	-
Trade advertising	3	3	3	3	3	3	3	3	3	3	0.3%
Print	3	3	3	3	3	3	3	3	2	2	-8.7%
Digital	-	-	-	-	0*	0*	0*	0*	1	1	71.0%
Total	**144**	**203**	**215**	**230**	**250**	**276**	**297**	**323**	**347**	**372**	**8.2%**
YOY growth (%)		***40.5%***	***5.9%***	***7.3%***	***8.6%***	***9.9%***	***8.0%***	***8.5%***	***7.6%***	***7.1%***	

Note: 2009-2013 Nigeria figures have been updated to reflect most recently available financial information
* Less than US$1 million
Sources: PwC, Ovum

The Nigerian magazine publishing market, consisting of consumer and trade magazine publishing revenues, will reach an estimated US$372 million in 2018, growing at an 8.2% CAGR. In 2013, revenues came in at US$250 million.

Consumer magazines provided the bulk of revenues in 2013 at US$237 million, or 95% of total magazine publishing revenue. This will rise to US$350 million in 2018, or 94% of magazine publishing revenue. While overall growth is slowing, it remains healthy, with year-on-year growth rates not falling below 7% over the forecast period.

Nigeria's magazine market shares a number of titles with other African countries such as South Africa, as well as having a healthy market in home-grown publications. International magazines also sell well and international brands continue to be launched in Nigeria, with *Hello! Nigeria* launched by True Tales Publications in September 2013.

Growth in Nigeria is restricted by poor infrastructure, which makes it difficult and expensive to distribute magazines outside of urban areas. Nevertheless, Nigeria's growing economy will boost consumer spending on entertainment and media, with magazine publishers also benefiting.

Economic growth will provide more of a boost to consumer magazines than trade magazines, with the high cost of distribution continuing to render free subscriptions too costly for publishers. Trade magazine revenues will increase by a 10.3% CAGR from a low base of US$13 million in 2013 to a projected US$22 million in 2018.

Consumer magazine revenues are much larger, but revenues are predominantly from circulation spending, which accounted for 89% of consumer magazine revenue in 2013 at US$212 million. In comparison, consumer magazine advertising revenue was US$25 million in 2013.

Magazine marketing budgets in Nigeria are expected to remain relatively low over the forecast period due to infrastructure and other constraints such as a lack of certified circulations. Consequently, advertising will grow at a much slower rate than circulation spending.

Advertisers have so far been wary of publishers' stated circulation revenues, as there is no official circulation auditor in Nigeria. Indeed, in late 2012 there were calls for an Audit Bureau of Circulations to be set up in order to facilitate accurate measurement of publications' reach and increase transparency in advertising rates. Rate card prices have increased over the last few years as publishers have sought to increase advertising revenues to help fund investments in their businesses.

Digital revenues will see limited growth in Nigeria in the next five years. Smartphones will have more of an effect on revenues than tablets or PCs due to the higher rate of ownership of smartphones, and because they have built-in data connections enabling consumers to download magazines.

However, smartphone penetration is low and will provide a barrier to digital revenue growth, with digital consumer circulation revenue worth less than US$1 million by 2018, and digital consumer advertising revenue reaching an estimated US$5 million in 2018.

This trend can be accounted for by the fact that many people are reluctant to pay for items on digital platforms, preferring instead to view free content. Readers of digital editions of magazines in Nigeria are likely to be in the most affluent demographic group and are extremely attractive to high-end and luxury brands. *Complete Man*, a men's style magazine focusing on luxury items, was launched in October 2013 in an attempt to reach this kind of consumer.

Kenya

Kenyan magazine revenues to rise from modest base

Magazine publishing market, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer magazines	**37.5**	**50.2**	**54.9**	**59.2**	**64.3**	**71.0**	**77.3**	**82.3**	**88.0**	**93.1**	**7.7%**
Consumer circulation	29.4	43.8	46.6	50.3	55.2	61.5	67.4	72.0	77.3	82.0	8.2%
Print	29.4	43.8	46.6	50.3	55.2	61.4	67.3	71.9	77.1	81.8	8.2%
Digital	-	-	0.0*	0.0*	0.0*	0.1	0.1	0.1	0.2	0.2	36.0%
Consumer advertising	8.1	6.4	8.3	8.9	9.1	9.5	9.9	10.3	10.7	11.1	4.0%
Print	8.1	6.4	8.3	8.8	9.0	9.3	9.6	9.8	10.0	10.0	2.1%
Digital	-	-	0.0*	0.1	0.1	0.2	0.3	0.5	0.7	1.1	52.5%
Trade magazines	**2.8**	**3.2**	**3.5**	**3.7**	**4.0**	**4.3**	**4.7**	**5.2**	**5.6**	**6.2**	**9.2%**
Trade circulation	1.6	2.2	2.2	2.3	2.6	2.9	3.2	3.6	4.0	4.5	11.8%
Print	1.6	2.2	2.2	2.3	2.6	2.9	3.2	3.6	4.0	4.5	11.8%
Digital	-	-	-	-	-	-	-	-	-	-	-
Trade advertising	1.2	1.0	1.3	1.4	1.4	1.4	1.5	1.6	1.6	1.7	3.8%
Print	1.2	1.0	1.3	1.4	1.4	1.4	1.5	1.5	1.5	1.4	-0.1%
Digital	-	-	-	-	0.0*	0.0*	0.0*	0.1	0.1	0.3	111.5%
Total	**40.3**	**53.4**	**58.4**	**62.9**	**68.3**	**75.3**	**82.0**	**87.5**	**93.6**	**99.3**	**7.8%**
YOY growth (%)		***32.4%***	***9.4%***	***7.5%***	***8.9%***	***10.1%***	***8.9%***	***6.7%***	***7.1%***	***6.1%***	

2009-2013 Kenya figures have been updated to reflect most recently available financial information
* Less than US$100 000
Sources: PwC, Ovum

The magazine publishing market in Kenya was worth US$68 million in 2013, having increased from US$40 million in 2009. Industry revenues will continue to grow, reaching an estimated US$99 million in 2018, a CAGR of 7.8% over the forecast period.

Consumer magazine publishing revenues continue to form the bulk of the market at US$64 million in 2013, with trade magazines selling poorly in Kenya.

Trade magazine revenues accounted for 6% of total magazine publishing revenues in 2013 and will remain at this level until 2018. Trade magazine publishing revenues will grow from US$4 million in 2013 to a projected US$6 million in 2018, a CAGR of 9.2%.

Low broadband and mobile penetration will form a significant barrier to the growth of magazines online. Print is essential for the dissemination of news and other information in Kenya and it is unlikely that digital channels will have a significant impact on the consumer magazine market in the near future.

Digital revenues will come from smartphones rather than PCs and tablets, but for both consumer and trade magazines, digital revenues will reach only an estimated US$1.7 million by 2018.

With digital circulations minimal, digital advertising revenues will also be very low over the forecast period. While the demographic profile of the online audience is attractive to brands, the lack of significant audience size is a key hurdle to the growth of digital advertising, but the use of free content means that advertising will grow more quickly than circulation. Both, however, will remain small, with digital consumer circulation revenues reaching less than US$1 million and digital consumer advertising revenue approaching US$1.1 million by 2018.

The bulk of magazine publishing revenues will still come from consumer print circulation revenues, accounting for 83% of the market at US$82 million in 2018. In 2013, this made up 81% of the market and was worth US$55 million. Consumer spending on magazines has increased as a result of the growth in Kenya's middle class, which has greater disposable income.

Many magazines published in Kenya are also published in South Africa, with titles such as *Drum* and *True Love* popular. Also popular are international magazines such as *Cosmopolitan* and *O*. Home-grown titles include Media7 Group's *Motor Monthly*, *Her* and *G*, as well as Standard Group's *Eve*.

As a result of the growing middle class and their increased magazine purchasing, consumer advertising revenue has also increased from US$6 million in 2010 to US$9 million in 2013. Further increases are expected with consumer advertising revenue forecast to reach US$11 million in 2018, a CAGR of 4.0% over the forecast period. Although digital advertising revenues will remain small, they will nevertheless account for 10% of total consumer advertising revenue in 2018.

Global trends in magazine publishing

The following is extracted from PwC's *Global Entertainment and Media Outlook 2014-2018*

Global magazine publishing market to edge up over forecast period

Magazine publishing revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer magazines	**79 546**	**79 914**	**79 759**	**78 638**	**78 025**	**77 549**	**77 414**	**77 503**	**77 624**	**77 722**	**-0.1%**
Consumer circulation	44 231	43 350	42 203	41 269	40 617	39 926	39 550	39 373	39 275	39 151	-0.7%
Print	44 218	43 173	41 955	40 462	39 159	37 698	36 519	35 453	34 434	33 475	-3.1%
Digital	13	177	248	807	1 458	2 228	3 031	3 920	4 841	5 676	31.2%
Consumer advertising	35 315	36 564	37 556	37 369	37 408	37 623	37 864	38 130	38 349	38 571	0.6%
Print	34 182	34 667	34 385	32 982	31 902	30 991	29 994	28 875	27 593	26 190	-3.9%
Digital	1 133	1 897	3 171	4 387	5 506	6 632	7 870	9 255	10 756	12 381	17.6%
Trade magazines	**19 124**	**18 994**	**19 006**	**19 073**	**19 025**	**19 167**	**19 451**	**19 773**	**20 093**	**20 363**	**1.4%**
Trade circulation	8 160	7 896	7 581	7 308	7 164	7 164	7 301	7 512	7 744	7 948	2.1%
Print	8 160	7 874	7 542	7 147	6 845	6 603	6 398	6 227	6 082	5 963	-2.7%
Digital	-	22	39	161	319	561	903	1 285	1 662	1 985	44.1%
Trade advertising	10 964	11 098	11 425	11 765	11 861	12 003	12 150	12 261	12 349	12 415	0.9%
Print	10 231	9 924	9 534	9 212	8 963	8 709	8 426	8 086	7 709	7 294	-4.0%
Digital	733	1 174	1 891	2 553	2 898	3 294	3 724	4 175	4 640	5 121	12.1%
Total	**98 670**	**98 908**	**98 765**	**97 711**	**97 050**	**96 716**	**96 865**	**97 276**	**97 717**	**98 085**	**0.2%**
YOY growth (%)		***0.2%***	***-0.1%***	***-1.1%***	***-0.7%***	***-0.3%***	***0.2%***	***0.4%***	***0.5%***	***0.4%***	

Sources: PwC, Ovum

- In 2015, the magazine publishing industry will reverse years of decline to record 0.2% year-on-year growth as overall digital gains outweigh falling print revenue. In 2018, total magazine revenue will reach US$98.1 billion, up from US$97.1 billion in 2013.
- Global digital consumer magazine circulation revenue will rise at a 31.2% CAGR, reaching US$5.7 billion in 2018. As companies find more success in turning digital magazine consumption from free websites to paid-for digital editions, digital will move from accounting for 4% of total consumer magazine circulation revenue in 2013 to 14% in 2018.
- Global digital consumer magazine advertising revenue will be US$12.4 billion in 2018, rising at a 17.6% CAGR. This compares to a declining CAGR of -3.9% for consumer magazine print advertising revenue. Currently, advertising is centred on magazine websites, but, as digital circulations increase, electronic editions will become increasingly popular for advertisers.
- While they are still to gain traction, with a number of subscription services and paid-for aggregators on the market, user numbers are soon to reach critical mass. With growing magazine circulations will come rising circulation and advertising revenue.
- Growth in digital circulation will not be enough to compensate for print declines and global consumer magazine circulation revenue will fall by a CAGR of -0.7% to 2018. However, there are signs that the decline may level out in the long term, as the year-on-year fall in 2018 will be just -0.3%.


Busi

Newspaper publishing

Nico Oosthuizen • Associate Director

Definitions

The newspaper publishing market consists of spending on daily print newspapers by advertisers and readers and advertising on newspaper websites, tablet and mobile phone apps.

Spending by readers includes newsstand purchases and subscriptions as well as payments for newspapers delivered to mobile devices and fees to access online content.

Circulation represents the number of copies sold. This data is sourced from Audit Bureau of Circulations of South Africa (ABC) reports.

Readership reflects the estimated number of people who read the newspaper. This data is sourced by the South African Advertising Research Foundation's All Media and Products Study (AMPS).

In brief

South Africa's newspaper industry remains buoyant and diverse, showing continued growth. *Advertising revenue will grow from R8.2 billion in 2013 to an estimated R11.0 billion in 2018, a CAGR of 6.0%. Advertising will be the market's main driver, though circulation revenues will rise at a less rapid CAGR of 2.8%, due to the mixed fortunes of different titles to reach a forecast R3.2 billion in 2018.*

Increasing urbanisation will boost the newspaper publishing market. *Urbanisation will benefit the South African market as the urban population continues to increase by over one million people per year. According to the UN, South Africa's urban population will reach 34.6 million, or 65.9% of the population by 2020.*

Print circulation revenues will continue their upward trajectory over the forecast period. *The readership of daily newspapers shows little sign of a drop-off, with 30% of the population aged above 15 reading a daily newspaper in December 2013, compared with 31% twelve months prior. Print circulation revenues fell 2.3% in 2011 but have since recovered and are forecast to reach R3.0 billion in 2018.*

South African broadband connections lag other markets, contributing to a slower growth in digital revenues. *Digital circulation revenues will become meaningful by the end of the forecast period, rising from R38 million in 2013 to a projected R136 million in 2018. South Africa's relatively low levels of broadband penetration have until now contributed to newspaper readers remaining loyal to the print format, but this will gradually change, especially as ownership of tablets and smartphones increases.*

Advertising dominates South African newspaper revenues. *Print advertising revenues in South Africa will continue to climb, hitting R10.3 billion in 2018 and digital advertising will grow even more rapidly, but from a smaller base, by a CAGR of 26.6% to reach R661 million in 2018 – 6% of total advertising revenue.*

Nigeria's newspaper market remains flat, with digital revenues proving elusive. *Nigeria's newspaper industry saw no growth in 2013, with digital revenues proving elusive. The newspaper publishing market is forecast to see a slight improvement to an estimated US$207 million in 2018, up from US$205 million in 2013. Although circulation revenue will see reasonable growth at a 2.2% CAGR, advertising revenues will fall at a 3.8% CAGR.*

Kenya's newspaper revenues are more robust than Nigeria's and set to expand. *Kenya's newspaper publishing industry grew 8.5% in 2013 to generate revenues of US$178 million. Advertising revenue is the main driver, growing from US$37 million in 2009 to an estimated US$130 million in 2013, and will reach US$167 million in 2018 at a CAGR of 5.0%. Circulation revenues will also rise, from a lower 2013 base of US$48 million and at a slower rate of 3.3% CAGR.*

South Africa

South African newspapers to maintain strong growth

Newspaper revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2013-18**
Advertising	6 201	6 587	7 132	7 656	8 219	8 730	9 249	9 781	10 342	10 979	6.0%
Print	6 127	6 492	7 009	7 498	8 016	8 472	8 922	9 367	9 820	10 318	5.2%
Digital	74	95	123	158	203	258	327	414	522	661	26.6%
Circulation	2 677	2 704	2 642	2 691	2 773	2 857	2 943	3 032	3 111	3 176	2.8%
Print	2 677	2 704	2 642	2 678	2 735	2 795	2 859	2 924	2 987	3 040	2.1%
Digital	-	-	-	13	38	62	84	108	124	136	29.3%
Total	**8 878**	**9 291**	**9 774**	**10 347**	**10 992**	**11 587**	**12 192**	**12 813**	**13 453**	**14 155**	**5.2%**
YOY growth (%)		***4.6%***	***5.2%***	***5.9%***	***6.2%***	***5.4%***	***5.2%***	***5.1%***	***5.0%***	***5.2%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

South Africa continues to buck the trend seen in other nations, with revenues increasing across the board, in both print and digital. This is achieved due to the buoyant and diverse newspaper publishing industry in the country. By contrast, newspaper publishing revenues will fall by a CAGR of -2.4% in Western Europe and -4.2% in North America.

The total newspaper publishing market grew at a CAGR of 6.2% in 2013 to generate revenues of almost R11.0 billion, up from R10.3 billion in 2012. Most of the growth came from advertising, which rose to R8.2 billion in 2013 from R7.7 billion in 2012, with print still accounting for nearly 98% of the total.

Total newspaper circulation rose in the fourth quarter of 2013 due to high-profile stories such as the trial of Oscar Pistorius and the death of Nelson Mandela. Titles such as *The New Age* and *Isolezwe* gained the most new readers in 2013.

Revenues from digital (both from circulation and advertising) remain low but a growing number of titles – including the *Sunday Times*, *Business Day* and Media24's three Afrikaans dailies (*Die Burger*, *Beeld* and *Volksblad*) – have now created paywalls to try and maximise revenue from digital content.

Advertising revenue will grow from R8.2 billion in 2013 to an estimated R11.0 billion in 2018, a CAGR of 6.0%, as advertisers are encouraged by the presence of previously untapped audiences.

New formats and individual titles looking to define and then serve their audiences will contribute to an upward trend in daily circulation in the next five years. Circulation revenues will rise more modestly, at a CAGR of 2.8% to reach a forecast R3.2 billion in 2018.

Digital advertising is expected to grow at 26.6% CAGR with digital circulation growing at CAGR of 29.3%

Newspaper revenues will also benefit from South Africa's generally expanding and urbanising economy. As has been seen in other countries (notably Peru), a combination of increasing levels of urbanisation, increasing literacy levels and growing GDP can boost the demand for news, even if projected GDP growth is now less strong than was previously anticipated.

With levels of broadband penetration remaining relatively low, print revenues continue to be the bedrock of the industry. Compared to similar markets, South Africa's broadband connections are minimal, with only 1.5 million broadband connections in 2014, equating to 14.4% of the households having broadband Internet access.

The significant increase in digital advertising can be attributed to the high penetration of mobile Internet subscribers, with 51.9% of the population over 15 years of age have mobile access. We therefore forecast that digital advertising will grow at a CAGR of 26.6% from R203 million in 2013 to R661 million in 2018.

South African broadband connections lag other markets

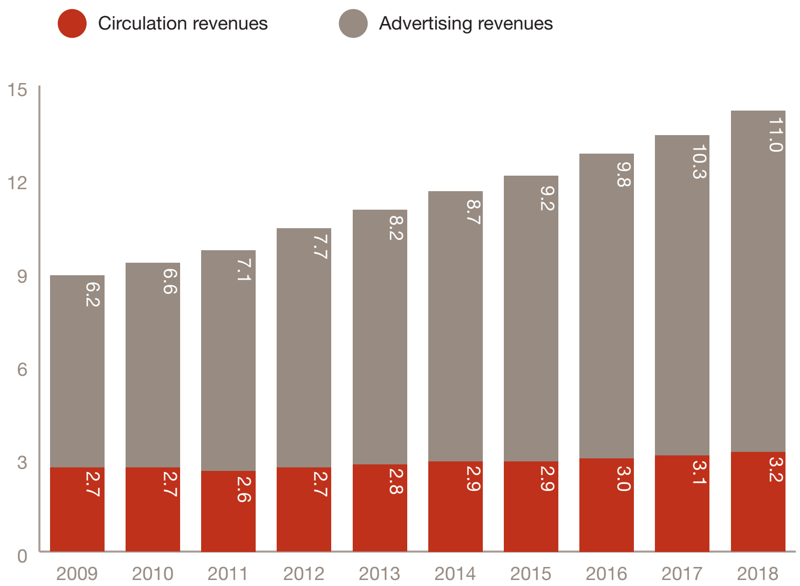
Broadband connections, mobile Internet subscribers and population over 15 years, 2014 (millions)

Country	Broadband connections (millions)	% of households with broadband	Mobile Internet subscribers (millions)	Population over 15 years (millions)	% of over 15s with mobile Internet subscriptions
France	25.7	91.5%	34.5	53	65.1%
UK	23.5	81.3%	45.5	52.5	86.7%
US	108.7	81.0%	232.6	260.8	89.2%
Russia	32.9	58.8%	72	119.3	60.4%
China	221.3	43.7%	631.9	1144.5	55.2%
Turkey	9.1	43.3%	25.7	56.9	45.2%
Brazil	26.8	33.6%	78.2	154.9	50.5%
South Africa	1.5	14.4%	19.5	37.6	51.9%
India	21.2	8.7%	174.7	908.3	19.2%

Sources: PwC, Ovum

Advertising dominates South African newspaper revenues

Fig. 1: Advertising and circulation revenues, 2009-2018 (R billions)



Sources: PwC, Ovum

In troubled times, newspapers are an important voice

Improving education, consumer spending power and an increasing thirst for 'need-to-know' news are driving the steadily growing demand for newspapers, providing encouragement for investment in new advertising campaigns.

Urbanisation in South Africa continues to rise by over one million people per year. According to the UN, South Africa's urban population will reach 34.6 million people, or 65.9% of the population by 2020, up from 62% today. Advertisers are following, eager to bring word of their products to this previously untapped group of consumers.

This expansion in its potential audience will provide a boost to the newspaper publishing market as reaching rural audiences remains a challenge, both in terms of the distances involved in getting the newspapers to the areas and finding outlets to sell the newspapers.

With digital technology still out of reach for the majority of the population even in urban areas, print newspapers fill the time for commuters using public transport. This has led to small growth in the circulations of tabloid newspapers, focussing on issues or events that affect specific geographical areas. Daily print circulation units were approximately 2.7 million in 2013, and are forecast to reach 2.8 million in 2018.

Demonstrating the importance placed on printed news, the death of Nelson Mandela resulted in a spike in newspaper circulation, as individuals chose print newspapers as a key source for information and reflection.

The low level of broadband penetration in South Africa also means that publishers are less affected by the digital disruption seen elsewhere. For many consumers, print remains the first news medium, which will ensure that print revenue will grow for years to come.

In 2013, the Protection of State Information Bill (POSIB) was passed by Parliament. POSIB would make it a criminal offence to report on classified state information and/or intentionally access leaked information online.

Although POSIB no longer allows government agencies to arbitrarily classify information, journalists are concerned that it will be used as a vehicle for reducing transparency. If journalists or whistle-blowers publish information deemed to be subject to the provisions of POSIB, they could be imprisoned for up to 25 years.

Fears remain that in protecting the interests of private citizens, the new legislation will inhibit legitimate and potentially important investigative journalism. In the face of these concerns, in September 2013, President Jacob Zuma refused to sign the Bill into law, instead returning it to Parliament for reconsideration.

Newspapers: Different titles but same backroom

South Africa's four largest newspaper groups in terms of the number of titles and readership are:

- Naspers Limited (Media 24)
- Independent News & Media SA (recently acquired by Sekunjalo Independent Media)
- Caxton & CTP Publishers and Printers Ltd
- Times Media Group Limited

Naspers Limited publishes around 72 newspaper titles through its print media subsidiary, Media24. These include the *Daily Sun*, which has the biggest daily readership in South Africa. It also publishes *Die Burger*, *Beeld*, *Volksblad*, *Son* and *The Witness*, as well as Sunday papers *Rapport*, *City Press*, *Sunday Sun* and *Sondag Son*.

The Independent News & Media Group was acquired by Sekunjalo Independent Media for R2 billion in 2013.The group publishes daily, weekly and weekend titles, such as *The Star* (the largest title), *Isolezwe*, *Cape Times* and *Saturday Star*. Its Sunday paper titles include the *Weekend Argus*, *Sunday Tribune*, *Sunday Independent* and *Isolezwe NgeSonto*.

Caxton & CTP Publishers and Printers Ltd, with 103 titles, has the largest number of newspaper titles (either company-owned or co-owned through a major partnership), including *The Citizen*, its most prominent publication. During 2013 Caxton invested in its printing operations, with printing presses installed at its Johannesburg, Cape Town and Durban facilities.

The Times Media Group operates as a newspaper, magazine and digital publisher, as well as a distributor. It publishes more than 20 national, regional and community newspapers, the largest title being *The Sunday Times*. Its stable includes *Sunday World*, *The Times*, *The Sowetan*, *Business Day*, *The Herald* and *Daily Dispatch*.

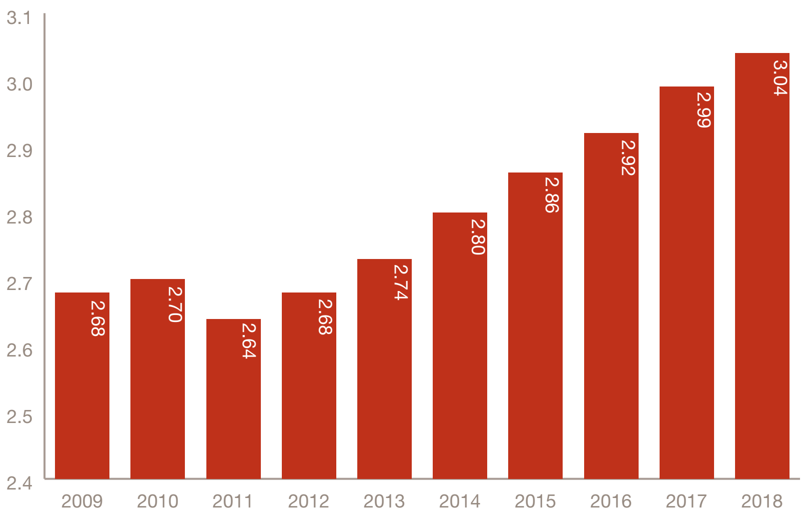
The New Age is a national daily owned and operated by TNA Media. For the 12 months to December 2013, AMPS reports it reached an estimated 178 000 readers.

Having made a wide variety of newspaper content available online, newspapers have transitioned towards new distribution platforms in South Africa. However, as in nearly every market, challenges remain in terms of establishing profitable business models.

In order to save costs, newspapers have been attempting to streamline their operations by consolidating their newsrooms. Since 2009, Independent Newspapers has centralised its sub-editors into a single hub, while Times Media Group has done the same with its sports staff. Media24 has taken this a step further by merging its photographic, digital, sport, business and supplements teams, which now provide content to three daily newspapers and a national Sunday paper.

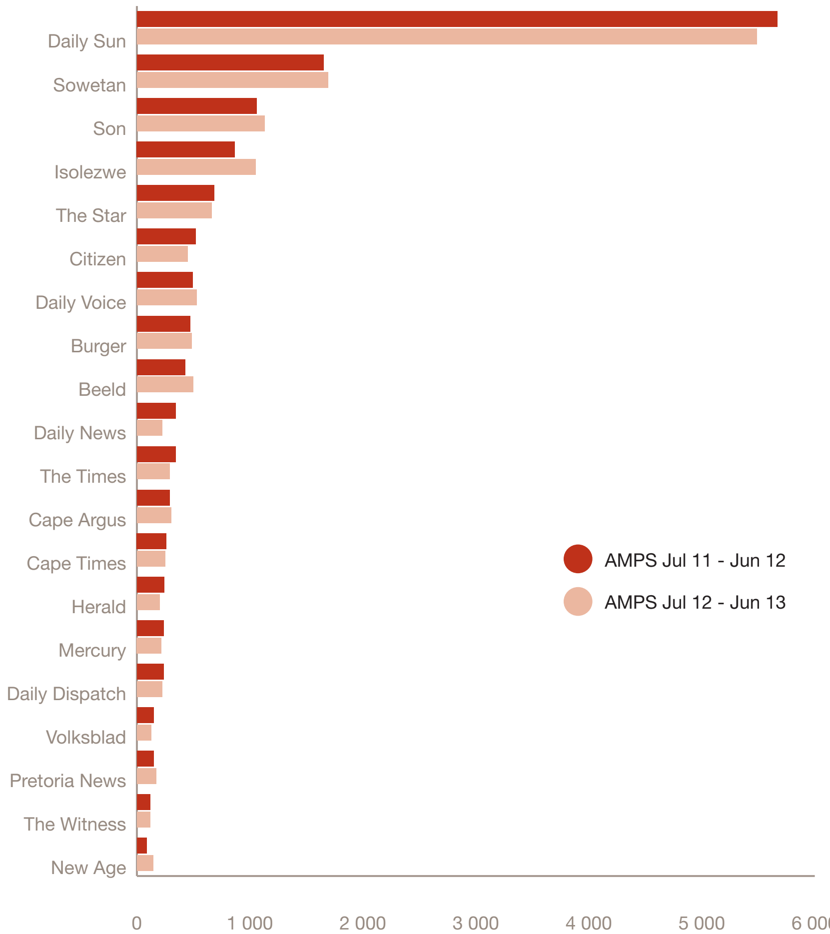
Print circulation revenues will continue their upward trajectory over the forecast period

Fig. 2: Newspaper print circulation revenues, 2009-2018 (R billions)



Sources: PwC, Ovum

Fig. 3: Selected daily newspapers, by circulation (thousands)



Source: South African Advertising Research Foundation's All Media and Products Study (AMPS)

Print circulation improvements not necessarily raising all titles

The readership of daily newspapers has remained reasonably constant, with 30% of the population aged above the age of 15 years reading a daily newspaper in December 2013.

Print circulation revenues are forecast to recover from a 2.3% drop in 2011 to reach R3.0 billion in 2018.

Total circulation is increasing, with ABC figures showing that total circulation rose by 246 000 copies in the fourth quarter of 2013, with the newspaper market benefitting from high-profile stories such as the death of Nelson Mandela, the Oscar Pistorius trial and President Zuma's Nkandla scandal.

However, both English and Afrikaans titles are experiencing declining readerships, with English titles falling by 4.1% annually (200 000 copies) since the fourth quarter of 2009 and Afrikaans titles by 6.2% annually (83 000 copies) over the same period.

The Daily Sun remains the leading daily newspaper in terms of circulation

Isolezwe performs strongly, while the Daily News experienced the most dramatic decline

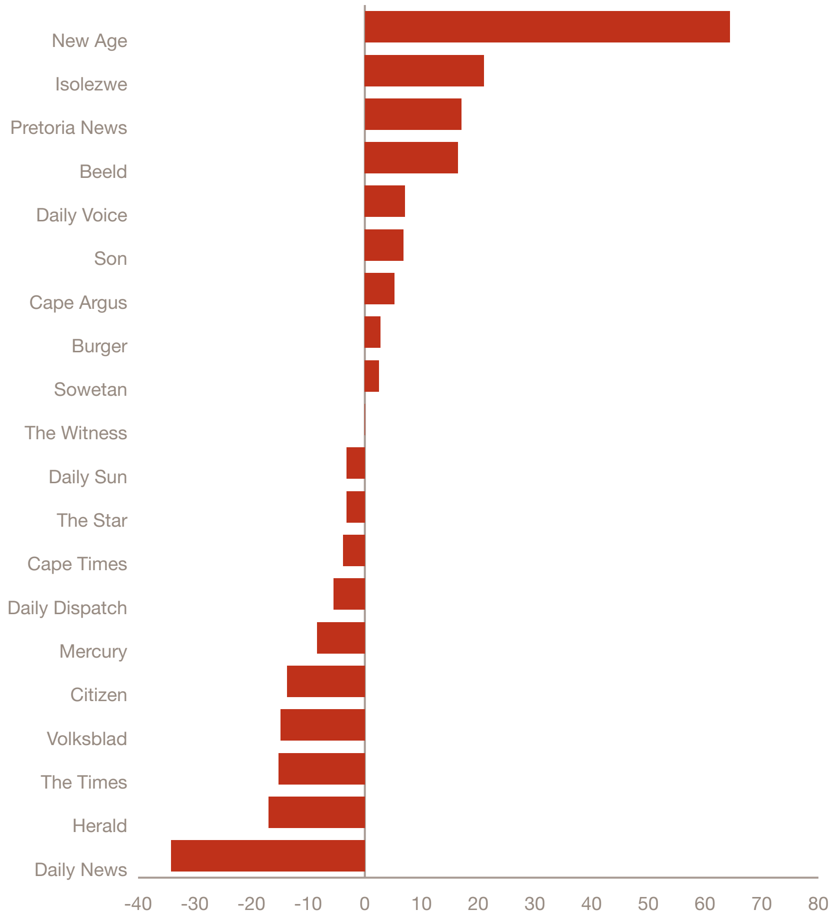
From June 2011 to June 2013, South Africa's Zulu-language daily newspaper, *Isolezwe*, saw year-on-year growth in average sales of 21%, from 867 000 to 1 049 000. Editorially, the newspaper occupies the mid-market, with staff constantly researching reader preferences and engaging with them via phone, email, Facebook and Twitter. This engagement results in advertising revenue from a wide range of market sectors, such as tourism, automotive, property and telecoms providers.

Isolezwe is sold via sales agents such as hyperstores, spazas (informal convenience stores), street sellers and roving vendors on bicycles.

Although the *Daily Sun* remains the leading daily newspaper in terms of circulation, it has experienced a year-on-year decline of 3.2%, with daily sales shrinking from 5.67 million copies to 5.49 million.

The New Age may top the list of newspapers to have seen the highest percentage rise over 12 months, but its 64% year-on-year increase means that it has only now reached 143 000 copies. *Isolezwe*, meanwhile, has put on 21% year-on-year from an already strong base of 867 000 readers. In contrast, The *Daily News* has experienced a 34% decline in readership, down from 342 000 copies to 225 000.

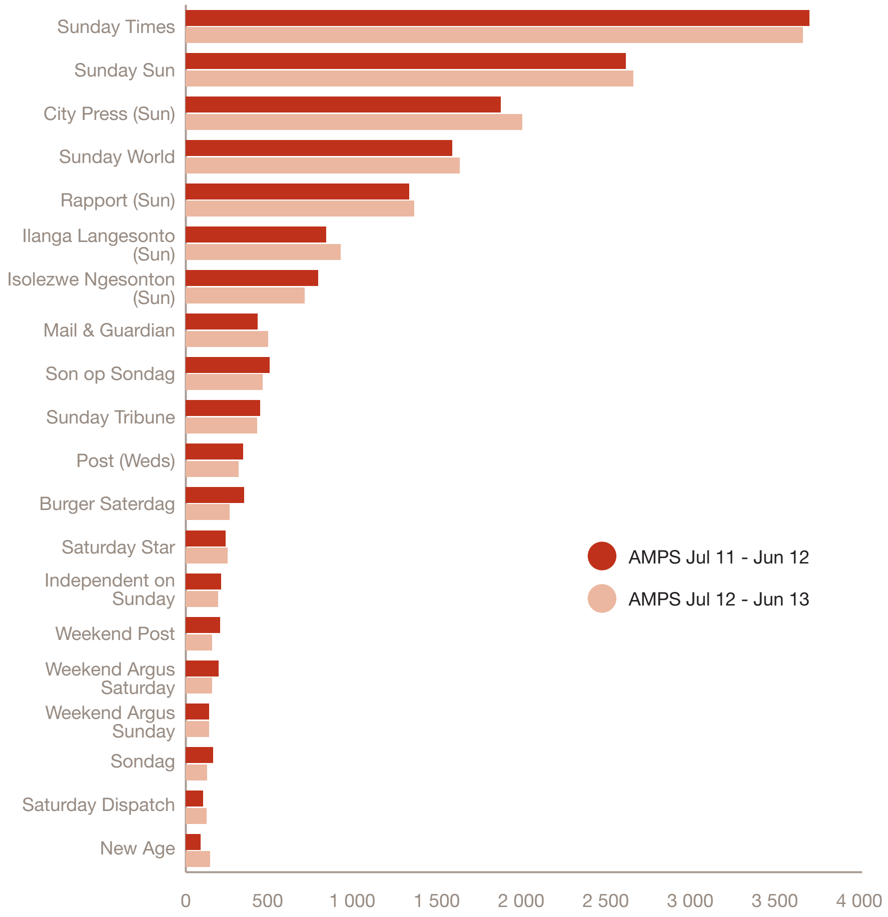
Fig. 4: Daily newspapers' annual change in readerships June 2012-June 2013 (%)



Source: South African Advertising Research Foundation's All Media and Products Study (AMPS)

The Sunday Times leads the way

Fig. 5: Average issue readership for weekly newspapers (thousands)

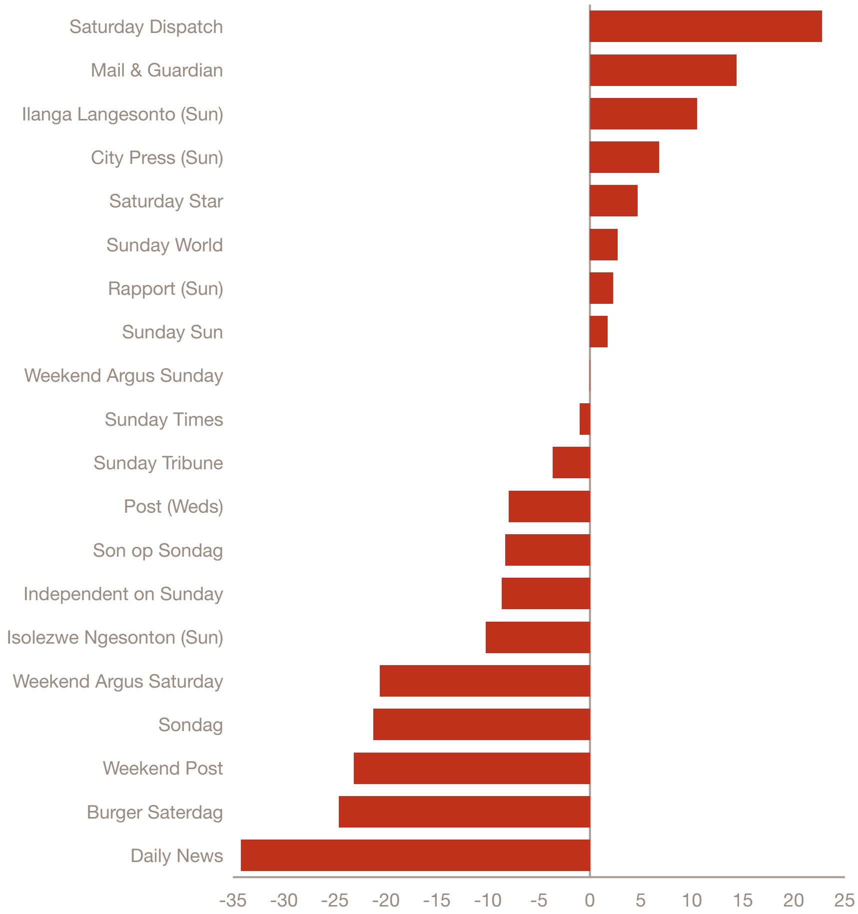


Source: South African Advertising Research Foundation's All Media and Products Study (AMPS)

Circulation of weekend papers has declined overall since the fourth quarter of 2009 with readership of English titles declining annually by 4.7% (305 000 copies) and Afrikaans titles by 7.4% (183 000 copies).

Mixed fortunes for individual weekly newspapers

Fig. 6: Weekly newspapers' annual change in readership, June 2012 - June 2013 (%)



Source: South African Advertising Research Foundation's All Media and Products Study (AMPS)

Digital circulation revenues will grow by a 29.3% CAGR

Digital circulation growing from a low base, but not forecast to become the norm yet

The newspaper industry has endured a difficult few years. Against a backdrop of ongoing digital disruption, which has pulled readers to alternate digital media sources, the worldwide economic crisis has further impacted sector fortunes.

Tablets and mobile devices are among the biggest change drivers for the industry. As adoption of the devices, and subsequently of digital content on those devices, continues to grow, there is a clear threat to traditional printed newspapers. However, tablet and mobile users are noted to be more inclined to pay for content than website users. So many news publishers have tried putting the genie back into the bottle – charging for digital content for the first time in a generation; first for tablet editions and then for associated websites.

Costs cuts and newsroom restructuring, often enacted to maintain profit margins, have forced publishers to 'right-size' their businesses for new digital ways of working. But cuts can only go so deep before quality levels start to fall to the point at which readers can find the equivalent content free elsewhere on the web. Commoditisation such as this would undermine the importance of the 'trusted brand', which for many is still the cornerstone of industry values.

Digital circulation revenue is forecast to grow from R38 million in 2013 to reach an estimated R136 million in 2018, a CAGR of 29.3%.

The Sunday Times has some of its online content behind a paywall, accessible only to paying subscribers. *The Sunday Times* and *The Times* e-editions provide a digital equivalent of the printed newspaper, but also enable readers to share items of interest via email, Twitter and Facebook. Access to the Sunday papers' 'Editor's Choice' is provided via an app designed for the iPad, with subscribers also getting news updates from *The Times* during the week.

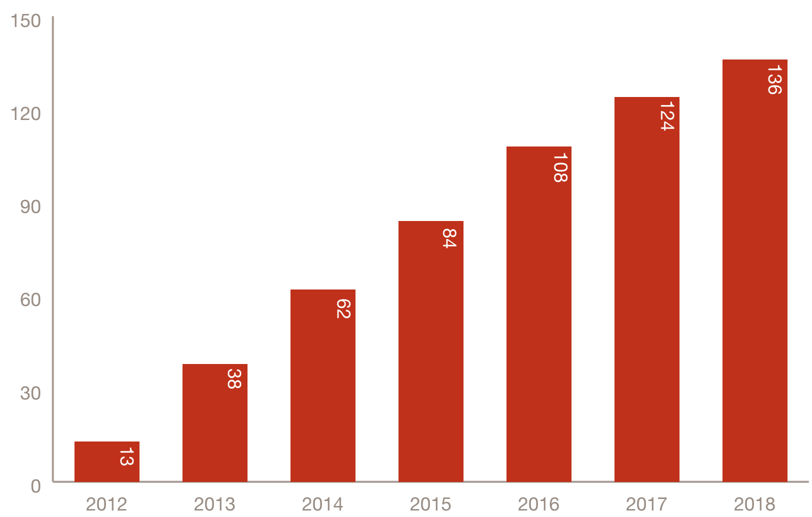
Publishers have been looking at ways of monetising the traffic that online and mobile services can generate. Although the industry was still experimenting to find the best model in 2013, the most common implementation allows casual readers access to a limited number of stories free before only paying readers are allowed to access more.

South Africa's newspaper readers still prefer print rather than digital news content. AMPS reported in 2012 that just 4% of South Africans aged over 15 years read newspaper content online, while 2% read it on a mobile phone. Only 6% of print readers were found to also read newspaper content online.

These numbers will likely rise as adoption of smartphones increases, but for the time being, readers will still buy printed newspapers and advertisers will follow them. Digital circulation revenues will grow rapidly (albeit from a small base) in the next five years.

This growth will not prove to be a game-changer for publishers looking for a simple and easy fix in the short term. Digital is part of a successful long-term strategy for newspaper publishing, but it is not a silver bullet.

Fig. 7: Newspaper digital circulation revenues, 2012-2018 (R millions)



Sources: PwC, Ovum

Print advertising revenues will pass R10 billion in 2018

The relatively low number of broadband connections in South Africa will hinder the switchover to digital formats. Only 14% of households were connected to the Internet via fixed broadband in 2014. By 2018, only 18% of households will have access. Growth in mobile Internet will be rapid, however, with 52% of the population having access in 2014, rising to 90% of the population aged over 15 by 2018.

Unlike in other markets, where the shift to digital is more advanced, South Africa still presents a window of opportunity for publishers to experiment with different models before increased Internet access forces them to alter their businesses.

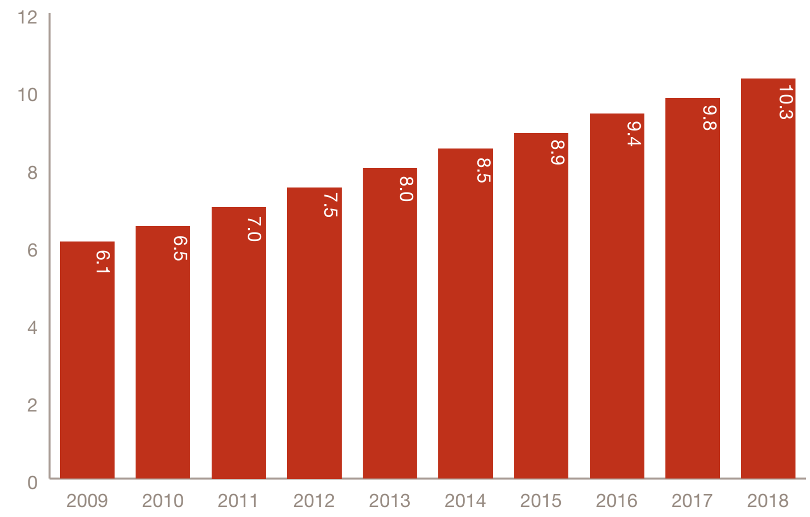
Advertising revenue will perform strongly

Newspapers' reach and focus on their target readership is forecast to result in print advertising growing by an average of 6% annually. This is especially the case, its supporters argue, with local newspapers that are distributed free, as research commissioned by Ads24 in 2014 aims to demonstrate.

Newspaper advertising in South Africa is evolving, with advertisers incorporating digital elements in their advertising campaigns. Media24 was one of the first newspaper groups in the country to incorporate augmented reality (AR) advertisements, enabling advertisers to include sensory information, sound, video, graphics and GPS data in their promotions.

Crucial to the further growth here is the increased penetration of phones with which readers can interact with newspaper content. By 2018, there will be an estimated 48 million smartphone connections in South Africa, accounting for 60% of all the mobile connections in the country.

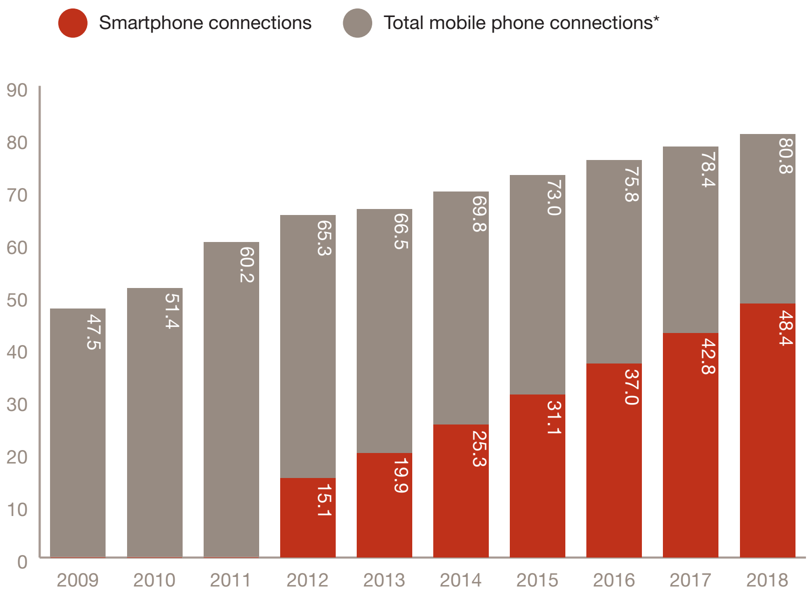
Fig. 8: Newspaper print advertising revenues, 2009-2018 (R billions)



Sources: PwC, Ovum

There will be 48 million smartphone connections in South Africa by 2018

Fig. 9: Smartphone and total mobile phone connections, 2009-2018 (millions)



Sources: PwC, Ovum
*includes smartphone connections

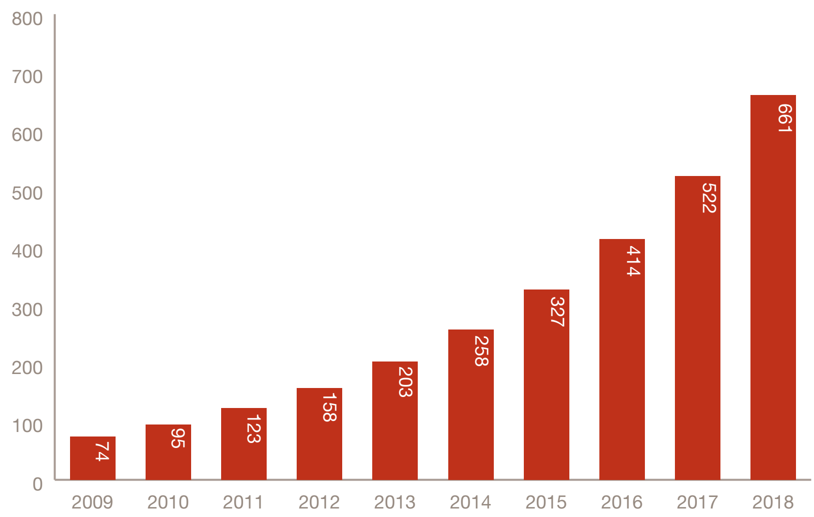
Digital advertising will pass R600 million in 2018

Newspapers will thus need to optimise their online content for smartphones, with a balance between content and advertisements. Another challenge is consumer adoption of tablet devices, with publishers creating applications with additional content supporting stories.

Publishers will need to work harder to realise new digital revenue returns as print recedes, by embracing new advertising technologies, promoting data-based measurement techniques and adopting new payment schemes.

Digital advertising is forecast to grow by a CAGR of 26.6% to reach R661 million in 2018 from R203 million in 2013.

Fig. 10: Digital advertising revenues, 2012-2018 (R millions)



Sources: PwC, Ovum

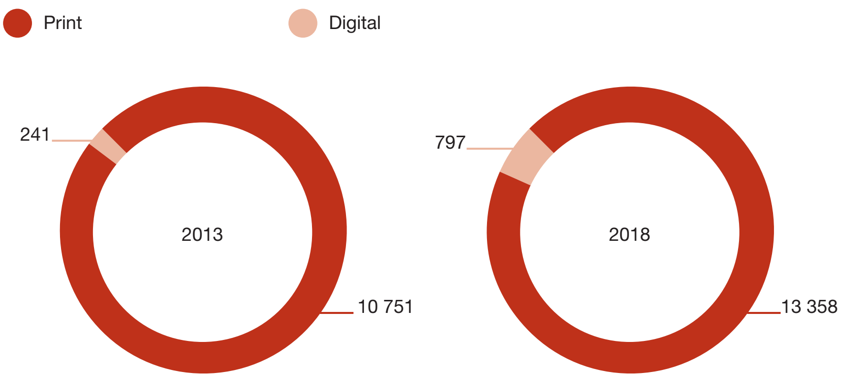
Print advertising will maintain its dominance for the foreseeable future

South Africa's newspaper market will continue to derive 94% of its advertising revenues from print in 2018, despite digital advances. Printed newspapers, along with radio, are the most effective methods of reaching the majority of South Africa's population, many of whom do not live in households that are connected to the Internet.

Newspaper readers are only beginning to switch to reading copy in digital formats. Digital's share of circulation revenues will reach only 4% in 2018.

The print format will still dominate newspaper revenues in 2018

Fig. 11: Distribution of the newspaper market, 2013 vs 2018 (R millions)



Sources: PwC, Ovum

Newspapers are moving with the times

Although print will dominate revenues in the near term, in the longer term, the shift to digital will have an impact. Newspapers may well need to reinvent themselves as digital publishers in order to be relevant in the 2020s.

With general news freely available via digital channels, publishers must focus on developing the kind of content that online and mobile users are willing to pay for. This may come in a range of guises: The success of publications such as the *Economist* indicates that consumers are willing to pay for high-quality analytical content, but content that is delivered in real time, especially around a breaking news story, is also valuable.

The new workflow was exemplified by the initial coverage of the Oscar Pistorius saga, with the news breaking on *Beeld*'s Twitter feed but more in-depth coverage such as background and analysis articulated in the printed newspaper over the following weeks and months.

In order to remain relevant, newspapers will need to incorporate social media for picking up breaking news or reacting to an event and then use the digital/print coverage for features, analytical insights and/or long-term investigations.

In this context, newspaper brands still resonate with their readership and developing these brands will be important. Distinctiveness will be valued by readers and advertisers, but newspapers with aspirations to move away from just reporting the news cycle will need to ensure they sufficiently resource their editorial departments in order to deliver a premium product.

For many years, news publishers' output was led by their print products. But increasingly, titles will be reorganised as 'digital-first' operations, publishing content that works best on connected devices.

In 2012, *Business Day* became a 'digital first' publication with the launch of a new website, *BDlive*. Following *Business Day*, Media24 announced in April 2013 that its three Afrikaans daily newspapers (*Die Burger*, *Beeld* and *Volksblad*) would adopt a 'digital first' strategy that will see them breaking news on their websites and putting this content behind a paywall. The sites are available on a subscription basis, with print subscribers able to access the printed paper, the mobile app and the website. Online-only subscriptions enable readers to access a digital bundle, including the website and app. Non-subscribers are able to view up to 20 stories a month free either from the papers' websites or via social media, but then have to pay for further access.

This shift in business model and corporate culture will result in individual newspapers changing their internal operations. *Mail & Guardian* was one of the first newspapers in South Africa to take this step and since August 2012 has been implementing a unified news desk, one subs desk and has editors grappling with the differing requirements of 'slow' news and 'fast' news delivery.

The newspaper has undertaken a programme to train staff how to use tools for digital journalism. The strategy is beginning to bear fruit with 140 000 unique visitors a month on mobile by August 2013 and 25% of its subscriptions based on iPads or Kindles.

However, not all proprietors are moving as confidently. Times Media Group has said it will not be a pioneer when it comes to migrating from print to digital formats. It is nevertheless making significant investments in technology infrastructure, but provides no clear timeframe or guarantee for financial returns.

Despite print's continued dominance, South Africa's newspaper industry must prepare for digital disruption

Looking at the global newspaper publishing figures, it could be argued that the industry at an international level is stable, despite profound and contradictory underlying tectonic shifts.

The industry is not, however, an international one and it is incumbent on publishers in emerging economies such as South Africa not to sit back, satisfied with their print boom. They must heed the experience elsewhere as a template from which to learn, preparing for the same eventual pattern of digital disruption as the adoption of smartphones and other smart devices gathers pace.

With effective hindsight, publishers now seeing growth should be well placed to capitalise on their growth for many years to come.

Nigeria

Nigeria's newspaper market will stabilise at just over US$200 million per year by 2018

Newspaper revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Advertising	95	89	83	78	73	69	66	64	62	61	-3.8%
Print	94	88	82	76	71	67	64	61	59	57	-4.4%
Digital	1	1	1	2	2	2	2	3	3	4	14.4%
Circulation	128	125	123	127	132	134	138	140	143	146	2.2%
Print	128	125	123	127	131	132	134	135	136	138	1.1%
Digital	-	-	-	-	1	2	4	5	7	8	66.5%
Total	**223**	**214**	**206**	**205**	**205**	**203**	**204**	**204**	**205**	**207**	**0.2%**
YOY growth (%)		***-3.9%***	***-4.0%***	***-0.9%***	***-0.1%***	***0.0%***	***0.1%***	***0.1%***	***0.4%***	***0.4%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

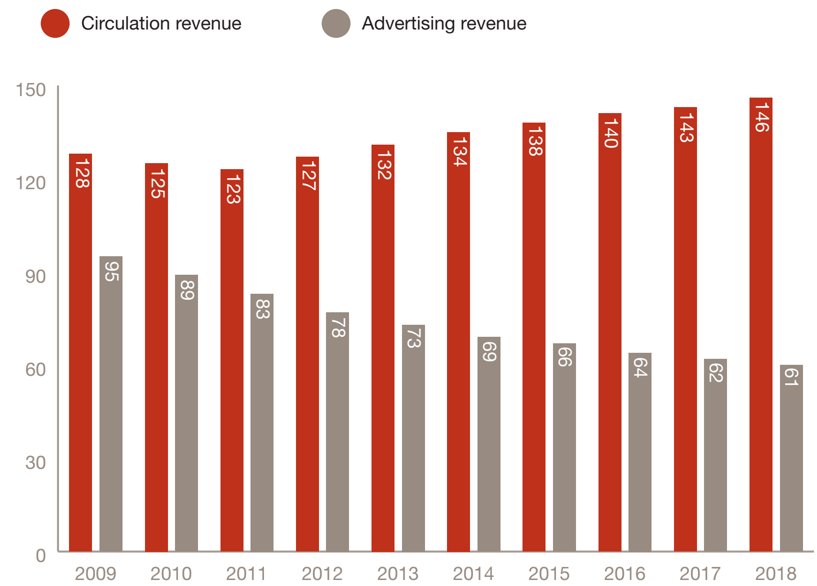
After declining revenues between 2009 and 2012, the Nigerian newspaper market is forecast to stabilise, with slim growth to 2018 delivering revenue of US$207 million. While circulation revenue will show an encouraging rise at a 2.2% CAGR, advertising revenue will decline by a CAGR of -3.8%.

Advertisers are shifting their budgets away from newspapers as choices for deploying their budgets broaden, which has led to titles competing aggressively for readers. There are more than 50 different newspapers in the country, with the Lagos region home to numerous privately-owned newspapers and magazines.

The newspaper format does not seem to resonate with Nigerian consumers, with only half a million copies sold daily in a country of over 175 million people. It is an ongoing challenge for publishers to maintain a 24-hour newsroom and to distribute copies nationwide, while journalism remains a dangerous trade to practise in the country.

Circulation moves upwards as advertising shrinks

Fig. 12: Newspaper revenues, 2009-2018 (US$ millions)



Sources: PwC, Ovum

Online and mobile platforms are the future

NEXT newspaper is now only available online, but has an influential audience of Nigerians both in the country and overseas, and is becoming an established provider of news and information on mobile devices and other digital platforms.

Another publication, *BusinessDay*, is thriving by shifting emphasis to digital channels, resulting in its expansion to over half a million subscribers on MTN's Mobile News Service by October 2013. The newspaper also has content partnerships with the *Financial Times, The Economist, Harvard Business Review* and *Reuters*.

Bypassing the costs of printing and the logistical challenges of getting the content to the readers, the *Cable* newspaper was launched in May 2014 as an online newspaper targeting senior decision-makers in business and politics.

The number of mobile data subscriptions in Nigeria are forecast to grow dramatically with a penetration of 44% expected in 2018, up from just 0.2% of the population in 2008. Smartphones will also play an important role, with connections forecast to grow by over 32% per annum to reach 80 million in 2018.

In light of the structural challenges facing the newspaper market in Nigeria and fluctuating exchange rates, the Nigerian Guild of Editors lobbied the government in July 2013 to waive import duties on all news media inputs, especially on newsprint and broadcast equipment.

Despite such initiatives, the newspaper market will struggle to generate revenues, as news content continues to be available free online and advertising revenues continue to decline.

Newspapers need to raise standards

Much like their counterparts across the globe, newspaper owners in Nigeria will need to decide how to retain their role in a world where individuals get their news and information from numerous sources. Nigerian newspapers will need to integrate social media into their news gathering, while also looking to engage online communities as a way to generate advertising revenues.

The Niche is looking to target middle and upper middle-class members of society, offering this audience well-written content focusing on analysis and investigations, as opposed to simply reporting stories. Another strategy adopted has been to focus on a particular region in Nigeria, with the *Western Post* covering the affairs of the country's Western region.

Kenya

Kenya's newspaper market set to grow at a strong CAGR of 4.6%

Newspaper revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Advertising	37	66	86	118	130	139	147	154	160	167	5.0%
Print	37	65	85	116	127	135	142	147	152	157	4.2%
Digital	0	1	1	2	3	4	5	7	8	10	25.5%
Circulation	48	47	45	46	48	51	53	54	56	57	3.3%
Print	48	47	45	46	48	49	50	50	50	50	0.7%
Digital	-	-	-	-	-	2	3	4	6	7	96.6%
Total	**85**	**113**	**131**	**164**	**178**	**190**	**200**	**208**	**216**	**224**	**4.6%**
YOY growth (%)		***31.1%***	***17.0%***	***25.3%***	***8.5%***	***6.0%***	***5.2%***	***4.2%***	***3.6%***	***3.8%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

Kenya's newspaper sector continues to perform strongly. Advertising revenue has rocketed from US$37 million in 2009 to US$130 million in 2013 and will continue growing to reach US$167 million in 2018, a CAGR of 5.0%. Circulation is also rising, but from a lower base, at a 3.3% CAGR.

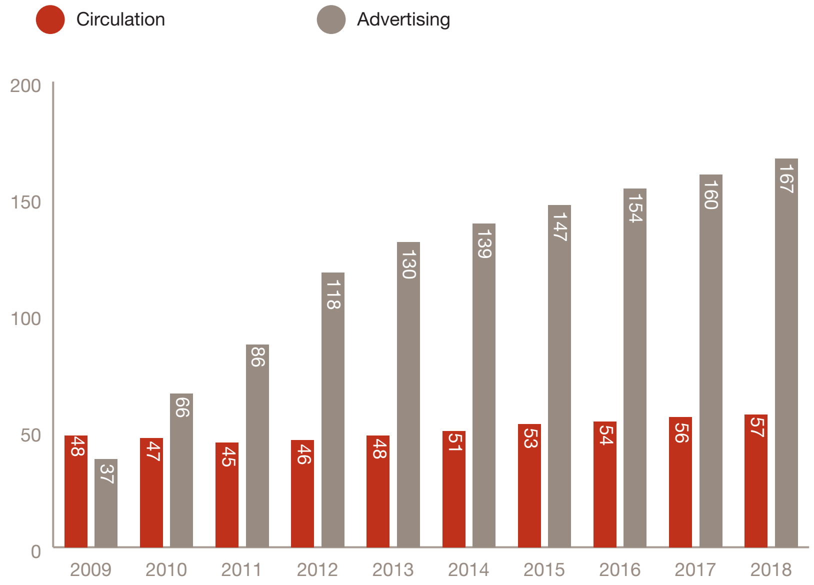
Thriving Kenyan market offers wide range of content

The Kenyan newspaper market has four daily national newspapers published in English and one in Swahili. The most popular newspaper is *The Nation,* published by Nation Media Group (NMG). Its popularity stems from its reputation for impartial, unbiased and independent content. Currently the newspaper's Facebook page has two million fans, while its Twitter handle has one million followers.

Editorially, the group has adopted a 'digital first' strategy, with online advertising following suit with revenue growing by 27% in the financial year ending December 2013.

Advertising revenues are the main driver in Kenya

Fig. 13: Newspaper revenues, advertising vs. circulation, 2009-2018 (US$ millions)



Sources: PwC, Ovum

NMG's other titles include *Business Daily*, *The East African* and *Taifa Leo*. *Business Daily* covers business and investment news affecting Kenya and the African continent. *The East African* is a weekly newspaper covering the news in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Burundi. *Taifa Leo* is the only Swahili newspaper in Kenya and targets Swahili-speaking people in Kenya and the East African region.

NMG launched *Nairobi News* in November 2013, targeting affluent residents of the city with County Hall news, crime and courts, business, entertainment and sports. By April 2014, the newspaper's website was achieving 500 000 unique hits per month.

Exemplifying the group's digital-first strategy, news is released on its websites, including a dedicated mobile site, with the newspaper carrying updates and more detail the following day.

The Star newspaper, launched in 2007, includes gossip and opinion columns in addition to news, sports and business. Meanwhile, *Coastweek* focusses on Kenya's coastal region, including the counties of Mombasa, Lamu, Kwale and Malindi, with content concerning tourism and entertainment.

Switch to digital advertising beginning to establish itself

Digital advertising is forecast to rise by a CAGR of 25.5% and will receive a boost if the Government fulfils its goal of shifting its own advertising from print to digital formats. However, the expenditure will not necessarily shift from newspaper print to digital advertising in newspapers, but other digital channels too.

Other traditionally large spenders on print advertising, such as Kenya Airways, Safaricom and East African Breweries Limited (EABL), are increasingly utilising digital formats. Smartphone connections are set to rise by an average of 28% per annum over the forecast period to reach 23 million in 2018, with their adoption leading advertisers to incorporate QR codes in their print advertisements.

Fixed broadband connections, however, are thin on the ground. Just 3% of Kenyan households had fixed broadband in 2013 and this is only forecast to grow to 4% by 2018. However, the percentage of the Kenyan population having access to mobile Internet is forecast to grow from 4% in 2013 to 47% in 2018. Delivering content to mobile devices will be a priority for publishers.

Growth in the Kenyan newspaper sector will be constrained in the near term by the high proportion of the population living in rural areas, where distribution of both physical and digital content will remain more of a challenge.

Local news is an important area

Code4Kenya and FlashCast are examples of Kenyan initiatives to promote the publication of local news. Code4Kenya helps publishers create hyperlocal versions of newspapers by enabling newsrooms to mine their archives for localised content and provide the content to third-party apps or other new media outlets.

FlashCast will transmit hyperlocal news to location-aware LED displays in buses and taxis. The platform is targeting commuters and encouraging readers to submit comments via mobile devices.

Global trends in newspapers

The following is extracted from PwC's *Global Entertainment & Media Outlook 2014-2018*

Fractional growth will be seen in global newspaper revenues to 2018

Global newspaper revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Advertising	86 024	85 677	84 907	82 839	81 639	81 084	80 581	80 121	79 619	79 160	-0.6%
Print	80 832	79 724	78 242	74 996	72 881	71 585	70 308	69 048	67 742	66 456	-1.8%
Digital	5 192	5 953	6 665	7 843	8 758	9 499	10 273	11 073	11 877	12 704	7.7%
Circulation	75 107	74 352	73 501	72 641	72 739	73 255	73 820	74 485	75 241	75 890	0.9%
Print	75 013	74 187	73 000	71 612	71 028	70 769	70 553	70 368	70 222	70 002	-0.3%
Digital	94	165	501	1 029	1 711	2 486	3 267	4 117	5 019	5 888	28.0%
Total	**161 131**	**160 029**	**158 408**	**155 480**	**154 378**	**154 339**	**154 401**	**154 606**	**154 860**	**155 050**	**0.1%**
YOY growth (%)		***-0.7%***	***-1.0%***	***-1.8%***	***-0.7%***	***0.0%***	***0.1%***	***0.1%***	***0.2%***	***0.1%***	

Sources: PwC, Ovum Telecoms & Media

- Global total newspaper revenue, after a period of decline, will start to climb again in 2015 as the growth in developing countries' newspaper revenue begins to exceed the declines in mature markets. Growth will stabilise at 0.1% CAGR through to 2018, meaning total global newspaper revenue of US$154.4 billion in 2013 will rise to US$155.1 billion in 2018.

- The future of newspapers will vary significantly by region. While the Asia-Pacific market is set to grow at a CAGR of 3.4% through to 2018 based on increased consumer and advertiser demand, especially in China (8.3% CAGR) and India (7.5% CAGR), North America is forecast to fall at a CAGR of -4.2% as the migration of advertising and readers to digital continues.

- Circulation revenue will almost match advertising revenue by 2018. In 2013, while circulation revenue rose globally after years of decline, advertising revenue continued to fall. Circulation's share of total revenue will rise from 47% in 2013 to 49% by 2018, meaning consumers may soon become publishers' biggest source of revenue.

- Digital payments are taking off, but won't prove transformational. Digital newspaper circulation revenue grew by 66.2% through 2013. But despite individual publishers reporting improved fortunes, few are hailing a transformation – digital circulation will make up just 8% of total circulation revenue globally by 2018.

- Growth in digital advertising revenue is slowing down. In 2013, publishers' annual digital advertising revenue growth reduced to 11.7% – a far cry from the 17.7% growth of 2012. Publishers will have to work harder to realise new digital revenue returns, embracing new advertising technologies, promoting better usage measurement and exploring controversial content marketing and payment schemes.

- 'Digital-first' is becoming the norm for newspaper publishers. For many years, news publishers' digital output was led by their print products. But increasingly, titles will be reorganised as 'digital-first' operations, publishing content that works best on connected devices.


JOHANNESBURG

Consumer, educational and professional book publishing

Rilien Nienaber • Senior Manager

Definitions

The consumer and educational book publishing market includes:

- Retail spending by consumers on consumer books;
- Spending by schools, government agencies and students on elementary, secondary school and tertiary educational textbooks, including postgraduate and academic textbooks;
- Spending on books in electronic formats, also known as electronic books or e-books;
- Spending on library and institutional subscriptions to electronic book databases;
- Spending on audio books, books on CDs and books on DVDs, which are included in print sales and forms part of consumer spending; and
- Spending on professional books (i.e. targeted at professional users, such as legal publishing), including both print and electronic editions. This is also included in the business-to-business publishing chapter.

Revenues are assigned to the format of the book sold, rather than the means of distribution, i.e. print editions bought from online retailers contribute to print revenues.

Educational books do not include supplemental educational spending, administrative software or testing materials. This revenue is both digital and non-digital and is from consumer spending.

In brief

Double-digit growth in digital formats will barely compensate for the decline in print formats, with slow growth forecast.
The book publishing market in South Africa, comprising consumer, educational and professional book publishing revenues, will reach an estimated R4.0 billion in 2018, up from R3.9 billion in 2013. This represents 0.5% CAGR growth over the forecast period.

New VAT rules will make it easier for South African e-bookstores to compete with international players.
The onus now lies on international companies, rather than the consumer, to pay the 14% VAT due on e-books to the South African Government.

Educational book revenue continues to dominate the book publishing market with revenues of R2.1 billion in 2013.
Educational book revenues are, however, being affected by Government cuts to school budgets. The Department of Basic Education is working to improve access to library and information services in a five-year plan starting from 2014.

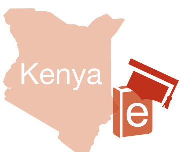
Educational e-books have yet to gain traction.
While educational print revenues will remain healthy despite a 1.1% CAGR decline over the forecast period, educational e-book revenues will see very little growth, reaching just R5 million in 2018, with schools lacking the resources to purchase educational e-books on a large scale.

Educational publishers will continue to invest in digital publishing.
In June 2014, Snapplify, a digital publishing start-up, announced that it would give all South African schools access to a free e-bookstore providing students and teachers with a simple platform to purchase e-textbooks, enabling them to access thousands of e-books from global academic publishers.

Professional books will see the fastest rate of digitisation, with 14% of professional book revenues coming from e-books by 2018. *This compares with just 9% for consumer books. However, the market is still small and professional e-books revenue will reach only an estimated R29 million by 2018.*

New online bookstores continue to emerge, increasing the accessibility of e-books to consumers. *Google Play Books was launched in South Africa in November 2013.*

Nigeria's book publishing market will be affected by new tax regulations which took effect in January 2014.
This will make imported books much more expensive to buy. The consumer book market will see a decline of 0.9% CAGR over the forecast period.



The Kenyan book market is dominated by educational book spending.
The educational book market will decline by 1.3% CAGR to a forecast US$28 million in 2018, as schools continue to contract their book-buying budgets following 2008's move to make secondary education free in the country.

South Africa

Consumer books will be the cornerstone of growth in the sector

Book revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer	**1 190**	**1 174**	**1 424**	**1 441**	**1 477**	**1 513**	**1 554**	**1 595**	**1 635**	**1 670**	**2.5%**
Print	1 190	1 173	1 417	1 419	1 442	1 460	1 476	1 491	1 504	1 517	1.0%
Digital	0	1	7	22	35	53	78	104	131	153	34.5%
Educational	**2 778**	**2 636**	**2 311**	**2 270**	**2 248**	**2 222**	**2 195**	**2 163**	**2 131**	**2 133**	**-1.0%**
Print	2 778	2 636	2 311	2 269	2 246	2 220	2 192	2 159	2 127	2 128	-1.1%
Digital	0	0	0	1	2	2	3	4	4	5	25.2%
Professional	**152**	**157**	**166**	**172**	**177**	**182**	**188**	**193**	**198**	**203**	**2.8%**
Print	150	153	159	162	164	166	169	171	173	174	1.2%
Digital	2	4	7	10	13	16	19	22	25	29	17.4%
Total	**4 120**	**3 967**	**3 901**	**3 883**	**3 902**	**3 917**	**3 937**	**3 951**	**3 964**	**4 006**	**0.5%**
YOY growth (%)		***-3.7%***	***-1.6%***	***-0.5%***	***0.5%***	***0.4%***	***0.5%***	***0.4%***	***0.3%***	***1.1%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

The book publishing market in South Africa will reach an estimated R4.0 billion by 2018, having increased slightly from R3.9 billion in 2013, a CAGR of 0.5% over the forecast period. Consumer and professional books will both enjoy growth over the forecast period, but educational books will not see a return to growth until 2018.

With around 12% of South Africans unable to read and 11 official languages to serve, the South African book market faces a number of profound challenges. The most commonly-spoken language in South Africa is Zulu, but English and Afrikaans are the most used languages in book publishing.

The South African Book Development Council estimates that approximately 51% of South African households do not own a book. It estimates that just 1% of the population buys books, with around 14% reading them. As a result, the consumer book market is much smaller than the educational book market.

However, the consumer book market is slowly gaining ground. Indeed, there are many initiatives in place to encourage book reading. In addition to schemes such as Read a Book South Africa and Cover2Cover Books, the Department of Basic Education (DBE) has introduced a number of grassroots initiatives to improve reading.

The DBE is also working to improve access to library and information services in provinces with the lowest percentage of access, with a five-year plan starting in 2014.

A National Reading Plan has also been implemented in provinces and schools to advise teachers, school principals, school management teams and learners on reading-related activities.

District, provincial and national officials are also being given direction. Provinces and districts are introducing innovative strategies to improve reading, including the use of reading coaches, the provision of reading material, the formation of reading clubs, advocacy campaigns and the provision of reading norms as well as regular testing, monitoring and reporting.

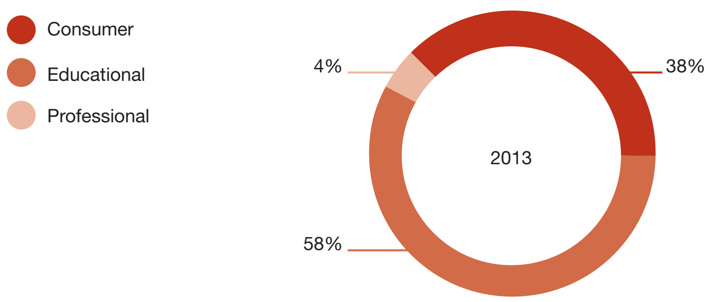
National Book Week is also being used by the DBE and the Department of Arts and Culture to promote the joy of reading books.[1]

1 "Initiatives to improve reading," Department of Basic Education, http://www.education.gov.za/Newsroom/OpinionPieces/tabid/1062/ctl/Details/mid/2798/ItemID/3832/Default.aspx (accessed 21 June 2014).

The squeeze on educational books means that consumer books are gaining ground

Fig. 1: Book revenues by category, 2013 and 2018 (%)

South Africa, book revenue split by consumer, educational and professional, 2013 and 2018 (%)



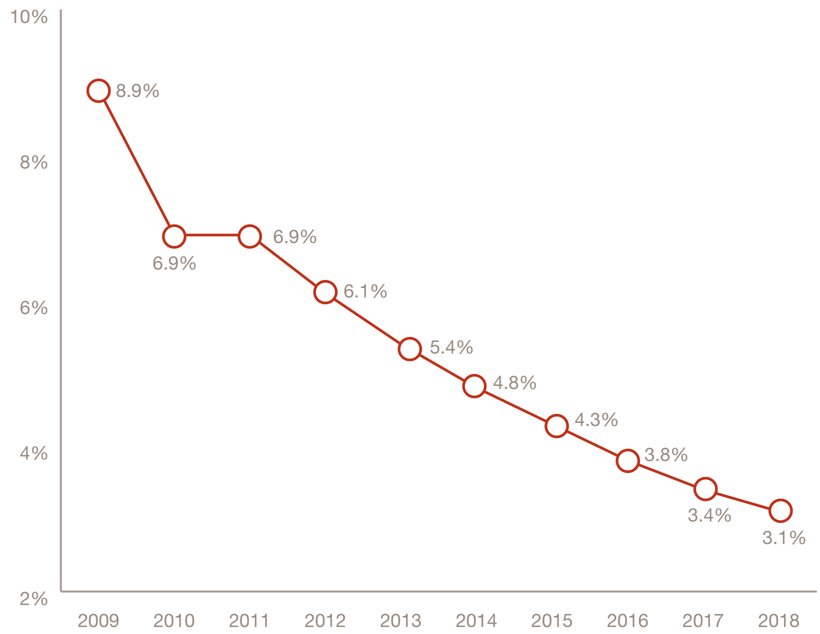
Sources: PwC, Ovum

The professional book market is much smaller than both the consumer and educational book market and the total addressable market comprises a smaller section of the South African population.

Books in South Africa are subject to VAT levied at 14%, which is high in terms of the global average, and this has contributed to high retail prices, which put books out of reach for many consumers. As a result, South African consumers read newspapers and magazines, but are less likely to read books.

Many South African consumers have opted to buy e-books from international sellers where until now they were not required to pay VAT and could access books at lower prices. The VAT Act has subsequently been amended and this is expected to decrease the price differential between international and local sellers, resulting in increased local sales.

Fig. 2: Percentage of total entertainment and media consumer spending on books, 2009-2018 (%)



Sources: PwC, Ovum

Growth in book revenues is being outpaced by growth in consumer spending on other E&M categories

Consumer e-books will slowly make an impact on revenues

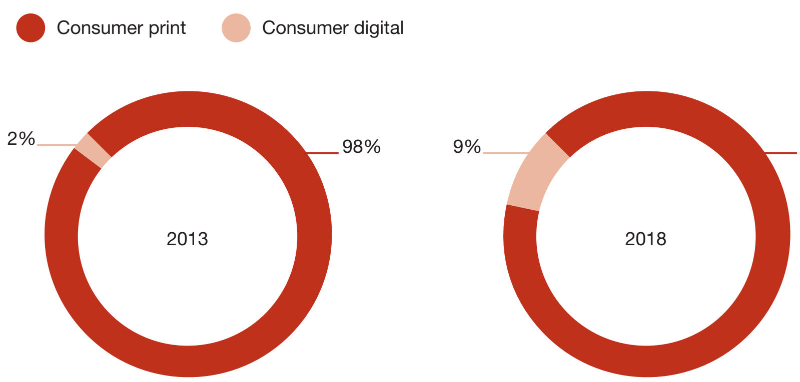
E-books have advantages, but take-up will be slow

The consumer e-book market in South Africa comprised 2% of total consumer book publishing revenue in 2013. This will rise to an estimated 9% by 2018 as e-books become more accessible to South African consumers.

Growth in consumer e-books will drive a 2.5% CAGR growth in consumer book publishing revenues, which will result in consumer book revenues closing the gap on educational books.

Pricing will continue to be critical for the industry. An alternative business model publishers are looking at is the 'all-you-can-read' subscription service. Such services are likely to find success with heavy readers who see potential to save money, although price-conscious readers who read relatively little will no doubt continue to purchase books individually. Pricing of these services will be the key to their success.

Fig. 3: Consumer book publishing revenues, print vs digital, 2013 and 2018 (%)



Sources: PwC, Ovum

E-books have allowed the democratisation of content creation in the publishing world and more authors are releasing content every day, driving growth in the market. The self-published market is highly competitive and authors use not only content, but also price, to distinguish themselves. As a result, prices for e-books are generally a significant amount lower than for printed books and the average price in the consumer e-book market is much lower than in the consumer print book market. Self-publishing allows authors to bypass the traditional value chain and many publishers in South Africa have been slow to react to this trend.

E-books present many advantages to South African consumers. They can be read on smartphones, which accounted for 30% of mobile phone connections in 2013, and is expected to rise to 60% in 2018. Smartphones, and also tablets, which are owned by a much smaller proportion of South Africans, remove many of the distribution challenges for publishers and bookstores. E-bookstores can have a much broader inventory and deliver immediately to a device that the consumer already owns.

Smartphone ownership will be the major driver of e-book take-up in South Africa, with e-readers and tablets not a large enough market to have a significant effect on sales. However, smartphone ownership is also a barrier to growth in that the total addressable market is broadly the smartphone-owning demographic.

In South Africa, e-readers and tablets have gained greater acceptance in the middle and higher-income market segments. Apart from the cost of e-readers, bandwidth constraints can make downloading books wirelessly difficult and expensive. However, with web browsers a feature in many low-end phones, mobile has the potential to widen access to digital content if publishers do not lock their content into smartphone and tablet applications.

Bandwidth constraints have resulted in e-book and e-reader penetration being lower in South Africa compared with many other markets in Europe and the Middle East.

One of the highest hurdles for publishers and self-published authors is the wealth of content that is available on tablets or indeed, on the Web. With films, TV and music content consumed passively and the devices themselves set up to switch between email, Web browsers and video content with just a few clicks, there is always temptation to switch to other content, especially given the length of time it takes to read the average book. Without reading taking place on these devices, purchasing won't happen either, meaning that the migration of e-reading from e-readers to tablets will be sluggish.

Another significant barrier is the change in tax regulation surrounding international e-bookstores. From June 2014, non-South African suppliers of e-commerce services (e.g. electronic books, music and programs) are required to register as VAT vendors in

South Africa and account for output tax on their supplies to South African residents. The regulation applies to any supply of services where the placing of the order and delivery of the service is made electronically.

Before this change, foreign suppliers of e-commerce did not have to register as VAT vendors, but customers who purchase their services (e.g. e-books, e-music and e-movies) for final consumption had to pay VAT on imported services under the reverse charge rule.

The regulation was brought in due to a lack of compliance regarding the reverse charge rule – previously local e-commerce suppliers (especially e-book providers), who must charge 14% VAT on their supplies, were in an uncompetitive position vis-à-vis foreign suppliers of e-books.

The change may benefit South African e-bookstores by levelling the playing field – something the Publishers' Association of South Africa (PASA), in collaboration with the South African Booksellers' Association, believes will be the case. While PASA's long-term stated objective is that VAT should not be levied on books, it is better to have a system where everyone is charged than the one that has existed until now.[2]

2 "VAT on e-books aids local publishing industry," Bizcommunity.com, http://www.bizcommunity.com/Article/196/367/109841.html (accessed 21 June 2014).

Budget cuts have taken their toll on the South African educational book market

Educational books to see a small decline

Educational book revenues will continue to decline in South Africa, only returning to growth in 2018. However, CAGR across the forecast period will be -1.0%, with the market contracting by no more than 1.5% each year, a much smaller rate of decline than in previous years.

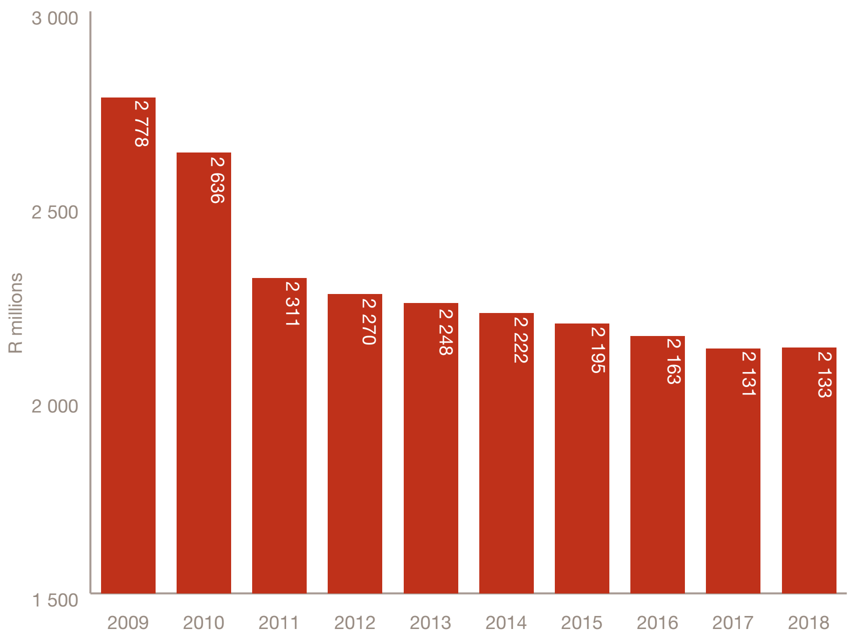
The South African Government has taken a more active role in educational book procurement in recent years, with the Education Department aiming to reduce textbook prices. In a 2012 policy document, the ANC proposed nationalising primary school textbook publishing to prevent publishers from profiteering from compulsory education.

South Africa would not be the only country to consider such a step. The Hungarian Government will nationalise its textbook market in September 2014 and the Polish Government has produced its own comprehensive textbook for 2014 first graders, with a second book to follow in 2015 for second graders.

Should the South African Government nationalise textbook production, this would have a significant impact on future revenues for the market.

PASA has indicated that around 19 000 jobs will disappear if the R1.5 billion textbook order from the Basic Education Department is lost. This would have a disastrous effect on the industry, possibly causing the collapse of publishing companies according to PASA, since orders for school textbooks account for 54% of annual publisher turnover.

Fig. 4: Educational book revenues, 2009-2018 (R millions)



Sources: PwC, Ovum

With such a heavy reliance on income from educational books, nationalising production could have significant implications for the profitability and sustainability of South African publishers. However, delivering textbooks to schools will remain a challenge even if book production is nationalised.[3]

Spending on education by the South African Government equates to approximately 5% of the country's GDP, according to the World Bank. The Organisation for Economic Co-operation and Development (OECD) reports that net enrolment rates in primary education have been falling since 1995, with urban areas achieving higher educational attainment than rural areas.

Outside bodies such as the OECD are encouraging the South African Government to improve educational attainment in schools as a key aid to reducing unemployment and poverty levels in the country. Programmes such as the Accelerated Schools Infrastructure Development Initiative encourage a higher proportion of schools' budgets to be spent on textbooks and other basic facilities such as desks and libraries.

While educational e-books are seeing strong growth, this remains off a low base. Educators still see print books as the ideal tools for learning. They can be given to another student easily, they don't need electricity to function, they can't easily be damaged and educators don't need to purchase a device to read them.

3 Victoria John, "Nationalisation of textbooks in our lifetime, says ANC" Mail & Guardian, http://mg.co.za/article/2012-05-28-textbook-publishing (accessed 21 June 2014).

Educational e-books will not gain traction over the forecast period

Educational e-books

The educational e-book market will remain small over the forecast period, at less than 1% of educational book revenues. However, international players such as Apple are beginning to enter the market, signalling that a turning point could come in the future.

The Core Group launched the first educational e-bookstore in South Africa in February 2013, carrying a range of textbooks that can be read on an iPad. The service launched with 600 e-titles aimed at servicing the 180 schools in South Africa already using iPads in the classroom.

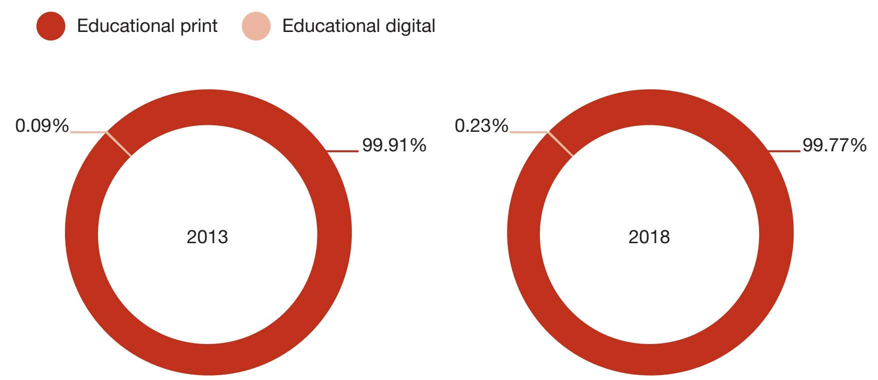
Snapplify, a digital publishing start-up, announced in June 2014 that it would provide all South African schools with free access to its e-bookstore, which will provide students and teachers with a simple platform to purchase e-textbooks, enabling them to access thousands of e-books from global academic publishers.

The company has been watching the academic space in South Africa for some time and has been developing solutions aimed specifically at helping more schools access e-books.

Access to physical textbooks is a problem that emerging markets, including South Africa, face constantly. While many learners have mobile phones and some even tablets, they still do not have easy access to textbooks due to logistics and costs.

Rethink Education, a South African technology company, has released an app on social platform Mxit that provides free maths and science content in English and Afrikaans. Since its launch in 2013, over 447 000 people have used the application. The Rethink app provides content in a chat interface. Rethink says South African students prefer to access bite-size chunks of content in an interactive way rather than using e-books.

Fig. 5: Educational book revenues, print vs digital, 2013 and 2018 (%)



Source: PwC, Ovum

Publishers have also launched digital initiatives. One such is Via Afrika Future, an imprint of Via Afrika Publishers, which have produced educational e-books and digital learning materials for more than a decade. Macmillan South Africa sell a large range of educational e-books through their website, with most of their CAPS approved textbooks available as an e-book. Macmillan South Africa also offer guidance for educational institutions looking to set up an e-book program. Pearson South Africa also offer a range of educational e-books.

There are a number of problems associated with the use of e-books in the classroom, with budget constraints being the most significant. In light of the drive to cut educational book budgets in South Africa, it is unlikely that school budgets will stretch enough to allow significant numbers of tablets in the classroom.

By 2018, the proportion of educational book revenues generated by e-books will reach only an estimated 0.23%, with a large share of this spend coming from individuals rather than institutions.

Connectivity can also be a barrier to using interactive services. However, the Government's National Schools e-Connectivity Framework means that mobile operators should connect another 4 500 schools to the Internet. This is on top of the near 8 500 schools already connected in the past five years. The 1 650 schools connected by Telkom have a printer, projector and wireless access points contained in a trolley to enable mobility.[4]

With print having more benefits in the educational market than in the consumer or professional book markets, the transition will be slower in the educational market.

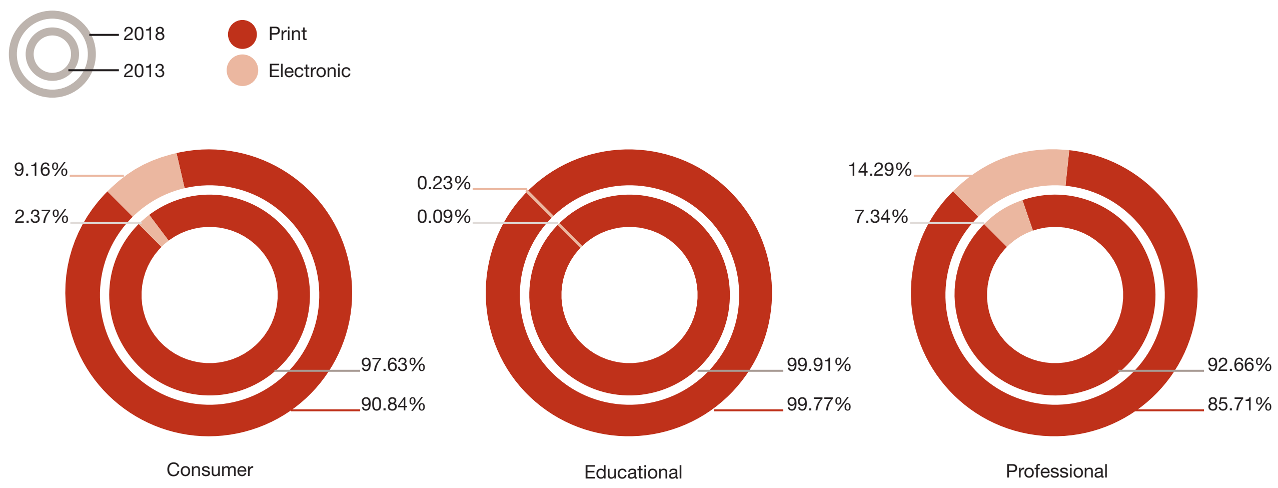
Elsewhere, educators are increasingly seeing the benefit of purchasing easily-updateable and interactive learning materials for students. Students in higher education also understand these benefits and, since they have grown up with technology, they will rapidly embrace it.

One hurdle to growth in the higher educational market, however, is the lack of a low-price alternative. Students are often cost-conscious and may put off purchasing e-books when they will not be able to resell them after the end of their course.

4 "School connectivity to be bolstered," ITWeb, http://www.itweb.co.za/?id=135734:School-connectivity-to-be-bolstered (accessed 21 June 2014).

Educational e-books perform poorly compared to consumer and professional e-books

Fig. 6: South Africa, print and electronic share (%) of total consumer, educational and professional book revenues, 2013 and 2018



Sources: PwC, Ovum

The educational book market is price-sensitive, with purchasers looking to make the most of their budgets. Where a subscription model is in place, this can help mitigate some of the costs but means that students no longer have access to the content after their subscription ends, hindering life-long learning. Very few publishers are using alternative business models or licensing their content for use in initiatives using new business models.

Despite low take-up of educational e-books, educational publishers are continuing to invest in digital publishing initiatives. E-books offer a significant advantage to educational publishers in that they can charge a subscription for them rather than selling them for a one-off fee as in the print model. Educational publishers are increasingly looking at the subscription model to generate ongoing revenue from their content but legacy production systems mean that implementation has been slow.

The online subscription book model allows publishers to bundle additional content, making the value proposition greater and driving e-book revenues. Such content can include interactive quizzes, worksheets and teaching materials. This content can be refreshed periodically to generate ongoing revenues for publishers and to upsell, driving revenue growth. Interactive content will tap into the growing number of schools that are purchasing iPads and other tablets for their students, and educators are increasingly seeing the benefit of purchasing easily updateable and interactive learning materials for students.

Medical books have been given a head start with books such as *Gray's Anatomy,* a standard text across the world, being made available via the Gray's Anatomy for Students App for iPad. Many medical texts are available through the ClinicalKey service from Elsevier. This service is available to South African students at institutions such as the University of Witwatersrand and the University of Cape Town.

E-books are also being used in tertiary education outside of medical schools with the University of Johannesburg (UJ) announcing that from 2014, all first-year students will be required to own either a laptop or a tablet. UJ has developed a portal for institutional resources such as module and timetable management, checking course marks, reading open access textbooks and library e-resources.

No other South African universities mandate the use of laptops or tablets, but usage of e-book portals is widespread with institutions such as Stellenbosch University, Rhodes University and the University of Pretoria all giving students access to e-books via their library websites.

Local partnerships for e-bookstores, but a lack of international operators

Supermarket chain, Pick 'n Pay has partnered with Kobo in order to establish a presence in the emerging e-book market. The chain has 847 stores in South Africa making the e-readers available from bricks and mortar stores. Pick 'n Pay receives a cut from every e-book sold by Kobo in South Africa.

The first partnership of this kind was between Bargain Books, the third-largest book retailer in South Africa and Kalahari.com to retail Kalahari's Gobii e-reader in its stores. However, Bargain Books now redirect e-book sales to Kobo rather than Kalahari.

Google launched its Play Books e-bookstore in South Africa in November 2013, but no other major international e-bookstore operates a full store in the country. Apple's e-bookstore only offers free e-books in South Africa, while Amazon does not have a South African Kindle Store, only allowing South Africans access to its international store, which though priced in US dollars is still cheaper than the average local e-book.

The lack of international players is an inhibiting factor to the e-books market in South Africa, with consumers lacking options for reading e-books on tablets and smartphones. International players like Amazon often have much wider catalogues, having obtained worldwide distribution licences for some titles.

Piracy remains a potential threat as the digital market grows

For the book industry, unlike the music or film industries, piracy has not historically been a major threat to their core business. Although the photocopying of physical books has cropped up as an issue, in most territories, the effort required to pirate books has been too great to make it worthwhile.

However, now that books can be obtained digitally, it is much simpler for pirates to download a book to read on their mobile device from unauthorised sources, or even print it off and sell it.

The active involvement of publishers in developing legitimate online retail outlets for e-books will be a key factor in combatting piracy. In several markets, the traditional publishing industry has been notably slow in responding to the challenges and opportunities presented by the shift towards e-books. While trying to eliminate the sources of pirated content will be important, providing a credible and attractive alternative will be crucial.

Piracy is not only a problem in the consumer market, but also in the educational book market, where budgets have come under pressure in recent years resulting in the photocopying of textbooks. Lower prices may help to combat this.

Professional books will see the fastest digitisation

Professional books

The professional book market in South Africa will see strong growth with a CAGR of 2.8% over the forecast period. In 2013, professional books revenues stood at R177 million, with 93% of this revenue coming from the sale of print books.

The majority of this revenue will come from sales of printed professional books, with digital sales restricted by low tablet penetration, which stood at just 3% in 2013. Tablet ownership will be a major factor affecting future sales of professional books, unlike consumer books, which will rely on smartphone ownership.

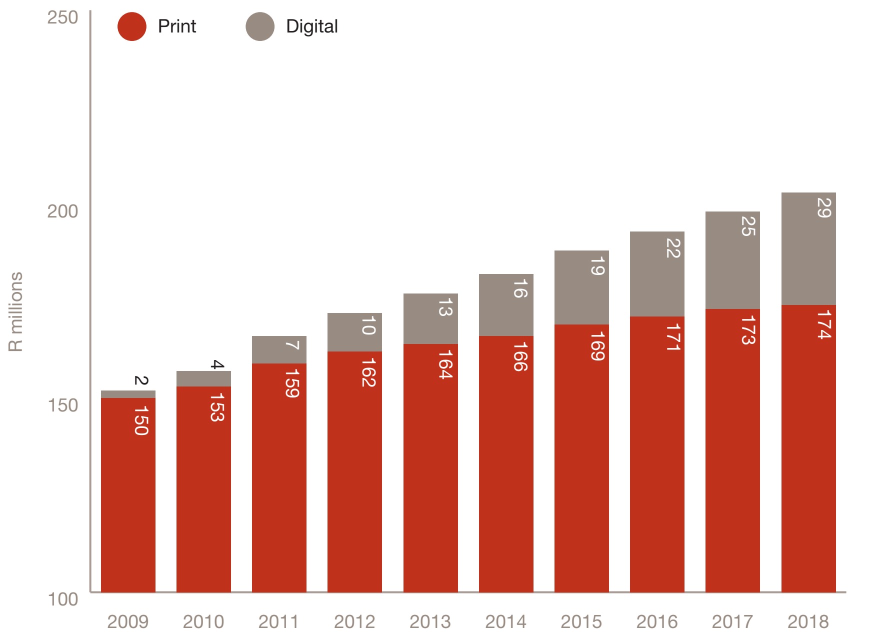
Since many of the tablets in South Africa will be owned by the more affluent, who are more likely to use the devices in a professional capacity, sales of digital professional books will increase quickly.

Indeed, digitisation of the professional books market will outpace that of consumer and educational books, with 14% of professional books publishing revenue coming from e-books by 2018, when tablet penetration will reach 9%.

Professional e-book revenues will be driven by the widespread use of tablets as business tools, with e-books the quickest and easiest way to buy professional books. Different businesses have different uses for professional books. A lawyer might purchase books on relevant case law, a human resources manager might purchase books on changing regulations for dealing with employees and an accountant might purchase books setting out the latest accounting standards. Professional development is increasingly important.

Two of the main benefits of e-books on tablets and other interactive platforms is that the content is fully searchable and readers can save content for later. This is enabling companies like Juta and LexisNexis to diversify their traditional publishing businesses by entering the business information market to become more comprehensive information providers. Publishers could also consider bundling their current products and services into enterprise applications.

Fig. 7: Professional book revenues, print vs digital, 2009-2018 (R millions)



Sources: PwC, Ovum

However, the professional books market is much smaller than the consumer and educational markets, thus growth in this sector will not be a major driver of increases in revenue for the book market as a whole.

With the rise of e-books, pricing strategies and consistent quality content will be key for publishers competing against self-published authors with low overheads.

Increasing tablet adoption means that publishers will also need to price against other forms of content such as music, film and TV series.

With changing distribution and pricing strategies, the e-book publishing market is likely to be very different from the current print model.

Nigeria

Nigeria's book market faces significant challenges

Book revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer	**14.6**	**17.0**	**19.2**	**17.7**	**17.3**	**17.1**	**17.0**	**16.8**	**16.7**	**16.6**	**-0.9%**
Print	14.6	17.0	19.2	17.7	17.3	17.1	16.9	16.7	16.6	16.5	-0.9%
Digital	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	30.9%
Educational	**1.3**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.3**	**1.3**	**1.4**	**4.0%**
Print	1.3	1.2	1.2	1.1	1.2	1.2	1.2	1.2	1.3	1.3	2.5%
Digital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	76.2%
Professional	**2.8**	**3.0**	**3.2**	**3.4**	**3.5**	**3.8**	**4.0**	**4.2**	**4.2**	**4.4**	**4.0%**
Print	2.8	2.9	3.1	3.2	3.3	3.5	3.6	3.7	3.7	3.8	2.5%
Digital	0.0	0.1	0.1	0.2	0.2	0.3	0.4	0.5	0.5	0.6	18.7%
Total	**18.7**	**21.2**	**23.6**	**22.3**	**22.0**	**22.1**	**22.2**	**22.3**	**22.2**	**22.4**	**0.3%**
YOY growth (%)		***13.0%***	***11.5%***	***-5.6%***	***-1.2%***	***0.2%***	***0.2%***	***0.1%***	***0.3%***	***0.6%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

Total book revenue in Nigeria, consisting of revenue from consumer, educational and professional books, will be worth an estimated US$22 million in 2018, little changed from 2013. Consumer book publishing revenues form the majority of this at $17.3 million, although the figure will reduce by 0.9% CAGR over the forecast period.

Nigeria's book industry faces significant challenges. Authors complain that publishers do not pass on royalties, while publishers have become risk averse. Some will only publish school textbooks for which they know there is a demand. This is despite Nigeria having a population of over 170 million people, close to 60% of whom can read in English. The worldwide association of writers, PEN International, announced a partnership with UNESCO in January 2014 to research and strengthen minority-language publishing in Nigeria.

Distribution is a significant challenge for publishers operating in Nigeria; there is no centralised distribution chain for booksellers, with publishers dealing with a wide variety of independent bookstores, chains and institutions such as schools. Outside of urban areas, less mainstream content is difficult to obtain.

New tax regulations taking effect in January 2014 also mean that imported books are now subject to a 62.5% tax made up of import duties and VAT, breaking a 1950 UNESCO agreement not to impose duties on books, publications, educational, scientific and cultural materials.

Printing books in Nigeria is also a challenge for publishers because of the inconsistent levels of quality resulting from the poor printing infrastructure in the country.

The best hope for Nigerian publishers is e-books, although electronic delivery has yet to gain traction. Smartphones, rather than tablets or e-readers, are the growth drivers for e-books in Nigeria, with the smartphone more affordable. By 2018, 37% of mobile phone connections will come from smartphones. But adoption of devices such as smartphones, tablets and e-readers is unlikely to become mainstream in Nigeria in the near term, since a large proportion of the population still lives on less than US$2 a day.

Authors and publishers face the challenge of piracy in the Nigerian book market, with photocopying of books widespread. Anti-piracy efforts need resources to combat copyright infringement, but the Nigerian Publishers' Association (NPA) Anti-Piracy Committee lacks the budget to make a significant impact as does the Nigerian Copyright Commission (NCC).

Educational publishers in Nigeria have to contend with a lack of government funding for school textbooks, with more than 70% of enrolled pupils in Nigeria lacking textbooks. While further government investment in education would help to boost this market, high import duties continue to restrict the availability of books from foreign publishers. There are few alternatives to imported books in many fields, with little resource within Nigeria to produce a sufficiently broad range of books at a high enough quality to cater for the university market.

Kenya

Kenya's book market remains flat and is dominated by the educational market

Book revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer	**2.2**	**2.1**	**2.0**	**1.9**	**1.9**	**2.0**	**2.0**	**2.1**	**2.1**	**2.1**	**1.6%**
Print	2.2	2.1	2.0	1.9	1.9	2.0	2.0	2.1	2.1	2.1	1.6%
Digital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Educational	**25.1**	**27.3**	**32.3**	**29.8**	**29.4**	**29.1**	**28.9**	**28.4**	**28.0**	**27.5**	**-1.3%**
Print	25.1	27.3	32.3	29.8	29.3	29.0	28.7	28.2	27.7	27.2	-1.5%
Digital	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.3	0.3	32.0%
Professional	**1.3**	**1.4**	**1.5**	**1.6**	**1.6**	**1.7**	**1.7**	**1.7**	**1.8**	**1.8**	**1.8%**
Print	1.3	1.4	1.4	1.5	1.5	1.6	1.6	1.6	1.7	1.7	2.6%
Digital	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-13.3%
Total	**28.6**	**30.8**	**35.8**	**33.3**	**32.9**	**32.8**	**32.6**	**32.2**	**31.9**	**31.4**	**-0.9%**
YOY growth (%)		***7.5%***	***16.2%***	***-6.8%***	***-1.3%***	***-0.3%***	***-0.7%***	***-1.1%***	***-1.3%***	***-1.3%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

The market for book publishing in Kenya, consisting of consumer, educational and professional book revenues, will stand at a projected US$31 million in 2018, a CAGR of -0.9% over the forecast period. The consumer book market is relatively small in Kenya, with revenues dominated by educational books.

Kenya's adult literacy rate is 72% according to UNICEF, but with distribution a challenge and discretionary spending low, the consumer market will remain depressed. Professional book publishing revenues are almost level with consumer book revenues, with businesses and professionals better able to afford to spend on books.

Professional book revenues will reach US$1.8 million in 2018, up from US$1.6 million in 2013, a CAGR of 1.8%. This compares to a 1.6% CAGR for consumer book publishing revenue from US$1.9 million in 2013 to US$2.1 million in 2018.

Piracy is a problem in the Kenyan consumer book market, with photocopying of books for sale widespread. Kenyan publishers do have the Copyright Board at their disposal, but it is not well equipped to deal with cases that occur outside Nairobi. As in Nigeria, copyright enforcement teams do not have sufficient budget to deal with all cases of copyright infringement.

With the market centred around educational book publishing, many of Kenya's major publishers concentrate efforts on educational publishing. For example, Evans Brothers (Kenya) Ltd produces textbooks for primary and secondary schools, teacher training colleges and university institutions, including books in English and Swahili.

Dhillon Publishers produces full-colour course books, while Evangel Publishing House's titles cover marriage and family, leadership and theological education.

Educational revenues will stand at US$27.5 million in 2018, down from the 2011 high of US$32 million. This high was influenced by a 2008 decision to make secondary education free, requiring schools to purchase new books to cater for the additional pupils coming into the system. Many of these books are still relevant, so budgets are naturally contracting as a response. The market will stabilise in the long term.

E-books could be a solution to piracy for publishers, but the cost of e-readers and tablets has hindered adoption of the format in the country. The adoption of smartphones by relatively affluent Kenyans and the increasing availability of e-books could, however, see the market grow further.

Smartphones are much more relevant to the e-book market in Kenya given the relative costs of tablets and e-readers. By 2018, smartphone penetration will reach 60%, but it currently stands at 22% with 6.6 million smartphone connections in the country.

One local platform, eKitabu, offers more than 250 000 titles in different categories across fiction, romance, religion, education and beyond.

The e-books can be purchased via mobile money transfer service M-Pesa, as well as with credit cards. Nevertheless, the e-book market will remain negligible over the next five years.

Global trends in book publishing

The following is extracted from PwC's Global Entertainment & Media Outlook 2014-2018

Global book revenues to see 1.1% CAGR growth

Global book revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Consumer	**62 962**	**62 721**	**62 405**	**62 136**	**62 192**	**62 676**	**63 287**	**63 933**	**64 485**	**64 913**	**0.9%**
Print	61 287	59 886	58 149	55 897	53 790	51 972	50 297	48 789	47 361	46 023	-3.1%
Digital	1 675	2 835	4 256	6 239	8 402	10 704	12 990	15 144	17 124	18 890	17.6%
Educational	**35 874**	**35 678**	**37 062**	**37 128**	**37 087**	**37 369**	**37 651**	**37 895**	**38 104**	**38 317**	**0.7%**
Print	35 341	34 863	35 690	35 188	34 570	34 180	33 808	33 463	33 177	33 003	-0.9%
Digital	533	815	1 372	1 940	2 517	3 189	3 843	4 432	4 927	5 314	16.1%
Professional	**21 384**	**21 209**	**21 467**	**21 792**	**22 173**	**22 428**	**22 910**	**23 476**	**24 101**	**24 808**	**2.3%**
Print	19 531	19 060	18 826	18 468	18 192	17 617	17 196	16 795	16 387	15 987	-2.6%
Digital	1 853	2 149	2 641	3 324	3 981	4 811	5 714	6 681	7 714	8 821	17.2%
Total	**120 220**	**119 608**	**120 934**	**121 056**	**121 452**	**122 473**	**123 848**	**125 304**	**126 690**	**128 038**	**1.1%**
YOY growth (%)		***-0.5%***	***1.1%***	***0.1%***	***0.3%***	***0.8%***	***1.1%***	***1.2%***	***1.1%***	***1.1%***	

Sources: PwC, Ovum

- Global consumer book revenues grew in 2013 after years of decline, as the increase in e-books revenue surpassed the fall in print. Global consumer book revenues will increase at a CAGR of 0.9% to US$64.9 billion in 2018.

- China will overtake Japan in 2014, and Germany in 2017, to become the second-largest book market in the world, with revenue of US$13.2 billion, after the US with revenue of US$37.0 billion. Education is increasingly a priority for many Chinese, as is professional development. In 2018, China will account for 35% of Asia-Pacific's total book revenues.

- While electronic revenue for global consumer books remains high, increasing at a 17.6% CAGR over the next five years, growth is slowing as the market matures, with year-on-year growth declining to 10.3% in 2018. With more reading taking place on tablets, publishers will increasingly have to compete with video, music and game content for attention.

- E-books are still to have a major impact in education. Only 14% of total global educational book revenue will come from e-books in 2018, compared with 7% in 2013, falling behind consumer and professional e-books. The industry's reliance on government budgets is preventing further increases.

- Despite barriers to growth, educational publishers are still backing digital publishing initiatives, especially in higher education. College electronic revenue in the US will reach US$2.2 billion in 2018, accounting for 43% of total college book revenue.

- Professional books will see the fastest migration to digital. No matter the size of the economy, businesses and the staff working in them will require the most up-to-date information available. Consequently, professional books is the category with the highest share of digital revenue, with 18% of global professional book revenue coming from digital sources in 2013, rising to 36% in 2018, when electronic professional book revenues will reach US$8.8 billion.

Business-to-business publishing

Basheena Bhoola • Senior Manager

Definitions

The business-to-business (B2B) market comprises five segments: business information, directory advertising, trade magazines, professional books and trade shows.

Business information comprises spending on business-focused data and intelligence and is split into three separate categories: financial, marketing and industry.

Financial includes securities and economic credit data. Marketing includes sales and survey research, mailing lists and demographic databases. Industry includes data and content covering market share information and competitor intelligence. This revenue is both digital and non-digital and is considered consumer spending.

Directory advertising comprises advertising spending on both print and digital editions of directories such as *Yellow Pages*. This revenue is both digital and non-digital and is considered advertising spending.

Trade magazines comprises both advertising and circulation revenue from magazines aimed at a professional audience. This segment considers advertising spend in both traditional print and through digital online magazines – either direct through a magazine website, or discrete digital editions of magazines distributed directly to a connected device such as a PC or tablet.

Circulation revenue comprises spending by readers on printed trade magazines including single copies direct from retail outlets or via subscriptions, as well as spending on downloads of individual digital copies or subscriptions delivered digitally direct to a connected device such as a PC or tablet. This revenue is both digital and non-digital and is from both consumer and advertising spending.

Professional books are those targeted at professional users (e.g. legal publishing) and this segment considers revenue generated by sales across both print (including audio) and digital. This revenue is both digital and non-digital and is from consumer spending.

Trade shows comprises revenue from spending by businesses on exhibition at trade shows. It does not include sponsorship of events. This revenue is non-digital and is considered advertising spending. In prior years it was included within consumer spending.

In brief

The B2B market in South Africa will reach approximately R11.5 billion in 2018. *South Africa's B2B market was worth R8.6 billion in 2013, representing a 4.0% year-on-year growth from 2012. Driven by the increasing adoption of digital formats and ownership of smartphones, it will continue to expand with a CAGR of 5.9% over the forecast period, reaching approximately R11.5 billion in 2018.*

The business information and trade shows segments will combine high revenues with strong growth. *In 2013, the South African B2B market stabilised after new market research formats and increased trade show venue capacity came on stream. The business information and trade show segments will increase at estimated CAGRs of 6.0% and 5.8% respectively over the forecast period.*

South Africa's business information market will be worth an estimated R5.1 billion in 2018, *when it will account for 44% of the total market, while trade show revenues will reach R3.6 billion, 31% of the market.*

Africa is becoming an increasingly important destination for new global events: *For example, the Sandton Convention Centre will now be hosting Your Tech Live Business Summit in May 2015, focusing on technology and gadgets.*

Growth in the business information segment will be driven by improved data analytics, the use of social media, the use of mobile device research and behavioural analysis. *However, lower growth in 2013 has dampened expectation over the forecast period. Buyers of research will consider the do-it-yourself route for research through better use of business intelligence.*

Nigeria's B2B market will be worth almost US$32 million in 2018. *The Nigerian B2B market grew 10.6% in 2013 to generate revenues of US$21 million. The B2B market will grow by a forecast CAGR of 8.6%, while the trade magazine segment will account for 70% of Nigeria's total B2B revenues.*

The Kenyan B2B market continues to show strong growth. *It grew 12.1% in 2013, generating revenues of US$10 million. Kenya's B2B market will rise at a 7.5% CAGR to reach US$14 million in 2018. Trade magazines will account for 44% of total revenues.*

South Africa's B2B market will see consistent growth to 2018

Business-to-business revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Business information	**2 405**	**3 327**	**3 364**	**3 685**	**3 806**	**4 000**	**4 223**	**4 482**	**4 772**	**5 095**	**6.0%**
Financial	807	1 088	1 083	1 179	1 205	1 254	1 311	1 377	1 450	1 532	4.9%
Industry	710	1 029	1 052	1 168	1 218	1 294	1 380	1 481	1 594	1 720	7.1%
Marketing	888	1 210	1 229	1 338	1 383	1 452	1 532	1 624	1 728	1 843	5.9%
Directories	**874**	**890**	**908**	**999**	**1 105**	**1 217**	**1 329**	**1 423**	**1 510**	**1 542**	**6.9%**
Print	724	749	772	780	829	877	918	940	952	973	3.3%
Digital	150	141	136	219	276	340	411	483	558	569	15.6%
Professional books	**152**	**157**	**166**	**172**	**177**	**182**	**188**	**193**	**198**	**203**	**2.8%**
Print	150	153	159	162	164	166	169	171	173	174	1.2%
Digital	2	4	7	10	13	16	19	22	25	29	17.4%
Trade magazine advertising	**466**	**481**	**532**	**579**	**615**	**648**	**678**	**707**	**730**	**755**	**4.2%**
Print	466	481	518	551	574	588	594	589	570	542	-1.1%
Digital	0	0	14	28	41	60	84	118	160	213	38.8%
Trade magazine circulation	**134**	**154**	**164**	**173**	**183**	**193**	**220**	**237**	**249**	**260**	**7.3%**
Print	134	154	164	173	183	193	204	216	224	231	4.8%
Digital	0	0	0	0	0	0	16	21	25	29	-
Trade shows	**1 851**	**2 436**	**2 352**	**2 667**	**2 722**	**2 866**	**3 033**	**3 221**	**3 430**	**3 605**	**5.8%**
Consumer spend	2 691	3 638	3 694	4 030	4 166	4 375	4 631	4 912	5 219	5 558	5.9%
YOY growth (%)		*35.3%*	*1.5%*	*9.1%*	*3.4%*	*5.1%*	*5.8%*	*6.1%*	*6.3%*	*6.5%*	
Advertising spend	3 191	3 807	3 792	4 245	4 442	4 731	5 040	5 351	5 670	5 902	5.8%
YOY growth (%)		*19.3%*	*-0.4%*	*12.0%*	*4.6%*	*6.5%*	*6.6%*	*6.1%*	*6.0%*	*4.1%*	
Total	**5 882**	**7 445**	**7 486**	**8 275**	**8 608**	**9 106**	**9 671**	**10 263**	**10 889**	**11 460**	**5.9%**
YOY growth (%)		***26.6%***	***0.5%***	***10.6%***	***4.0%***	***5.8%***	***6.2%***	***6.1%***	***6.1%***	***5.3%***	

Note: 2009-2013 South Africa figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

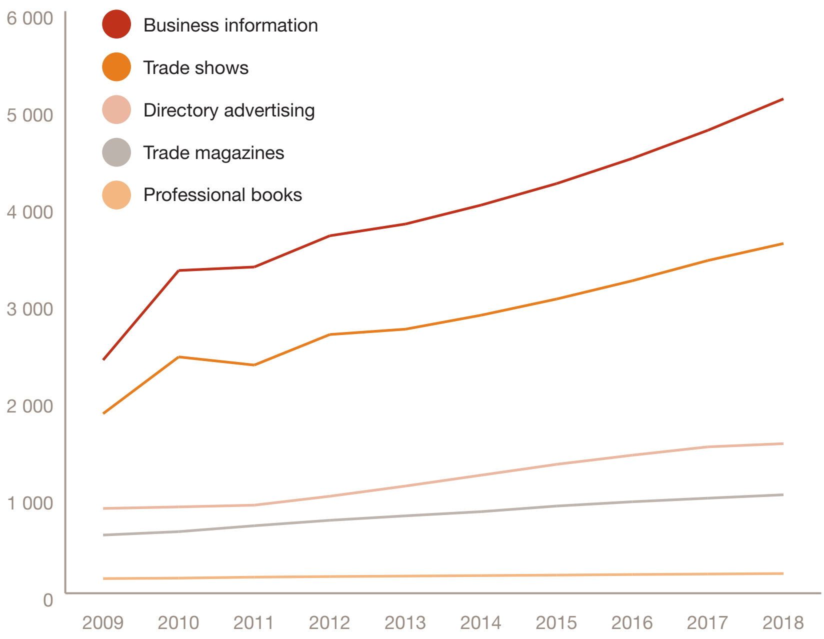
South Africa's B2B market was worth R8.6 billion in 2013, representing 4.0% year-on-year growth. The FIFA World Cup in South Africa greatly helped what was a struggling market at the time and total B2B revenue increased 26.6% in 2010, cancelling out a sharp fall from the previous year.

In 2013, the market stabilised after new market research formats and increased trade show venue capacity came on stream. The diverse nature of the South African population (the growing middle class, providing goods and services to consumers at the bottom of the pyramid as well as the affluent segment at the top) will spur investments in marketing and industry research as advertisers look to understand the dynamics of their marketplaces.

Nevertheless, uncertainty regarding the performance of South Africa's economy will curtail investment to some extent, and hinder the market's capacity for the explosive growth witnessed in the historic period.

Business information and trade shows will continue to drive growth

Fig. 1: B2B revenues by segment, 2009-2018 (R millions)



Sources: PwC, Ovum

Business information: Online communities and mobile trackers drive innovation

Business information is benefiting from new, cheaper, faster research methodologies, including analytics models, on the back of social media analysis and market research via Internet or mobile devices.

In 2012, GfK, one of the world's largest market research companies, acquired GlobalEDGE Marketing Consultants, which conducts qualitative and quantitative research of consumer habits and behaviours in Africa using consumer panels. Such developments will serve to boost South Africa's business information sector.

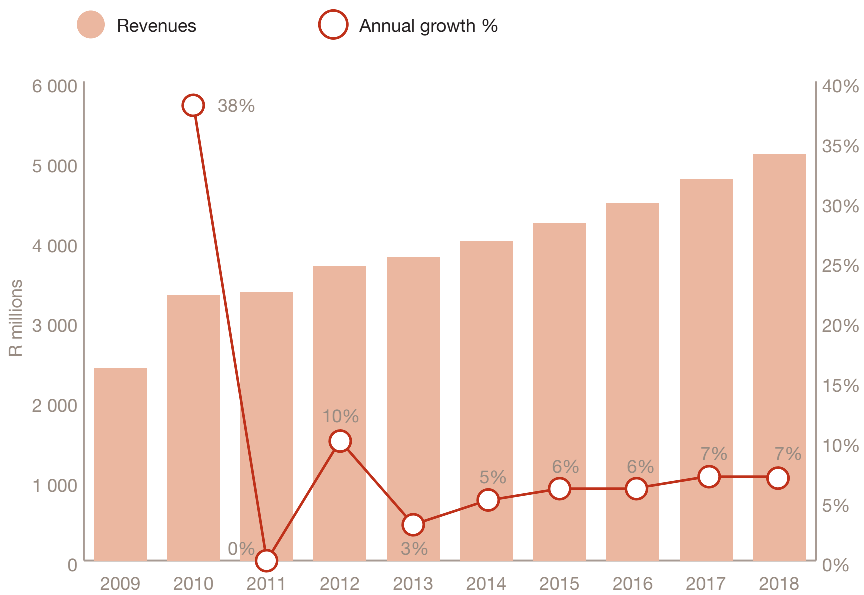
Growth will be steady at a CAGR of 5.9% over the forecast period, with total B2B revenues reaching a forecast R11.5 billion in 2018.

While the B2B market has a variety of seemingly disparate segments – from trade shows to directories and professional books – the business information and trade show segments will be the main growth drivers, contributing R5.1 billion and R3.6 billion respectively to the total in 2018.

The move towards digital formats will continue in the trade directories and trade magazine segments, but only trade magazine print advertising revenue will actually decrease over the forecast period.

Business information revenue will reach R5.1 billion in 2018

Fig. 2: Business information revenues (R millions) and annual growth (%), 2009-2018



Sources: PwC, Ovum

The Internet has offered business information providers geographic scale and speed in order to provide clients with data in a matter of days, or in some cases seconds, when previously it would have been unobtainable. The explosion in the number of smartphones and tablet devices has broadened the capabilities of providers to collect data from more individuals from around the globe and also provide a platform to deliver data to their clients.

Business information revenue came in at R3.8 billion in 2013 and will rise to a forecast R5.1 billion in 2018 at a CAGR of 6.0%.

The continued development of big data technologies will provide a boost to spend on business information. However, much of the research will be generated internally, presenting a challenge to traditional market research providers seeking to retain their influence on corporate marketing departments.

Both technology firms and financial firms are now offering buyers of market research the kind of services that companies such as Nielsen, Kantar and TNS have been delivering for some time. The benefit of more players in the market research arena is that research can be scoped to be more targeted and focused on the information that the user is interested in.

Market research firms are making bolt-on acquisitions to incorporate big data expertise into their client offerings. In light of the healthcare arena having attributes that will benefit from the application of the principles of big data, IMS Health has partnered with the life sciences division of BroadReach Healthcare. The partnership will look to offer clients operating in Africa an integrated approach to healthcare management.

Social media has provided opportunities for market research firms to inform their clients about how a brand or topic is being perceived by members of a social network. Twitter has introduced a 'Follower' dashboard enabling users to analyse their audiences.

Alternatively, firms can create their own online communities: for example, WPP has taken a majority stake in Johannesburg's Cerebra Communications, which builds and operates online communities on behalf of brands. With the increased traffic on social media, brands need to differentiate themselves, and the only way that they can do this is to truly understand their audience. It is therefore becoming increasingly important to have information available to understand when their users are active on social media, what they are interested in and what they want to see from their brand.

The technology vendor market is also looking to enter the market research business by launching social media platforms that can provide insights from tracking data, comments and items uploaded from these platforms. Their acquisition of WildFire in 2012 allows Google to provide more businesses with the ability to manage their social media presence across multiple sites and mine the data they gather to recognise insights and trends.

With the number of smartphone connections set to pass 25 million by the end of 2014 (which will also having a positive effect on Internet revenues), these devices will become an important access point to high-spending consumers, allowing market research providers to supplement existing research methodologies (such as face-to-face interviews and focus groups) with speedier and more convenient techniques via mobile devices.

South Africa is a key territory that global firms are including in their mobile research strategies, with Millward Brown launching a mobile tracker so that its clients can gather consumer opinions in real time and TNS partnering with local firm Brandtone to gain insights from local consumers.

Social media is increasingly going to alter the way that B2B products and services are delivered, as well as how research is conducted. Video is expected to play a significant role in the B2B sector and this is expected to increase dramatically over the forecast period.

Trade shows: The launch pad to Africa makes South Africa an appealing proposition

South African trade shows revenue was R2.7 billion in 2013, a 2.1% year-on-year increase. It will grow at an estimated CAGR of 5.8% to reach R3.6 billion in 2018, boosted by improvements to venues and the country's success in attracting new shows.

Trade shows revenue soared in 2010 as the World Cup effect kicked in, experienced a slight correction in 2011 and then saw growth in 2012 that continued through 2013.

Many global businesses see South Africa as a launch pad for entering the African continent. Exhibiting at trade shows in the country is an appealing proposition for making contacts and further understanding the continent's market dynamics.

Exhibition organisers are looking to improve their offerings by automating registration, incorporating digital and social media as well as offering delegates free seminars.

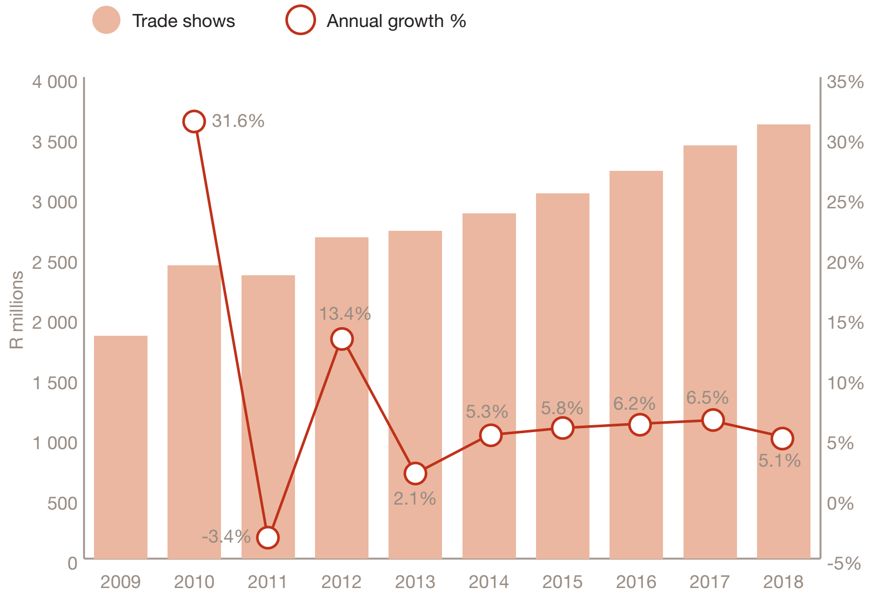
Trade shows revenue is forecast to grow at a 5.8% CAGR

Digital innovation in this segment will be worth keeping an eye on over the forecast period, while face-to-face meeting represents an irreplaceable advantage, which means that trade shows will continue to perform strongly.

South Africa has approximately 180 000m² of indoor exhibition space, with Johannesburg the leading destination.

Johannesburg Expo Centre is South Africa's largest

Fig. 3: Trade show revenues (R millions) and annual growth (%), 2009-2018



Sources: PwC, Ovum

Major trade show sites in South Africa

City	Site	Size
Johannesburg	Johannesburg Expo Centre	42 000m² indoor and 80 000m² outdoor
	Sandton Convention Centre	22 000m²
	Coca-Cola Dome	11 000m²
Cape Town	Cape Town International Convention Centre (CTICC)	11 200m² (with plans to double this by end 2017)
Durban	Durban International Convention Centre (Durban ICC)	20 800m² indoor and 12 500m² outdoor

Sources: PwC, Ovum

Durban ICC reported profits before tax of R45 million in 2013 while the Cape Town ICC posted a net profit before tax of R27 million for the 2012/13 financial year.

The trade show market's ability to attract international operators has been boosted by the Government's granting of a zero rate for VAT purposes to international members of the Exhibitions and Events Association of Southern Africa (EXSA) until September 2015.

South Africa hosted the *Expo Summit Africa* in February 2013 at the Sandton Convention Centre, with many of the world's largest and leading exhibition organisers attending. The fact that Africa is becoming an increasingly important investment destination is helping to drive this type of global event.

The Sandton Convention Centre will be hosting the *Your Tech Live Business Summit* in May 2015, focusing on technology and gadgets. This three-day event is new to the South African market and expects to draw 10 000 visitors. It hopes to replicate its success in other African markets in future.

Building on the success of the *Expo Summit Africa*, May 2014 saw the inaugural *World Travel Market (WTM) Africa* at the CTICC, Cape Town, with exhibitors covering the accommodation, airline and destination management sectors from America, Asia, the Middle East and Europe.

South African trade show venues have been successful in bringing new shows to the country, as illustrated by *bauma Africa* being introduced to South Africa by Messe München International (MMI), replicating the company's events *bauma China* in Shanghai and *bC India* in India.

International exhibition organisers are also taking majority stakeholdings in local firms, with Reed Exhibitions signing a joint venture agreement with the Thebe Tourism Group in order to acquire a majority share in Thebe Exhibitions & Projects Group (TEPG), which runs major exhibitions such as *Decorex*, *100% Design*, *Mediatech Africa*, the *Sports and Events Tourism Exchange* and the *Business Opportunities and Franchise Expo*.

Trade directories in South Africa will buck the global trend

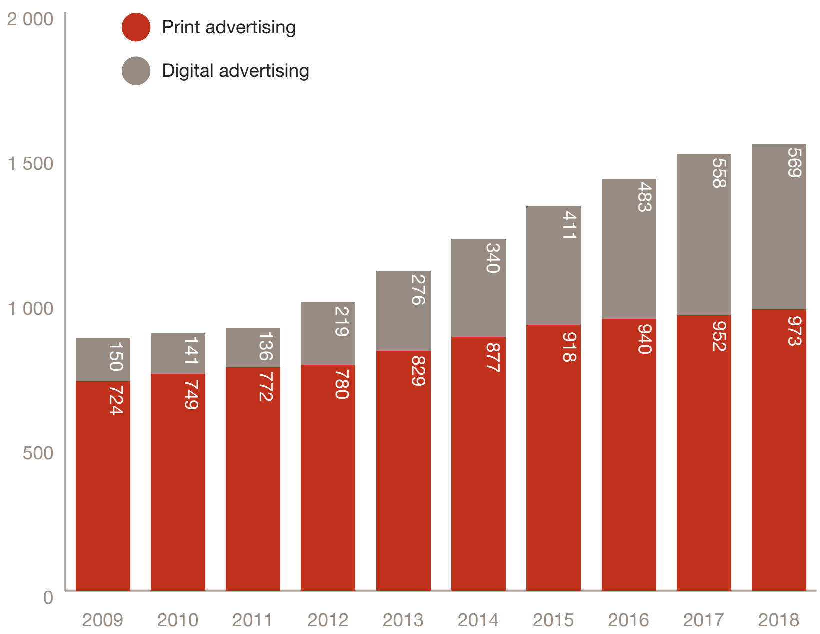
Trade directories: Digital on the charge, but print growth remains

While the directories market is forecast to shrink globally at a CAGR of -0.7%, South Africa's directories market is still growing. The country will see a CAGR of 6.9% to reach an estimated R1.5 billion in 2018.

Digital directories will rise most quickly, at a 15.6% CAGR, with its share of the directories market set to increase by 12 percentage points over the forecast period to account for 37% of trade directory advertising revenues in 2018. But print directories are still set to see a CAGR of 3.3% over the forecast period as printed media remains a key method for reaching the less affluent sectors of the market.

Digital gains mean that the traditional print directory business model is being disrupted. However, print will still account for 63% of the total trade directories advertising market in South Africa by 2018. This is in contrast to the global position, where digital directory advertising will surpass print directory advertising in 2015.

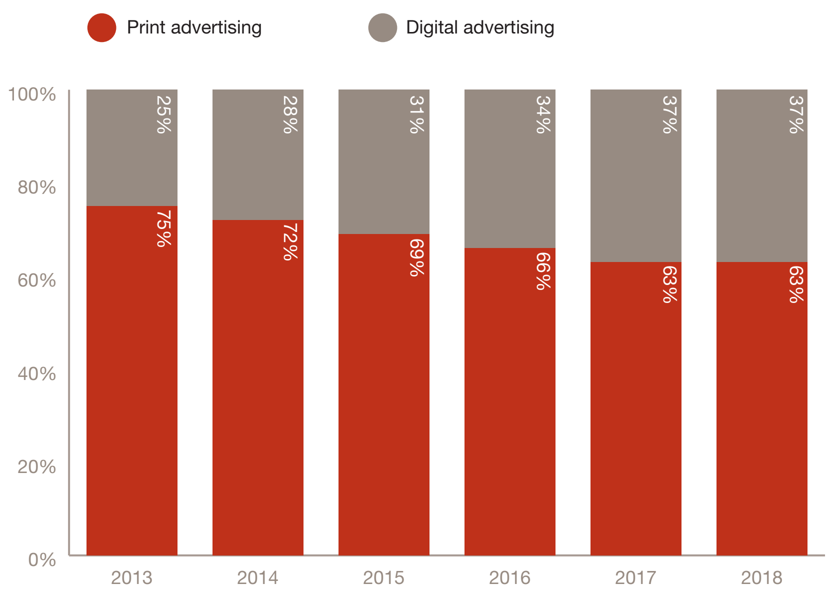
Fig. 4: Trade directory revenues, 2009-2018 (R millions)



Sources: PwC, Ovum

Digital on the rise in directories sub-segment

Fig. 5: Share of trade directories advertising, digital vs physical, 2013-2018 (%)



Sources: PwC, Ovum

The *Yellow Pages* directory and phone book is still delivered to hundreds of thousands of households in its printed format, but Trudon, the company responsible for publishing the *Yellow Pages*, has been forced to transform its business and incorporate a digital strategy in order to retain the interest of its advertisers.

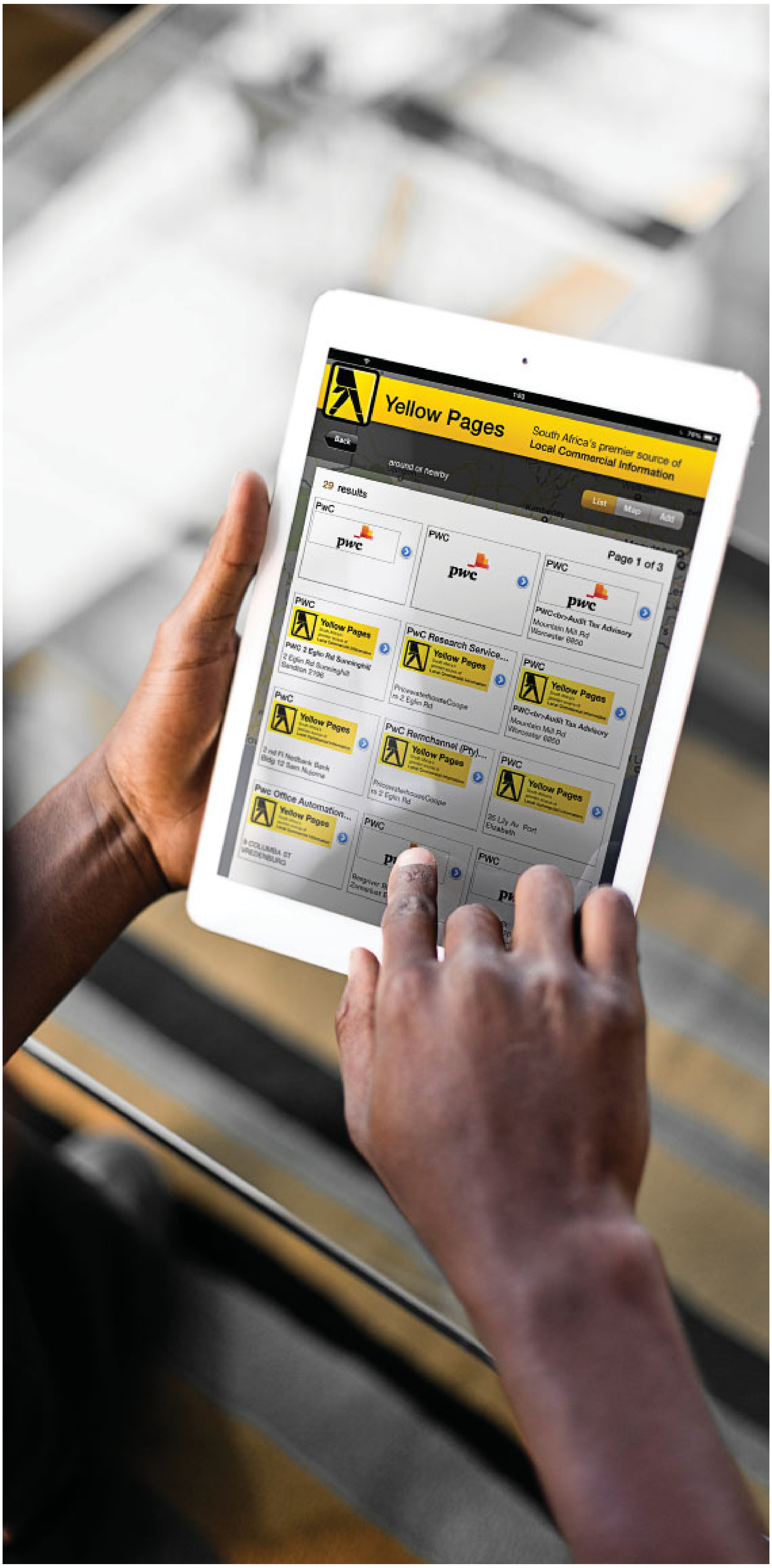
The company therefore now offers users a Yellow Pages Live Facebook Chat Application based on the JamiiX platform and MXit ClickFind chat solutions. The company also has an app for mobile devices and is improving the search functionality on its website.

Trudon has formed a partnership with Google and sells Google's Adwords to its customers. It also provides an account management facility that continuously monitors campaigns and provides advice to customers.

Trudon moved further away from its heritage as a listing service in 2013 by entering into an agreement with the Zap Group, which operates Israel's largest price comparison website, in order to build a local price comparison website that will be owned by both companies. In addition, Trudon has launched a ratings and review site called HereNow.

Digital advertising has the potential to be boosted further by the launch of Vicinity by Business Positioning Systems, which aims to provide advertisers with proximity targeting opportunities. For *Yellow Pages*, Vicinity will enable advertisers to focus on users of the *Yellow Pages* app based on their location, search terms and contextual interaction.

The trade directory market is now more competitive as Continental Outdoor Media has also launched an online business directory for small and medium-sized enterprises (SMEs) called Cheetah Ads, which helps SMEs to increase their search engine rating, advertising support and understand how their customers rate them.



Trade magazine revenues will top R1 billion in 2018

Trade magazines: market to pass R1 billion in 2018

The trade magazine segment is predicted to grow by a CAGR of 4.9% to reach R1.02 billion in 2018. Trade magazine advertising will grow at a CAGR of 4.2%, with advertisers following the shift of emphasis to online formats. Digital trade magazine advertising is forecast to grow by a CAGR of 38.8% as revenues reach R213 million in 2018.

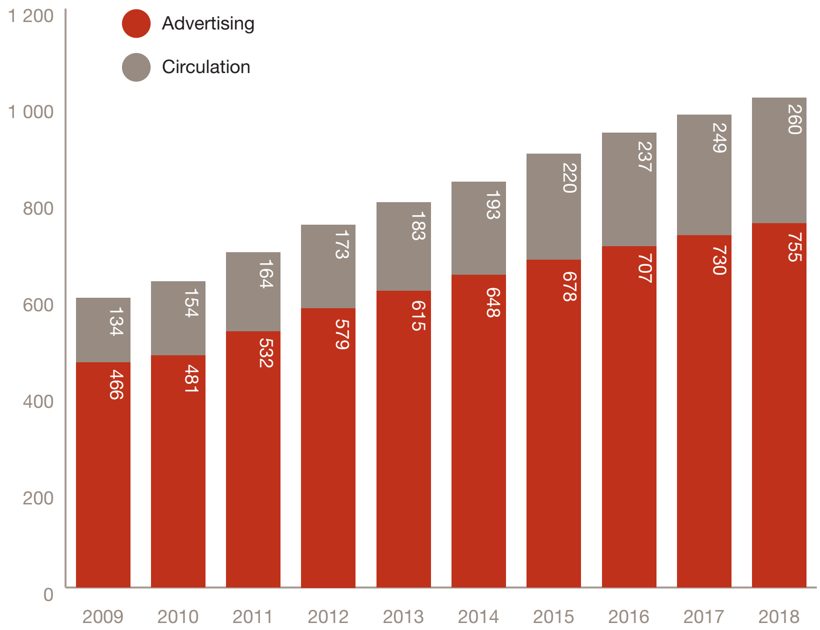
Overall trade magazine advertising revenues will reach a forecast R755 million in 2018. Circulation revenue will record faster growth with a 7.3% CAGR from a more modest base, with revenues reaching R260 million in 2018.

South Africa has more than 600 trade magazines. The leading titles include *BigNews*, *Landbouweekblad, Accountancy SA*, *Entrepreneur*, *Finweek* and the *Financial Mail*.

Reflecting a trend across the entertainment and media world, trade magazines in South Africa are changing their business models to reflect the shift in reader preferences towards digitised content.

Publishers have to be innovative and creative in capturing the attention of their audiences. For example, *Accountancy SA* has continued to expand its digital strategy by using innovative ways to divert readers to digital platforms, such as the publication's website and social media platforms.

Fig. 6: Trade magazine revenues, 2009-2018 (R millions)



Sources: PwC, Ovum

In recent publications *Accountancy SA* has incorporated augmented reality features through the use of the Layar browser app. The browser makes use of a smart device's accelerometer, built-in camera, compass and GPS to enable the reader to have a digital experience while reading a printed or digital copy of the publication. It also diverts readers to their website, social media sites, voting polls and competition forms.

In its fourth-quarter 2013 release, the Audit Bureau of Circulations of South Africa (ABC) found that the following titles had experienced the largest circulation growth:

- *Business Brief*'s circulation had grown by 63% in a year;
- *MIMS Guide to OTC Products* (Annual) had grown by 60% in a year;
- *Plumbing Africa* had grown by 51%; and
- *Refrigeration and Air Conditioning* had grown by 50% in a year.

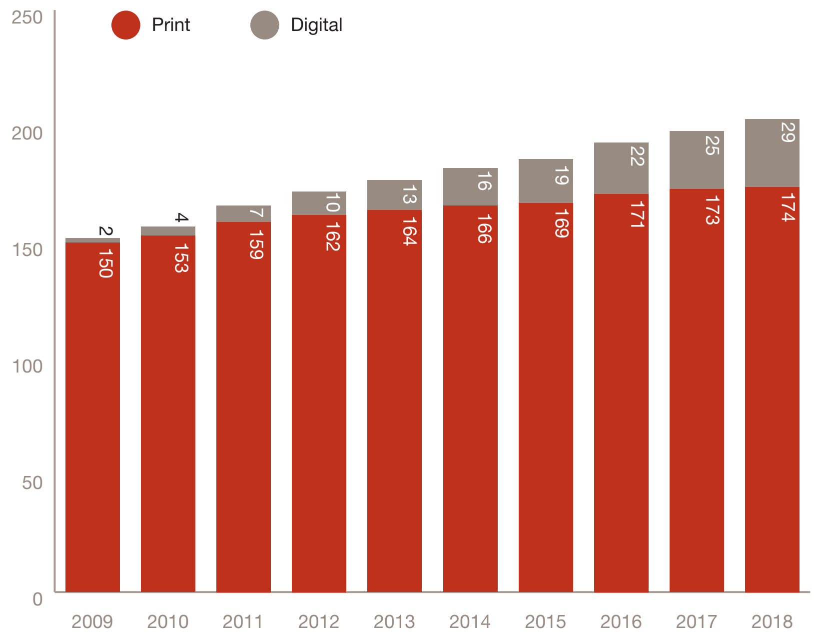
The relative ease with which publishers are able to transform from domestic or regionally-orientated publications enables publishers to reach audiences overseas, while also expanding in their domestic market.

Digital will be the biggest mover in professional books revenues

Professional books: Modest growth as digital gathers pace

The professional books market will show slower growth with a 2.8% CAGR over the forecast period. Revenues are set to reach R203 million in 2018. Digital will grow its share from 1% of professional books revenues in 2009 to 14% in 2018.

Fig. 7: Professional book revenues, 2009-2018 (R millions)



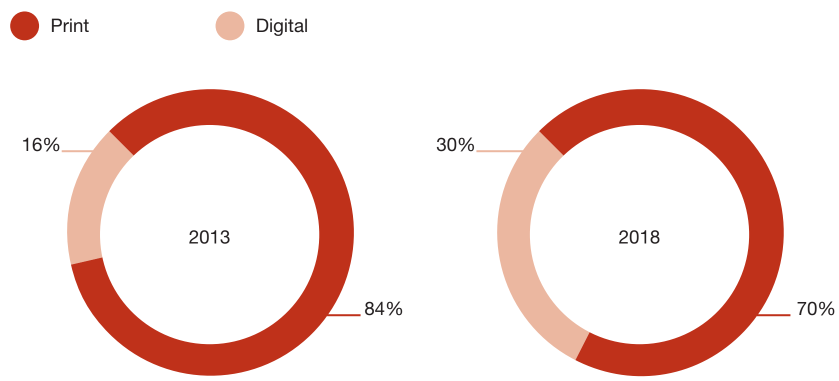
Sources: PwC, Ovum

Digital continues to make inroads across the entire B2B market

The switch to digital will be the main theme across South Africa's B2B segment, with digital spending increasing by 14 percentage points over the five-year forecast period, from 16% of the total to 30% by 2018.

This growth will be driven by the rise in Internet access and the increasing usage of smartphones across the country. This trend will cause changes to the business models of advertisers to the B2B market and the methods by which providers attempt to transition to digital will provide one of the forecast period's most interesting stories.

Fig. 8: B2B spend, print vs digital market share, 2013-2018 (%)



Sources: PwC, Ovum

By 2018, 30% of B2B spend will be digital


JSE

Nigeria

Nigeria's B2B market will grow at a CAGR of 8.6% over the next five years

Business-to-business revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Business information	**2.3**	**2.4**	**2.6**	**2.8**	**2.9**	**3.2**	**3.4**	**3.6**	**3.8**	**3.9**	**6.0%**
Financial	0.8	0.8	0.8	0.9	0.9	1.0	1.1	1.1	1.2	1.2	5.3%
Industry	0.7	0.7	0.8	0.9	0.9	1.0	1.1	1.2	1.2	1.3	6.6%
Marketing	0.8	0.9	1.0	1.0	1.1	1.2	1.2	1.3	1.4	1.4	6.0%
Directories	**0.4**	**0.4**	**0.5**	**0.5**	**0.7**	**0.7**	**0.7**	**0.9**	**0.9**	**1.0**	**9.3%**
Print	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	4.8%
Digital	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	19.7%
Professional books	**2.8**	**3.0**	**3.2**	**3.4**	**3.5**	**3.8**	**4.0**	**4.2**	**4.2**	**4.4**	**4.0%**
Print	2.8	2.9	3.1	3.2	3.3	3.5	3.6	3.7	3.7	3.8	2.5%
Digital	0*	0.1	0.1	0.2	0.2	0.3	0.4	0.5	0.5	0.6	18.7%
Trade magazine advertising	**3.1**	**3.1**	**3.0**	**3.2**	**3.1**	**3.2**	**3.1**	**3.1**	**3.1**	**3.1**	**0.3%**
Print	3.1	3.1	3.0	3.2	3.0	3.0	2.8	2.6	2.3	1.9	-8.7%
Digital	-	-	-	-	0.1	0.2	0.3	0.5	0.8	1.2	71.0%
Trade magazine circulation	**6.2**	**8.7**	**8.8**	**8.9**	**10.5**	**11.7**	**13.1**	**14.7**	**16.6**	**18.9**	**12.6%**
Print	6.2	8.7	8.8	8.9	10.5	11.7	13.1	14.7	16.6	18.9	12.6%
Digital	-	-	-	-	-	-	0*	0*	0*	0*	-
Trade shows	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.3**	**4.9%**
Consumer spend	11.3	14.1	14.6	15.1	16.9	18.7	20.5	22.5	24.6	27.2	9.9%
YOY growth (%)		*24.8%*	*3.9%*	*3.1%*	*13.1%*	*9.8%*	*9.5%*	*9.5%*	*10.1%*	*10.6%*	
Advertising spend	3.7	3.7	3.7	3.9	4.0	4.1	4.0	4.2	4.2	4.4	2.2%
YOY growth (%)		*-0.7%*	*0.5%*	*6.2%*	*1.2%*	*2.4%*	*2.1%*	*2.1%*	*2.0%*	*2.7%*	
Total	**15.0**	**17.8**	**18.3**	**19.0**	**20.9**	**22.8**	**24.5**	**26.7**	**28.8**	**31.6**	**8.6%**
YOY growth (%)		***18.5%***	***3.2%***	***3.7%***	***10.6%***	***8.4%***	***8.2%***	***8.3%***	***8.8%***	***9.4%***	

Note: 2009-2013 Nigeria figures have been updated to reflect most recently available financial information
*less than US$100 000
Sources: PwC, Ovum

The Nigerian B2B market, worth US$21 million in 2013 (up 10.6% year on year) will see a CAGR of 8.6% to take the value of the market to almost US$32 million by 2018.

Nigeria's B2B market will be boosted by trade magazines

Trade magazines is the largest segment, accounting for 65% of B2B revenues in Nigeria. Circulation accounts for more than 75% of segment revenues and is forecast to grow by a 12.6% CAGR, reaching US$19 million by 2018. However, unlike in other countries, trade magazines will still be distributed in print.

The development of digital formats is hindered by the lack of electricity supply across the country. In the Doing Business 2014 rankings published by the World Bank, in conjunction with the International Finance Corporation, Nigeria is ranked 185th (out 189 nations) for receiving reliable electricity.

More traditional B2B revenues – from both advertising and products and services – will remain strong in the near term, with the shift to digital formats not as pronounced compared with South Africa. Digital will only account for 8% of spending by 2018, up from 3% in 2013.

Professional books will be the second-largest segment, accounting for 14% of revenues, and is forecast to grow by a CAGR of 4%. Although print will continue to appeal to many readers, the professional books segment will be boosted by the release of more publications in digital formats, with digital revenues forecast to rise at a CAGR of 19%.

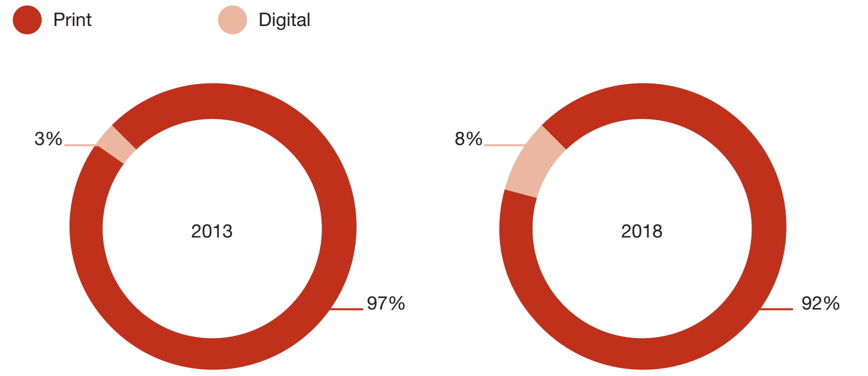
The switch to digital formats will have a similar effect on the trade directory segment, with digital advertising increasing by a CAGR of 20% over the forecast period and contributing to the segment's 9% CAGR.

Business information is the third-largest segment, accounting for 14% of total B2B revenues in 2013. It is set to grow by a CAGR of 6% fuelled by planned investments from global players such as Kanter World Panel, which has launched a new consumer panel in the country.

The size of the Nigerian market means that there is more pressure on Africa-centred research to meet the needs of the Nigerian business and consumer market, with the telecoms and beverage sectors spending the highest sums on market research according to industry body ESOMAR.

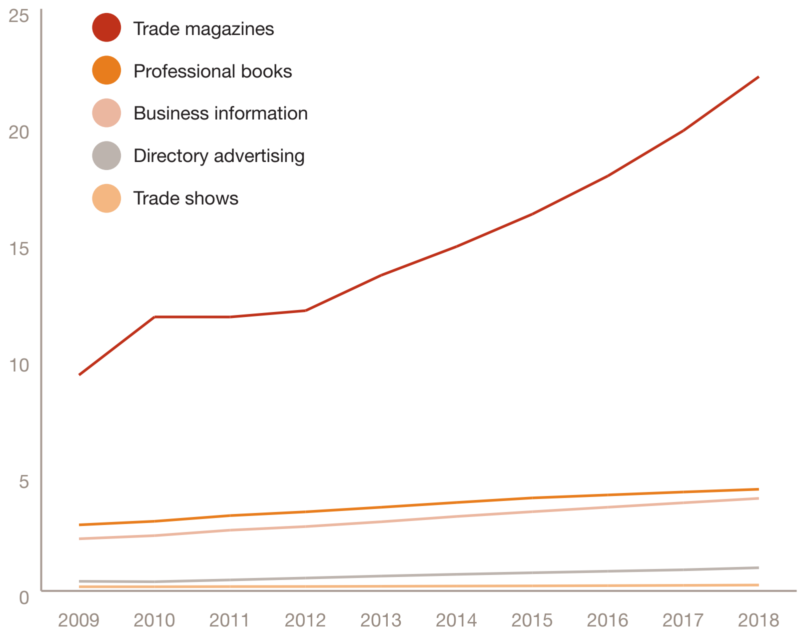
Digital B2B spending still to take off in Nigeria

Fig. 9: B2B revenues by segment, 2009-2018 (%)



Sources: PwC, Ovum

Fig. 10: B2B revenues by segment, 2009-2018 (US$ millions)



Sources: PwC, Ovum

In 2012, UBM Montgomery West Africa expanded its portfolio of events to include ICT West Africa, Afribuild West Africa and PROPAK West Africa, while 2013 saw the Akwaaba African Travel Market attracting over 7 000 delegates from over 20 countries worldwide.

Consumer electronics show *Your Tech Live*, organised by a UK-registered company, plans to come to Nigeria in 2017, after debuting in South Africa in 2015.

A healthy exhibition industry requires political stability, low corruption, high levels of safety, good infrastructure and transportation, and medium to high GDP growth. The Nigerian market does not meet all these criteria and so growth in the trade show segment is likely to be slow. A particular impediment to the expansion of the trade show segment is the lack of suitable premises in Lagos.

Kenya

Kenya's B2B market will grow at a 7.5% CAGR over the next five years

B2B revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Business information	**1.8**	**1.9**	**1.9**	**2.5**	**2.8**	**3.1**	**3.3**	**3.6**	**3.9**	**4.0**	**7.8%**
Financial	0.6	0.6	0.6	0.8	0.9	1.0	1.0	1.1	1.2	1.2	7.2%
Industry	0.5	0.6	0.6	0.8	0.9	1.0	1.1	1.2	1.3	1.3	8.4%
Marketing	0.7	0.7	0.7	0.9	1.0	1.1	1.2	1.3	1.4	1.5	7.7%
Directories	**0.5**	**0.6**	**0.9**	**1.0**	**1.3**	**1.4**	**1.6**	**1.7**	**1.7**	**1.8**	**7.7%**
Print	0.4	0.5	0.8	0.8	1.0	1.0	1.1	1.1	1.1	1.1	3.5%
Digital	0.1	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.6	0.7	17.5%
Professional books	**1.3**	**1.4**	**1.5**	**1.6**	**1.6**	**1.7**	**1.7**	**1.7**	**1.8**	**1.8**	**4.0%**
Print	1.3	1.4	1.4	1.5	1.5	1.6	1.6	1.6	1.7	1.7	2.6%
Digital	0*	0*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-13.3%
Trade magazine advertising	**1.2**	**1.0**	**1.3**	**1.4**	**1.4**	**1.4**	**1.5**	**1.6**	**1.6**	**1.7**	**3.8%**
Print	1.2	1.0	1.3	1.4	1.4	1.4	1.5	1.5	1.5	1.4	-0.1%
Digital	-	-	-	-	0*	0*	0*	0.1	0.1	0.3	111.5%
Trade magazine circulation	**1.6**	**2.2**	**2.2**	**2.3**	**2.6**	**2.9**	**3.2**	**3.6**	**4.0**	**4.5**	**11.8%**
Print	1.6	2.2	2.2	2.3	2.6	2.9	3.2	3.6	4.0	4.5	11.8%
Digital	-	-	-	-	-	-	-	-	-	-	-
Trade shows	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**5.5%**
Consumer spend	4.7	5.5	5.6	6.4	7.0	7.7	8.2	8.9	9.7	10.3	8.1%
YOY growth (%)		*17.0%*	*3.8%*	*9.0%*	*12.8%*	*8.7%*	*8.4%*	*8.1%*	*7.7%*	*7.9%*	
Advertising spend	1.8	1.7	2.3	2.6	2.9	3.0	3.3	3.5	3.5	3.7	5.7%
YOY growth (%)		*-7.9%*	*34.8%*	*11.2%*	*10.5%*	*7.4%*	*6.6%*	*4.9%*	*3.7%*	*6.2%*	
Total	**6.5**	**7.2**	**7.9**	**9.0**	**9.9**	**10.7**	**11.5**	**12.4**	**13.2**	**14.0**	**7.5%**
YOY growth (%)		***9.9%***	***11.2%***	***9.6%***	***12.1%***	***8.3%***	***7.9%***	***7.2%***	***6.6%***	***7.4%***	

Note: 2009-2013 Kenya figures have been updated to reflect most recently available financial information
*less than US$100 000
Sources: PwC, Ovum

The Kenyan B2B market will see a 7.5% CAGR to 2018 and is forecast to reach US$14 million in that year. The market was worth US$10 million in 2013.

Trade magazines is the largest segment with revenues of US$4 million in 2013. This is forecast to increase by a 9.2% CAGR to exceed US$6 million in 2018. The segment will be characterised by circulation rather than advertising revenue growth as rising employment levels are expected increase the size of the potential market.

Business information is the second-largest segment, accounting for 29% of revenues in 2013. It is forecast to grow by 7.8% per annum to reach US$4 million in 2018. The business information segment will benefit not only from Kenya's GDP growth, but also an increasing interest in the country as an investment destination.

Kenya's B2B market will be boosted by trade magazines

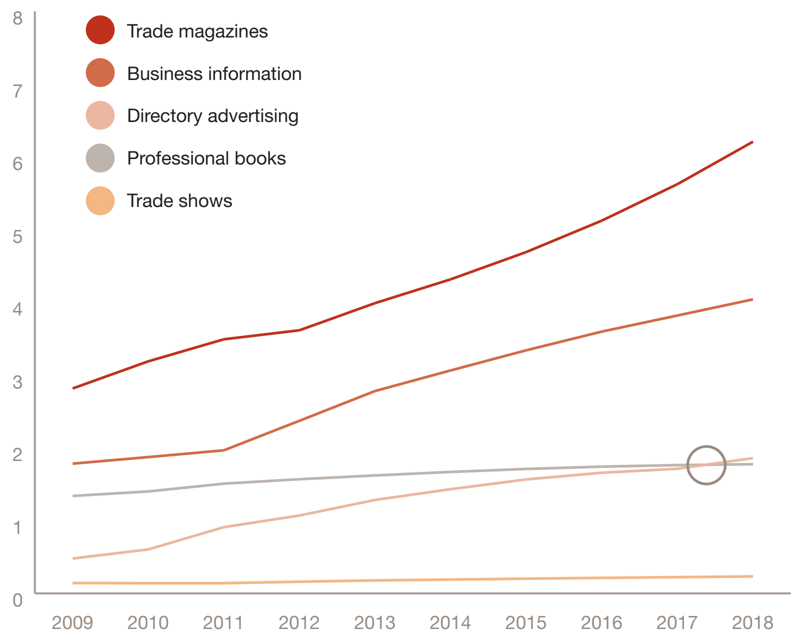
The Kenyan business information market is relatively sophisticated with firms such as Globetrack International (GTI) gaining a foothold. GTI is a Kenyan social media monitoring company whose coverage includes Facebook, Twitter, LinkedIn, YouTube and MySpace.

WPP has announced that it will be investing further in the Kenyan market by taking a 50.1% stake in Millward Brown's joint venture partner Scangroup Limited.

The financial information segment will be boosted by a partnership between The Policy and Economic Research Council (PERC), a non-profit think tank based in North Carolina, and Experian MicroAnalytics (EMA), which has developed a tool for lenders in Kenya to serve the unbanked population in the country. By integrating bill payments, mobile phone payments and agricultural cooperative data, the solution will help users to evaluate credit risk and borrowing capacity.

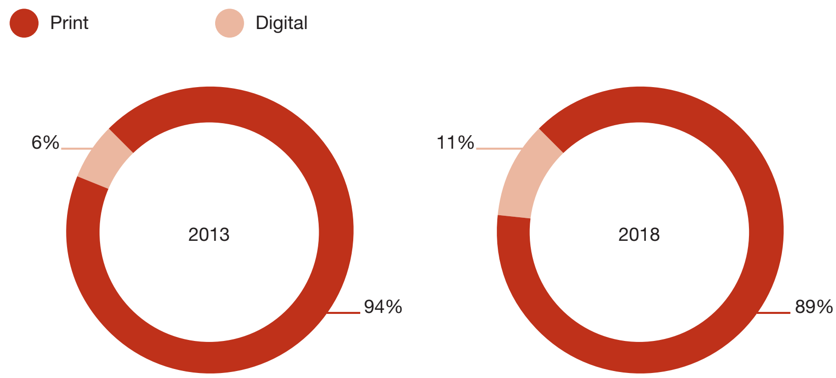
Digital spending on B2B (both via advertising and spend on products and services) as a proportion of overall spend will grow by five percentage points to 2018. The emergence of digitisation will come directly a result of the impact of mobile devices in Kenya as consumers increasingly use the mobile handset as their point of access to Internet services.

Fig. 11: B2B revenues by segment, 2009-2018 (US$ millions)



Sources: PwC, Ovum

Fig. 12: B2B spend, print vs. digital market share, 2013-18 (%)



Sources: PwC, Ovum

11% of B2B spend in Kenya will be digital by 2018

Yellow Pages provider yellow.co.ke is adjusting its business model for the digital world by offering clients banner ad displays and online coupons in addition to listing services.

Trade show revenues are growing at 5.5% per annum, albeit from a low base, as the country looks to establish itself as a commercial hub.

Big3Africa covers three areas – the interiors, hospitality and leisure industries – and takes place at the Kenyatta International Conference Centre in Nairobi. Promoted as the largest exhibition in East Africa, Big3Africa attracts more than three million visitors annually.

London-based organiser Montgomery has formed a joint venture partnership with Kenya-based Event & Conference Organisers (ECO). The venture's objective is to run shows in Kenya and surrounding East African countries. Its first event, *Hostex East Africa*, a hospitality show, took place in Nairobi in September 2013.

Following the discovery of oil in Kenya, *The Oil and Gas Africa 2015* event will bring together scientists, engineers, environmentalists, technocrats and entrepreneurs in the oil sector.

After launching in South Africa in 2015, technology expo *Your Tech Live* hopes to launch in Kenya in 2016.

Global trends in business-to-business publishing

The following is extracted from PwC's *Global Entertainment & Media Outlook 2014-2018*

Global B2B revenues will reach US$223 billion by 2018

B2B revenues, 2009-2018 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Business information	**79 587**	**83 047**	**87 653**	**90 556**	**93 851**	**96 500**	**100 668**	**105 882**	**111 596**	**117 612**	**4.6%**
Financial	28 867	29 972	31 579	32 601	33 812	34 749	36 324	38 340	40 554	42 890	4.9%
Industry	24 901	26 237	27 739	28 751	29 910	30 819	32 190	33 893	35 755	37 703	4.7%
Marketing	25 819	26 838	28 335	29 204	30 129	30 932	32 154	33 649	35 287	37 019	4.2%
Directories	**28 902**	**26 437**	**24 780**	**23 860**	**23 242**	**22 841**	**22 590**	**22 458**	**22 415**	**22 447**	**-0.7%**
Print	23 336	20 092	17 430	15 152	13 186	11 487	10 017	8 748	7652	6 705	-12.7%
Digital	5 566	6 345	7 350	8 708	10 056	11 354	12 573	13 710	14 763	15 742	9.4%
Professional books	**21 384**	**21 209**	**21 467**	**21 792**	**22 173**	**22 428**	**22 910**	**23 476**	**24 101**	**24 808**	**2.3%**
Print	19 531	19 060	18 826	18 468	18 192	17 617	17 196	16 795	16 387	15 987	-2.6%
Digital	1 853	2 149	2641	3 324	3 981	4 811	5 714	6 681	7 714	8 821	17.2%
Trade magazine advertising	**10 964**	**11 098**	**11 425**	**11 765**	**11 861**	**12 003**	**12 150**	**12 261**	**12 349**	**12 415**	**0.9%**
Print	10 231	9 924	9 534	9 212	8 963	8 709	8 426	8 086	7 709	7 294	-4.0%
Digital	733	1 174	1 891	2 553	2 898	3 294	3 724	4 175	4 640	5 121	12.1%
Trade magazine circulation	**8 160**	**7 896**	**7 581**	**7 308**	**7 164**	**7164**	**7 301**	**7 512**	**7 744**	**7 948**	**2.1%**
Print	8 160	7 874	7 542	7 147	6 845	6603	6 398	6 227	6 082	5 963	-2.7%
Digital	0	22	39	161	319	561	903	1 285	1 662	1 985	44.1%
Trade shows	**26 759**	**27 327**	**27 981**	**29 513**	**30 270**	**31 427**	**32 788**	**34 294**	**35 894**	**37 581**	**4.4%**
Consumer spend	109 131	112 152	116 701	119 656	123 188	126 092	130 879	136 870	143 441	150 368	4.1%
YOY growth (%)		*2.8%*	*4.1%*	*2.5%*	*3.0%*	*2.4%*	*3.8%*	*4.6%*	*4.8%*	*4.8%*	
Advertising spend	66 625	64 862	64 186	65 138	65 373	66 271	67 528	69 013	70 658	72 443	2.1%
YOY growth (%)		*-2.6%*	*-1.0%*	*1.5%*	*0.4%*	*1.4%*	*1.9%*	*2.2%*	*2.4%*	*2.5%*	
Total	**175 756**	**177 014**	**180 887**	**184 794**	**188 561**	**192 363**	**198 407**	**205 883**	**214 099**	**222 811**	**3.4%**
YOY growth (%)		***0.7%***	***2.2%***	***2.2%***	***2.0%***	***2.0%***	***3.1%***	***3.8%***	***4.0%***	***4.1%***	

Sources: PwC, Ovum

- Global total B2B revenue reached US$188.6 billion in 2013, rising from US$184.8 billion in 2012. The market is forecast to record an annual growth rate of 3.4% to reach US$222.8 billion in 2018.
- In 2013, the top ten countries accounted for more than 80% of total B2B revenue, with the US alone responsible for 42%.
- Four of the top ten countries are in Western Europe (Germany, the UK, France and Italy), three are in Asia-Pacific (Japan, China and Australia), and the top ten are rounded out by the US, Canada and Brazil.
- In 2013, revenue from business information, at US$93.9 billion, accounted for nearly 50% of total B2B revenue. However, the business information sector is forecast to grow at a CAGR of 4.6% to generate revenue of US$117.6 billion in 2018, which will represent 53% of all B2B revenue.
- Within business information, the financial segment will remain the largest globally and will also see the fastest rate of growth at 4.9% CAGR, but there will be similar levels of growth for both the industry (4.7% CAGR) and marketing (4.2% CAGR) segments as well.
- Directories' share of total global B2B revenue will decline from 12% in 2013 to 10% by 2018 as the impact of online and mobile-based directory services disrupts traditional directories publishing in mature markets.
- The revenue generated by professional books will grow globally from US$22.2 billion in 2013 to US$24.8 billion in 2018, a CAGR of 2.3%. The fastest growth regionally will come from Asia-Pacific, with a CAGR of 5.3%, thanks to newly skilled and motivated workers adding to their skill sets through further professional development.
- Trade magazine revenues will continue to grow from US$19.0 billion to US$20.4 billion at a modest CAGR of 1.4%. Advertising will continue to account for the majority of trade magazine revenue, but will grow at a CAGR of just 0.9% in the next five years, while revenue from circulation is forecast to grow at a CAGR of 2.1%.
- Trade shows will be the second fastest-growing segment within B2B (after business information), with revenue increasing from US$30.3 billion in 2013 to US$37.6 billion in 2018, a CAGR of 4.4%. Continued investment in exhibition venues and a growing appetite for face-to-face networking will drive growth.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Out-of-home advertising

Charles Stuart • Associate Director

Definitions

The out-of-home (OOH) advertising market consists of advertiser spending on OOH media. It is split between physical and digital. Advertising spend is tracked net of agency commissions.

Traditional physical OOH media includes billboards, street furniture (for example bus shelters), transit displays (for example bus sides, on-train print, wraps on taxis and private vehicles), displays at sports arenas, airports, shopping malls, inside retail stores, wash rooms and other OOH spaces, and captive ad networks (in such venues as elevators).

Digital OOH (DOOH) includes any OOH advertising media that is Internet-connected (e.g. smart billboards or digital screens at malls). It does not include advertising on a consumer's smartphone or tablet, which is included within the Internet advertising chapter.

In brief

Worth R4.1 billion in 2013, South Africa's OOH market will grow by an estimated 5.9% CAGR to reach an estimated R5.5 billion in 2018. *The breadth of formats together with the flexibility and reach offered by outdoor advertising will result in the OOH market continuing to grow revenue annually by 5.9%.*

The long journeys many commuters undertake to get to work and major investment in transport infrastructure will continue to offer audience volumes to OOH advertisers, while taxi ranks and transport hubs will be key locations for gaining the attention of commuters.

DOOH advertising revenue will see significant growth and will account for more than 30% of OOH revenues by 2018. *OOH advertising is moving with the times and like other parts of the media, is transforming to a digital environment. DOOH is driving overall OOH advertising growth at a CAGR of 20.3%, but traditional OOH mediums will still offer advertisers opportunities to make a strong impact.*

Growth in OOH advertising is constantly challenged by regulatory developments. *While billboards continue to be the subject of regulatory scrutiny, a far greater challenge looms on the horizon with the potential drop in revenues that a ban on alcohol advertising would inflict on the OOH market as a whole.*

The increasing sophistication of measurement tools will be key to sustained growth in OOH. *One of the major inhibitors of OOH advertising adoption has been the lack of tools to measure audience and campaign effectiveness compared with other types of advertising.*

Media measurement research in South Africa is currently in a state of flux. The OOH industry, led by Out of Home Media South Africa (OHMSA) resigned from the South African Advertising Research Foundation (SAARF) at the end of 2013, effective end 2014. In the interim, the OOH industry has developed its own Joint Industry Committee to launch a new media measurement survey in 2015.

Nigeria's OOH market will be worth around US$261 million in 2018, growing by a CAGR of 6.1%. *Total OOH revenues in Nigeria were US$193 million in 2013, 8.9% up on 2012. An important driver of this continued growth will be the country's 6.9% CAGR increase in real GDP and greater investment from agencies.*

The Kenyan OOH market is forecast to be worth US$137 million in 2018, growing by a CAGR of 8.3%. *Total OOH revenues in Kenya had reached US$92 million in 2013, 8.3% up on 2012 and almost twice the figure of 2009.*

Strong GDP growth and an increasingly urbanised market will help drive this improvement, while DOOH will make up an increasingly large proportion of total OOH revenues by the end of the forecast period.

South Africa

The South African OOH market will grow at a CAGR of 5.9% over the next five years

OOH revenues, 2009-2018 (R millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical OOH	2 508	2 567	3 280	3 702	3 437	3 598	3 730	3 818	3 825	3 795	2.0%
Digital OOH	-	293	16	31	666	829	1 017	1 228	1 445	1 676	20.3%
Total	**2 508**	**2 860**	**3 296**	**3 733**	**4 103**	**4 427**	**4 747**	**5 046**	**5 270**	**5 471**	**5.9%**
YOY growth (%)		***14.0%***	***15.3%***	***13.3%***	***9.9%***	***7.9%***	***7.2%***	***6.3%***	***4.4%***	***3.8%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Source: PwC, Ovum

OOH advertising is moving with the times and like other parts of the media, such as newspaper and magazine publishing, is transforming into a digital environment.

Advertisers are looking to engage with consumers while they are out of their homes and the OOH industry provides key ways in which to do so, from the traditional roadside billboard to interactive digital panels inside shopping malls. OOH advertising is one of the final methods that a brand can utilise in order to communicate to a potential buyer before they make a purchase.

The OOH market in South Africa reached revenues of R4.1 billion in 2013, up from R3.7 billion in 2012. South Africa's OOH market is forecast to grow at a CAGR of 5.9% and will see revenues of R5.5 billion in 2018.

The general election of May 2014 boosted the OOH advertising market – for example, the Democratic Alliance used roadside billboards to inform drivers in Gauteng about their opposition to e-tolls. Such political campaigning is expected to result in revenues reaching R4.4 billion at the end of 2014, a year-on-year increase of 7.9%.

OOH revenues will reach R5.5 billion by 2018

OOH market has solid foundations

Over the last decade the South African OOH market has benefitted from the improvements made to the country's transport infrastructure, especially the launch of the Gautrain and the expansion of OR Tambo International Airport in Johannesburg. Many site owners are now transitioning from static to digital panels, offering advertisers the scope to engage with consumers directly at airports or shopping malls.

Unlike advertising in newspapers or on radio, users of outdoor advertisers currently do not have a nationally recognised method for measuring audience and campaign effectiveness. Initiatives by players within the market will aid this process, but not necessarily deliver the uniformity and comparability in measurement that would lift the market as a whole.

OOH advertising will be in a better position to compete for revenue as a result of efforts to improve techniques to measure its effectiveness. Following the resignation of the NAB (National Association of Broadcasters) from SAARF in July 2013, and the subsequent resignation of OHMSA, media measurement research in South Africa is in a state of flux.

OHMSA and other independent OOH companies have taken the stance that they will play a 'wait-and-see' game and make a decision on which body to buy into once the many rivalries have subsided and an industry body is formed that drives the accepted industry establishment survey.

An establishment survey will provide the demographic and top-line media statistics into which media-type research would hook in. This is critical to the future of cohesive media measurement in South Africa.

The NAB and SAARF subsequently commenced discussions about collaborating in order to ensure that the All Media and Product Survey (AMPS) contract is extended to 2015 – this will allow a smooth transition to the establishment survey, as well as serving the best interests of the industry. The current AMPS contract is scheduled to come to an end in December 2014.[1]

The OOH industry has, in the meantime, developed its own OOH JIC (Joint Industry Committee), which is in the process of developing a turnkey media measurement survey through Cuende and Ask Afrika. Ask Afrika will provide the demographics, while Cuende will offer traffic flow data from its traffic surveys. Media agencies will be able to access panel-by-panel geographic information that is regularly updated.

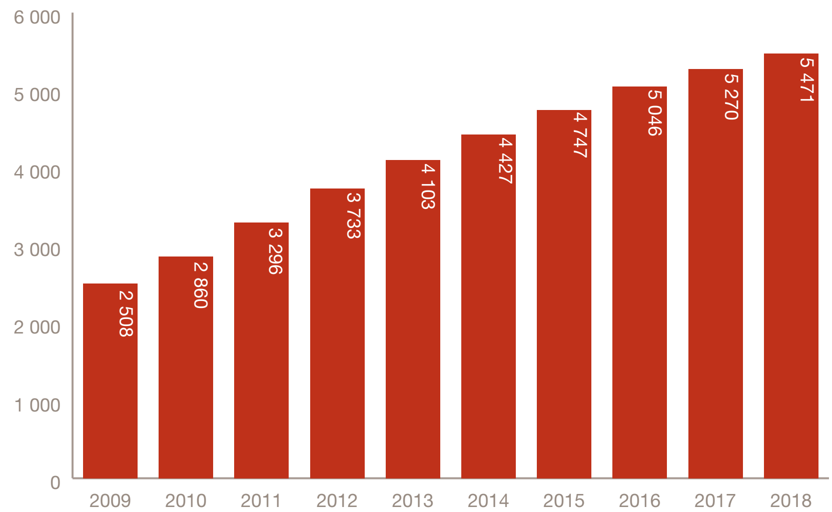
The research will be launched in early 2015. Once the funding and statutory issues have been ironed out, it is planned that OHMSA as well as OOH media companies will be invited to participate and contribute to the funding of the project.

OHMSA, however, currently only represents a minority of OOH spend in South Africa and the absence of a representative industry body gives rise to challenges in driving convergence and uniformity in measurement practices.

While outdoor advertising could still improve the accuracy of its measurement tools, OOH media in-store is perceived to have better measurement.

Outdoor can, however, provide advertisers with the opportunity for great innovation – arguably more so than any other advertising medium. For example, in 2014 Saatchi & Saatchi created a scented garbage truck as part of a campaign to promote scented bin liners.

Fig. 1: OOH revenues, 2009-2018 (R millions)



Sources: PwC, Ovum

1 http://www.nab.org.za/nabnews.asp accessed 29 August 2014

DOOH is forecast to grow by a CAGR of 20%

Outdoor advertising benefits from South Africans' long commute

More than a million people move into South Africa's towns and cities each year and, according to the World Bank, 35% of the population lives in cities of over a million people. The World Bank estimates that more than 67% of South Africa's population will be urbanised by 2017, up from just over 64% in 2013.

This consistent urban growth will result in the expansion of potential eyeballs for the OOH market, with the most popular inventory sites remaining in busy urban areas and traffic hotspots. A more urbanised population signifies more traffic for the OOH market because greater numbers of people use public transportation, spend time in shopping malls and use cars.

With an average travel time to work of 56 minutes, South Africans have a longer average commuting time than, say, the 34 members of the Organisation for Economic Co-operation and Development (OECD). As South Africa is one of the richest countries on the continent, many people travel to work in private vehicles. However, advertisers will also be looking to find ways of reaching the 21.6 million people who travel to work using public transport every week.

The 2010 FIFA World Cup was the stimulus for investment in the country's transport infrastructure and today public transport initiatives include the Gautrain, Gautrain buses, the Rea Vaya in Johannesburg, the MyCiti in Cape Town and PRASA (Passenger Rail Agency of South Africa), which is making great strides in improving the passenger rail network. These in turn have created new OOH opportunities.

In Europe, trains and buses are the most prevalent forms of public transport, but in South Africa 18 million people use minibus taxis as their main form of transport, while only 2.8 million people commute using buses. Street furniture such as bus shelters, also known as commuter shelters, house billboards visible to passing vehicles and foot traffic.

The city of Cape Town, which has in the past taken measures to control OOH advertising, and the relatively affluent Gauteng region have witnessed an upgrade to many of their bus shelters, with improvements to the quality of the advertising panels and the shelters themselves. Built from coloured steel and glass, the new shelters in Cape Town were utilised by Red Bull as part of the launch of its *Special Editions* range.

DOOH is gaining traction

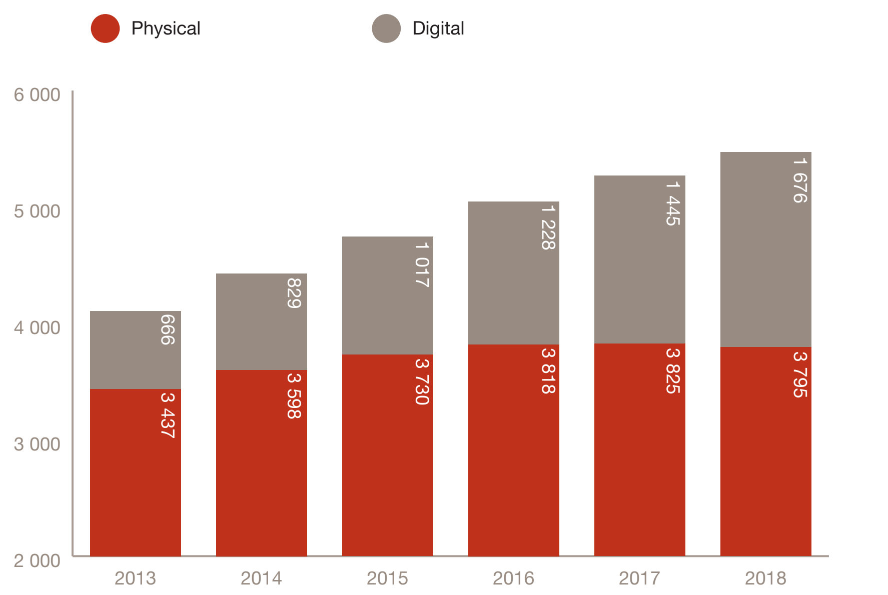
By 2018, traditional South African OOH revenues will begin to decline – a trend that will have occurred on a global level by 2015 – but digital OOH revenues will replace them. DOOH revenues will grow by a CAGR of 20.3% and account for 31% of the market by 2018.

Location is the core factor driving revenue in the OOH market. For media owners, the key issue is inventory management in terms of which site is likely to grab a consumer's attention. Media owners must decide whether or not to convert their panels to digital formats, with considerations regarding switching costs and attractiveness of the panel for a digital display.

The OOH advertising market is evolving from one dominated by traditional posters, beside roads and in shopping malls, to one where the posters are replaced by digital panels, offering advertisers more flexibility in terms of content and display (daypart advertising, for example) and potentially more interactive campaigns.

DOOH enables advertisers to develop visually arresting campaigns, with Nedbank's panel at Sandton City displaying messages in water droplets that cascaded down the panel, while National Geographic Channels brought augmented reality experiences to shopping malls, allowing shoppers to interact with animations.

Fig. 2: Physical and digital OOH revenues, 2009-2018 (R millions)



Sources: PwC, Ovum

DOOH also provides the opportunity for advertisers to 'narrowcast' by using networks such as Airport.tv, launched by Provantage in 2012. This network of 500 HD screens in the country's nine biggest airports reaches more than two million passengers a month.

Meanwhile, on a smaller scale, another network, Primedia Unlimited, is providing a 'captive audience' in over 400 hair salons. Further, over 300 pharmacies now have LED screens at their dispensaries, creating an audience of over 5.1 million.

LED lighting is delivering sharper images to digital panels, with advertisers such as Audi and Anglo American incorporating LED light directly into their advertisements. Continental Outdoor Media also plans to include LED technology in its recently acquired site, Ponte City (one of the most recognisable skyscrapers in Johannesburg).

Among the other outdoor agencies in South Africa, Primedia focuses on offering high impact sites, such as those offering banner ad opportunities beside roadsides. The company also looks to present DOOH as a chance for advertisers to showcase their whole portfolio by 'owning' the platform and having the brands on rotation.

Provantage, meanwhile, is expanding its TRANSIT.TV offering inside taxis, which, together with the taxi rank and rail-related aspects of its TRANSIT.TV platform, reach an estimated average monthly audience of 6.9 million.

Growth of mobile allows advertisers to leverage a new sales channel

The fact that mobile Internet penetration outstrips fixed broadband connections will serve as a boost to the OOH medium, as advertisers look to create campaigns integrating mobile devices with campaign messages.

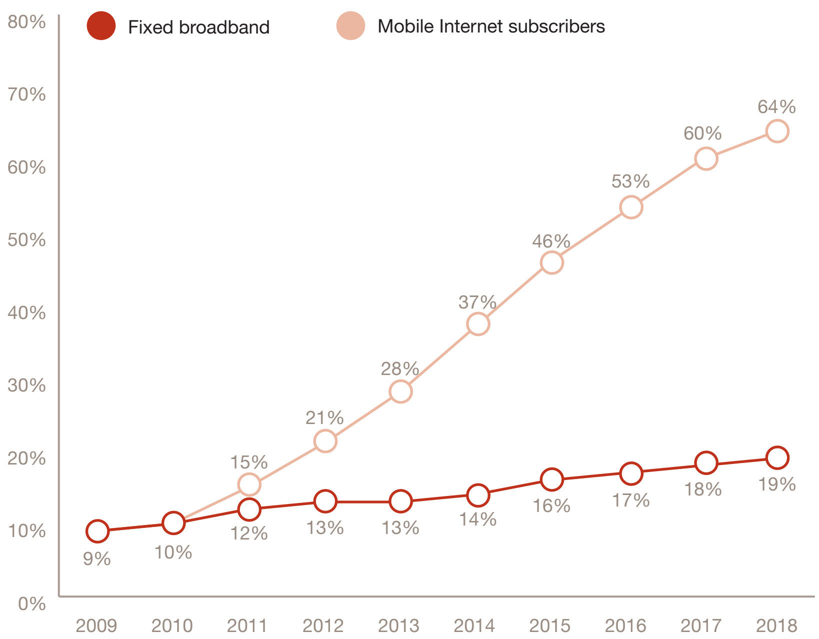
With the launch of NFC (near-field communications)-enabled handsets in South Africa – tested widely in 2013 – more opportunities for consumers to interact directly with a brand will become available. Consumers will soon be in the habit of touching or tapping their phones against digital signs in order to access additional content.

With the advent of mobile banking apps and NFC-enabled phones, digital billboards have the potential to evolve from providing brand-building opportunities to becoming a point of sale. Innovation in mobile technology carries the potential for OOH to be part of the development of mobile commerce (m-commerce).

The South African market environment is well suited to this development due to the popularity of shopping malls for consumers' leisure time. The key driver for this development is the adoption of smartphones that can use NFC technologies.

Internet access is growing rapidly, led by mobile

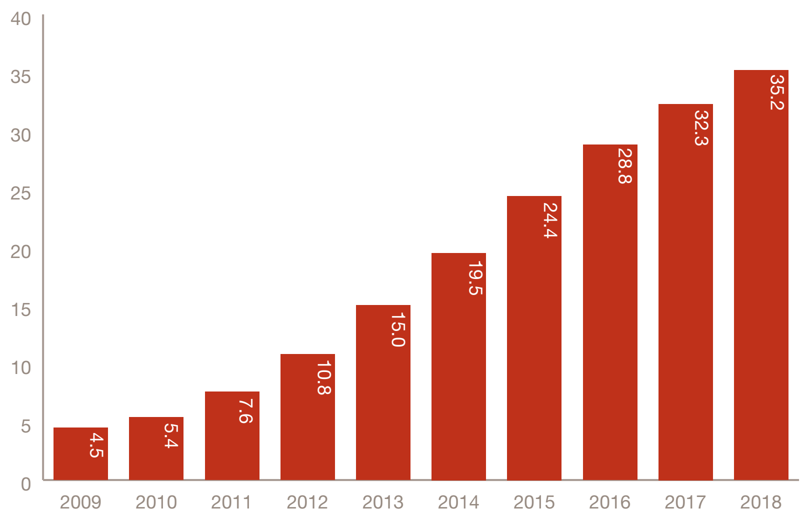
Fig. 3: Penetration of fixed broadband (% of households) and mobile Internet (% of population), 2009-2018



Sources: PwC, Ovum

Mobile Internet subscribers to reach 35 million by 2018

Fig. 4: Mobile Internet subscribers, 2009-2018 (millions)



Sources: PwC, Ovum

OOH is increasingly part of a comprehensive advertising campaign

OOH is increasingly forming part of a combined advertising strategy with brands due to the integration with social media, mobile devices and other online campaigns.

A good example of this was the recent launch of the Audi RS 5 cabriolet, which combined a social media campaign with OOH advertising. Fans were asked to submit their own headline to best express their views on the Audi RS 5 Cabriolet. The best three headlines were used on the billboards on the N1 and N3 highways in Gauteng.

OOH still needs to overcome its detractors

Billboards are an important platform for the growth of OOH advertising, but increasing the inventory available to advertisers will depend on approval from regulators. The regulation of billboards covers height, their levels of light pollution if they are situated in residential areas, their proximity to schools or the side of the highway, the minimum distances between fascia on the highway, and whether, in an individual context, digital technologies will be permitted or deemed a distraction.

Another issue facing the OOH market, and advertising overall, will be the proposed ban on alcohol advertising. Currently, the Government is divided on the subject, with health proponents looking to reduce alcohol consumption by 20% by 2020, while others are concerned about the adverse economic effects on the media industry that such a ban would bring.

Meanwhile, in March 2014, a Durban court ordered a billboard advertising the McDonald's fast food chain to be removed from the top of a building as it was claimed to be a distraction to drivers and a fire hazard.

Media owners will continue to face regulatory challenges to this key OOH advertising platform, while companies looking to invest in digital billboards need not only consider the return on their investment, but the impact of local regulation on their ability to monetise the platforms. If the billboard market cannot grow due to legislative challenges, then this will put constraints on OOH advertising revenue as a whole.

Taxis are a key way of reaching South African consumers

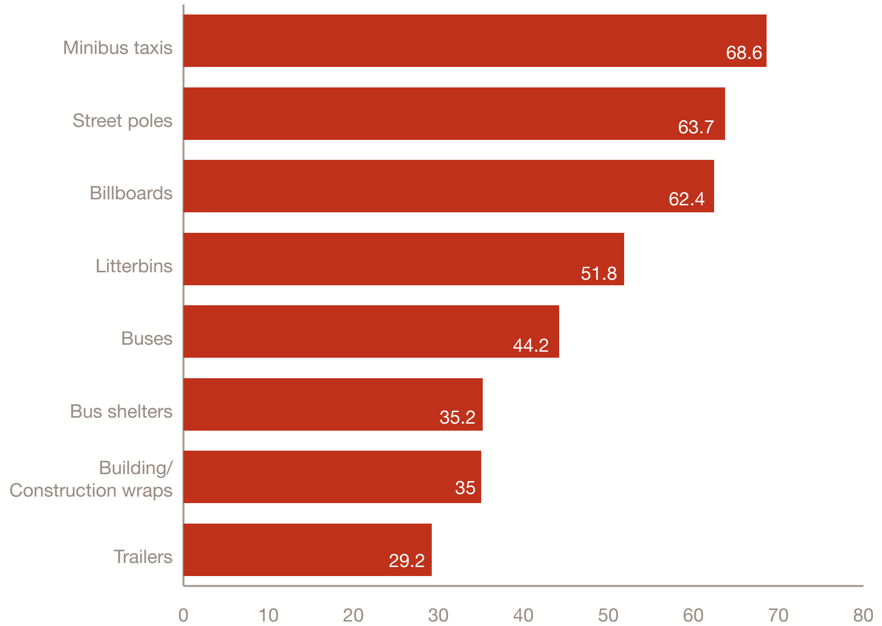
Outdoor advertising on or surrounding minibus taxis has the highest recall, according to respondents to a June 2013 SAARF survey.

Minibus taxis are the main method of public transport utilised by South Africans. There are over 150 000 public taxis on South African roads and 75% of the population live within one kilometre of a taxi rank. The taxi rank is a key hub for members of the community and provides opportunities for OOH advertisers including TRANSIT.TV (a digital network present at taxi ranks, inside taxis and at PRASA train stations).

TRANSIT.TV's reach extends to the surrounding area, inside taxis and on the taxis themselves, thanks to the 3D rendering of objects. One advertiser, Nando's, placed ads inside 1 000 taxis in early 2014, using different vernacular in different regions to advertise its special offers.

Minibus taxis are the most widely recognised OOH format

Fig. 5: OOH advertising seen by SAARF respondents (%)



Source: South African Advertising Research Foundation (SAARF) (June 2013)

Billboards: an effective way of reaching a broad cross section of society

Advertisers are able to combine campaign and corporate social investment (CSI) budgets by utilising mural billboards. Homeowners in townships can become media owners if their houses are in a prominent location, with artists in the local community devising artwork to adorn the walls.

Travellers going southbound on the R21 freeway will struggle to miss the 60m x 15m billboard that has been constructed on the way to OR Tambo International Airport. It is billed as the largest purpose-built outdoor advertising structure in the Southern Hemisphere and on launch was utilised by Jaguar to promote its new F-Type car.

Building wraps still have impressive impact

OOH will continue to offer advertisers large blank canvasses for their campaigns, generating immediate impact for their clients, be that beside roads, in shopping malls or in townships. As well as providing a spectacular backdrop, proponents of building wraps claim that they retain a construction site's dust. By their nature the potential audience is restricted, but the potential to leave a lasting imprint is immense.

In Johannesburg, the Sandton City skyscraper's building wrap was the location for Standard Bank's 'Moving Forward' campaign, which was complemented by a 60-second commercial and most recently the branding of 33 tuk-tuks around Sandton and Rosebank.

Increased urbanisation and car ownership together with investment in the road network will help to drive further growth in certain types of OOH, including taxis, buses and bus shelters, while further expected growth in building development will further boost the appeal of building wraps.

Measurement techniques will be key to sustained outdoor advertising growth

One of the major inhibitors of outdoor advertising adoption has been the lack of measurement tools, compared with other types of advertising, to measure audience and campaign effectiveness. As outdoor advertisers improve these tools for advertisers, this will encourage market spend.

Countries with measurement tools are often forecast to post higher CAGRs than equivalent markets that don't have them.

The Traffic Audit Bureau's Out of Home Ratings system in the United States is improving measurement techniques by not only being able to detect whether a person looks at an advertisement, but also providing demographic data. The ratings system's predecessor, the Daily Effective Circulation, merely estimated the number of people who passed an advertisement daily.

Like equivalent associations across the globe, Australia's Outdoor Media Association's (OMA) primary objective is to increase OOH's share of advertising spend. In 2010, its members launched Measurement of Outdoor Visibility and Exposure (MOVE), which is a web-based system used to provide insight into the effectiveness of different outdoor formats such as roadside billboards, posters, street furniture, railway stations, transit, shopping centres and airports. The programme is endorsed by the Media Federation of Australia (MFA) and the Australian Association of National Advertisers (AANA).

In South Africa, meanwhile, Continental Outdoor launched ROMItrack in 2013, the company's contribution to determining the effectiveness of OOH. ROMItrack, which measures return on media investment (ROMI) on OOH campaigns, looks to measure the actual impact a campaign has on the sales of products. The company is collaborating with Nielsen, with the two comparing test sales against a statistically matched control group.

MTN has invested in an OOH audit tool that has been developed by Dashboard Marketing Intelligence. The system requires that the site be visited physically, but allows clients to evaluate their media placements with reporting tools that show interactive maps, the spread and placement of sites in an area and site installation data.

Having credible tools cannot harm the prospects of OOH advertising gaining an increased share of advertising overall.

Nigeria

Nigeria's OOH market will surpass US$261 million in revenues

OOH revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical OOH	131	153	163	175	189	200	209	217	222	223	3.3%
Digital OOH	-	1	2	3	4	7	11	17	25	38	54.1%
Total	**131**	**154**	**165**	**178**	**193**	**207**	**220**	**234**	**247**	**261**	**6.1%**
YOY growth (%)		***17.6%***	***6.6%***	***8.0%***	***8.9%***	***6.8%***	***6.2%***	***6.6%***	***5.7%***	***5.3%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

Total OOH revenues in Nigeria were US$193 million in 2013, 8.9% up on 2012 and more than US$60 million ahead of the figure from 2009. Growth in the country's market will continue to be strong, if less pronounced than the past two years. By the end of the forecast period, total OOH revenues will have risen at a CAGR of 6.1% to an estimated US$261 million.

Real GDP in Nigeria is forecast to grow by an average of 6.9% per annum during the forecast period, which will boost OOH advertising. In addition, the shift in population to urban areas, from 43% in 2006 to 63% in 2017, will spur growth in the market.

DOOH will become more established in Nigeria over the forecast period, with a CAGR in excess of 54% and reach forecast revenues of US$38 million in 2018. Digital networks are becoming established in cities. For example, E-motion operates a Digital Outdoor Advertising Network across the largest cities in Nigeria with their billboards operated, updated and monitored from a central server.

The high growth rates of the market have attracted international firms such as Primedia to invest in Nigeria via a partnership with Deluxe Colour Productions. The partnership will look to focus on advertisements on bridges along commuter routes.

DOOH is not yet nationwide and digital signage is a rarity in rural areas. However, Umuntu Media has launched Mimiboards and aims for them to be used as electronic noticeboards in local communities, with content provided by local bloggers and community leaders. Mimiboards have the potential to carry advertisements as they become more popular.

Lagos State Signage and Advertisement Agency (LSSAA) is establishing itself as Nigeria's first structured outdoor media regulator. The LSSAA is working towards providing advertisers with audience measurements covering how a particular location is performing in relation to the number of passers-by and the frequency with which they pass a structure.

The output will include the use of ROTS (realistic opportunity to see) and data using eye-tracking techniques, to generate LTS (likelihood to see) information, while advertisers will be able to classify the audience by multiple criteria.

In addition to initiatives by LSSAA, verification of all unoccupied sites will become easier in the years to come as a result of PostarTrack, launched in in August 2012. PostarTrack is a Web-based tool that enables users to locate and evaluate all types of OOH media displays providing advertisers, agencies and media owners with market intelligence for planning and inventory control. The service also incorporates traffic count data for determining daily effective circulation (DEC) and cost per mille (CPM) for each billboard site audited.

Regulation of the market for the time being is opaque, with local, federal and state governments claiming to be arbitrators of the sector. But the landscape is becoming a little clearer, with individual states looking to regulate their markets instead of local governments. To deliver campaigns, providers have to negotiate with each state and in the time these procedures take, states often change their legislation around OOH.

Kenya

Kenya's OOH revenues to rise at an 8.3% CAGR

OOH revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical OOH	50	56	74	79	84	90	95	98	101	102	4.0%
Digital OOH	-	2	4	5	8	11	15	20	27	35	35.2%
Total	**50**	**58**	**78**	**84**	**92**	**101**	**110**	**118**	**128**	**137**	**8.3%**
YOY growth (%)		***16.6%***	***34.5%***	***8.0%***	***8.3%***	***10.1%***	***8.7%***	***7.9%***	***7.7%***	***7.5%***	

Note: 2009-2013 figures have been updated to reflect most recently available information
Sources: PwC, Ovum

Total OOH revenues in Kenya reached US$92 million in 2013, 8.3% up on 2012 and almost twice the figure of 2009. Growth in Kenya's OOH market is forecast to reach a CAGR of 8.3%, higher than that of Nigeria and South Africa, as revenues reach US$137 million by 2018.

The growth in the Kenyan OOH market is being driven by a number of factors, principally that of real GDP growth of 6.2% per annum throughout the forecast period. Kenya is experiencing rapid rates of urbanisation as a result of government and developmental activities, with 29% of the population forecast to live in urban areas in 2017, up from 19% in 2006.

The OOH market is also benefiting from a rise in airline departures by international and national carriers. Jomo Kenyatta International Airport in Nairobi was reported to have had passenger traffic of 5.8 million in 2011. Meanwhile, rising car ownership rates are providing increases in audience for campaigns aimed at international travellers and regular commuters.

Tapping into the growth in disposable income, new shopping malls are under construction as consumers develop a culture of visiting malls for their leisure activities.

Road construction is booming in Kenya, offering opportunities for the outdoor advertising industry as part of the government's Kenya's Vision 2030 initiative.

Roadside billboards have, however, come under threat from regulators. For instance, the Kenya National Highway Authority and Nairobi County Government had wished to remove billboards on major roads. However, in October 2013, Ikon Prints Media Company won an injunction preventing them from doing so.

In Nairobi, the most popular billboard campaigns are around beverages, banking services, food outlets, insurance, telecoms services and motor vehicles, while hair and beauty products are also heavily advertised.

Due to the somewhat cluttered landscape, there is pressure on OOH providers to deliver campaigns that stand out. For example, LG Electronics launched a prominent outdoor campaign by covering Nairobi's Teleposta Towers in its branding.

Many different formats have proliferated in the Kenyan outdoor market, with LED screens appearing on Uhuru Highway and Moi Avenue, as well as branding on city benches and street signage. Another format being launched concerns audio-enabled vehicles with screens mounted on all sides. The trucks, owned by Motion Pictures, travel along routes in Nairobi where staff also distribute marketing collateral.

The roads in and around Jomo Kenyatta international airport are the most expensive outdoor sites per square metre in the country, with Kenya's largest mobile services provider, Safaricom, dominating advertising space in and around the airport.

But the outdoor advertising industry continues to be in dispute with authorities, with the Outdoor Advertising Association of Kenya (OAAK) looking to prevent an increase in outdoor advertising fees brought about by the Nairobi County Finance Act.

The jurisdiction of different levels of government to regulate outdoor advertising has been called into dispute elsewhere too, with the High Court in Mombasa overruling the county government's order to remove billboards.

DOOH is forecast to become established in the Kenyan market and grow by a CAGR of 35% over the forecast period to reach US$35 million in 2018. Mobile devices represent an effective channel for the OOH industry to integrate online and physical campaigns, with the mobile phone now the primary way for Kenyans to access the Internet.

It is forecast that a quarter of the population will access the Internet via a cellular interface by 2018, while fixed broadband penetration will see just 3% household penetration.

Global trends in out–of-home advertising

The following is extracted from PwC's Global Entertainment & Media Outlook 2014-2018

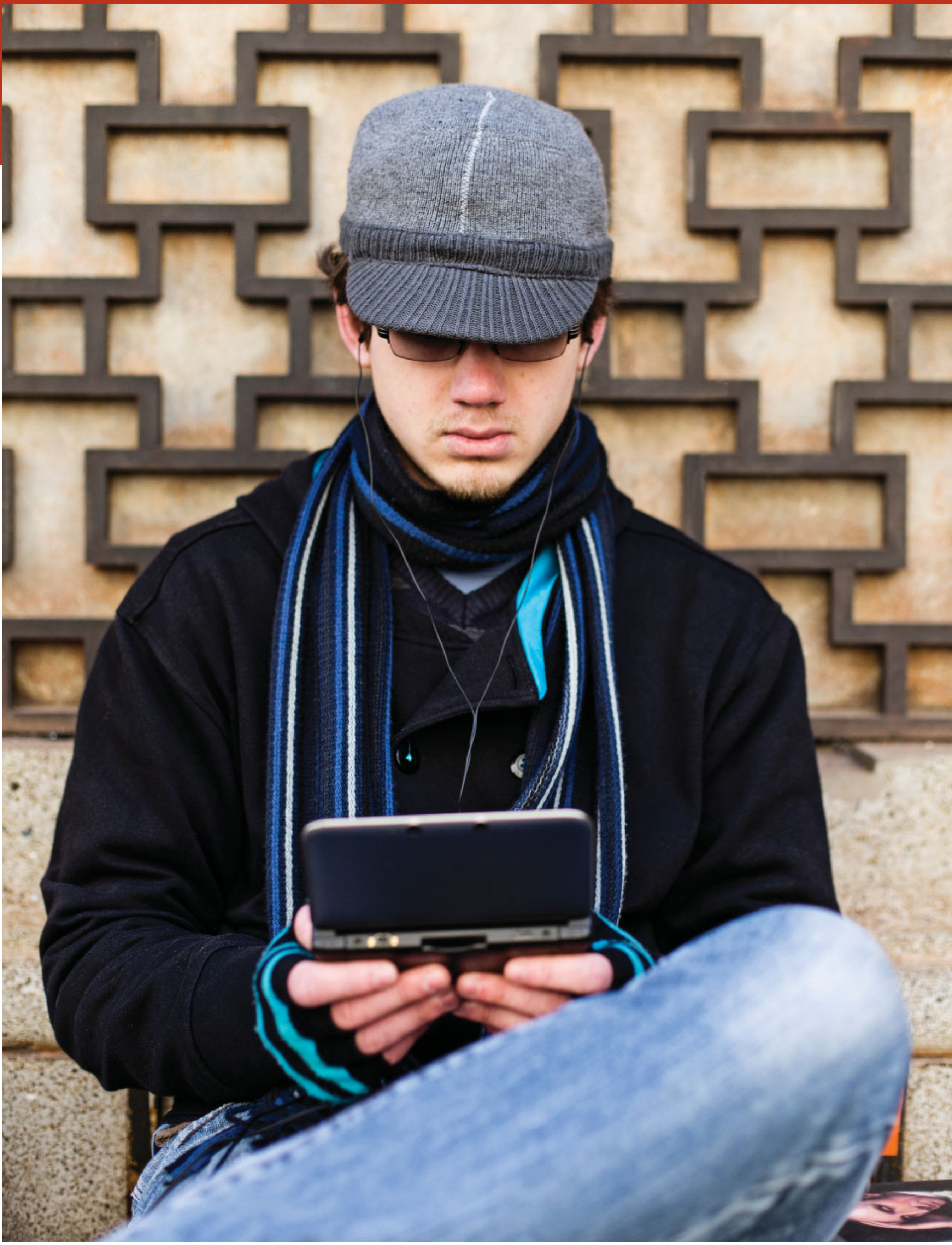
Global OOH revenues will exceed US$44 billion by 2018

Global, OOH revenues, 2009-18 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Physical OOH	29 019	25 829	26 362	26 245	26 378	26 389	26 226	25 954	25 665	25 412	-0.7%
Digital OOH	-	5 465	6 385	7 560	8 967	10 585	12 442	14 512	16 730	18 999	16.2%
Total	**29 019**	**31 294**	**32 747**	**33 805**	**35 345**	**36 974**	**38 668**	**40 466**	**42 395**	**44 411**	**4.7%**
YOY growth (%)		***7.8%***	***4.6%***	***3.2%***	***4.6%***	***4.6%***	***4.6%***	***4.6%***	***4.8%***	***4.8%***	

Sources: PwC, Ovum

- The global OOH advertising market is forecast to reach US$44 billion by 2018, with the US, China and the UK key growth markets. Depending on the territory, growth will be fuelled by a combination of infrastructure expansion and the benefits offered by DOOH advertising.
- DOOH advertising revenue will see significant growth in emerging markets. DOOH advertising is driving overall OOH advertising growth globally at a CAGR of 16.2%. However, in certain emerging markets DOOH advertising revenue is forecast to grow even more rapidly, with CAGRs in excess of 30%, and China set to become the largest DOOH advertising market in the world by 2017.
- The increasing sophistication of measurement tools will help drive OOH advertising revenue growth. One of the major inhibitors of OOH advertising adoption has been the lack of measurement tools, compared with other types of advertising, to measure audience and campaign effectiveness. As OOH advertising providers improve these tools, the business will see growth.
- OOH advertising will be part of an m-commerce revolution. With the advent of mobile banking apps and NFC-enabled phones, digital billboards have the potential to evolve from providing brand-building opportunities to becoming a point of sale. Innovation in mobile technology will enable OOH advertising to have a role in the development of m-commerce.
- Growth in OOH advertising is dependent on regulatory challenges over billboards. Billboards are a crucial platform for the future growth of OOH advertising, but increasing the inventory available to advertisers will depend on approval from regulators.
- Rapid expansion of airports in certain key markets will provide new OOH advertising opportunities. Airports provide advertisers with high dwell time and a captive audience. As the number of these transit hubs expands across the world, especially in China and the Middle East, they will be increasingly important outlets for OOH advertising.
- In sub-Saharan Africa, increased levels of urbanisation are warranting an increase in advertising budgets, especially for OOH. Regulation of outdoor media will also play a key part in dictating the extent to which budgets will migrate to OOH from other platforms. But OOH's share of the total advertising spend is already higher than average in several sub-Saharan territories, including Angola, Botswana and Zambia.



Video games

Elenor Smith • Senior Manager
Graham Cornelissen • Manager

Definitions

This segment comprises consumer spending on video games software and services (not hardware or devices) across all platforms, including console, PC, online and mobile, as well as revenue from advertising via video games. All sub-segments are exclusive of each other. The revenue is both digital and non-digital and derives from both consumer and advertising spending.

Console games considers all revenue associated with playing games of any type on a games console (both in-home and handheld) including physical (disc-based) retail game sales , digital game sales, additional downloadable content (DLC) and subscription services.

PC games comprises physical (disc-based) and digital sales revenues from retail stores and digital download stores (such as Steam and Origin) and additional DLC.

Online games includes those games played on a PC that require an Internet connection to play and includes subscription massive multiplayer online games (MMOs), free-to-play MMOs, casual games and social games.

Mobile games comprises all revenues associated with playing games on a mobile device (tablet or mobile phone), including digital games and app sales, subscription services and associated virtual items.

Video game advertising comprises revenues from advertising built into games on any platform and access type, including in-game advertising. It does not include advertising delivered dynamically via the Internet.

In brief

The video games market is forecast to grow by a CAGR of 9.1%, with mobile delivering a new generation of gamers. *South Africa's video games market was worth R2.4 billion in 2013, up from R1.6 billion in 2009. Strong growth in mobile gaming in particular, and continued healthy growth in console games, mean that revenues are forecast to grow by a CAGR of 9.1% to reach R3.7 billion in 2018.*

New features will sustain interest in console gaming. *Recently released new generation consoles will renew interest in console gaming, with South Africa being among the first in Africa to see Sony's PS4 launch, and with the Xbox One expected to be launched here in September 2014.*

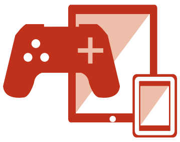
Low levels of broadband access hamper online gaming growth. *The current low levels of broadband access in South Africa mean that services like online gaming lag behind the more connected markets, where improved online console gaming stores are driving up digital distribution of console games.*

Growth rates for digital console and digital PC games are however on a strong upward trajectory. *This is driven by better connectivity, more compelling 'first day' digital game releases and a willingness of consumers to pay (modest amounts) for digital content.*

By 2018 mobile games will rival console games as the pre-eminent platform for video games. *Although tablets remain a relatively small market in South Africa to date, they are still expected to boost mobile gaming over the medium term by offering compelling and complex gaming experiences combined with the convenience of a 'play anywhere' ethos.*

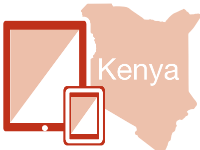
Microtransactions are widening gaming participation. *Online gaming has opened up markets previously considered lost to piracy, with the business model enabling greater freedom in how much gamers pay.*

Social and casual gaming will continue to attract non-gamers, but remains difficult to monetise. *Casual games are still growing in popularity; in 2013 Candy Crush Saga was downloaded more than 500 million times, whilst Puzzle and Dragons has been incredibly profitable globally, dominating the Asian markets.*



Gaming's sphere of influence continues to increase. *In addition to many more people playing games on multiple devices, we're seeing elements of gaming enter other parts of consumers' lives. Edu-gaming (games with an educational purpose) has graduated from a novelty to an industry with top-tier developers, curriculum supporting games and credible research endorsing its positive impact.*

The Nigerian video games market, which is dominated by mobile and online gaming, will see one of the world's highest growth rates, albeit from a small base. *The market generated revenues of US$71 million in 2013, but this is forecast to rise to US$176 million by 2018, a CAGR of 20.1%. Nigeria is also emerging as a regional technology hub – with strong developers and investment in infrastructure.*



Kenya's video games market is also dominated by mobile and online games, with console and PC games revenue scarcely registering. *Revenues in 2013 were US$44 million, but this will rise to an estimated US$103 million by 2018, a CAGR of 18.5%, which also places it among the world's highest growth rates.*

South Africa

South African market to increase at a 9.1% CAGR

Video games market (R millions), 2008-2018

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Console	**855**	**885**	**919**	**939**	**960**	**1 007**	**1 095**	**1 219**	**1 368**	**1 540**	**9.9%**
Physical	855	885	919	894	862	862	897	957	1 039	1 128	5.5%
Digital	-	-	-	45	98	145	198	262	329	412	33.4%
PC	**366**	**379**	**394**	**402**	**399**	**379**	**376**	**371**	**365**	**360**	**-2.0%**
Physical	366	379	394	383	331	270	228	198	184	171	-12.3%
Digital	-	-	-	19	68	109	148	173	181	189	22.5%
Mobile	**358**	**430**	**548**	**709**	**858**	**986**	**1 107**	**1 218**	**1 338**	**1 470**	**11.4%**
Online	**44**	**64**	**97**	**127**	**161**	**188**	**214**	**237**	**263**	**291**	**12.5%**
Advertising	**13**	**17**	**21**	**25**	**29**	**35**	**40**	**46**	**53**	**60**	**15.4%**
Total	**1 636**	**1 775**	**1 979**	**2 202**	**2 407**	**2 595**	**2 832**	**3 091**	**3 387**	**3 721**	**9.1%**
YOY growth (%)		***8.5%***	***11.5%***	***11.3%***	***9.3%***	***7.8%***	***9.1%***	***9.2%***	***9.5%***	***9.9%***	

Note: 2009-2013 South Africa figures have been updated to reflect most recently available financial information
Sources: PwC, Ovum

South Africa's video games market was worth R2.4 billion in 2013, up from R1.6 billion in 2009. With mobile gaming growth at the forefront, revenues are forecast to increase by a CAGR of 9.1% to reach R3.7 billion by 2018.

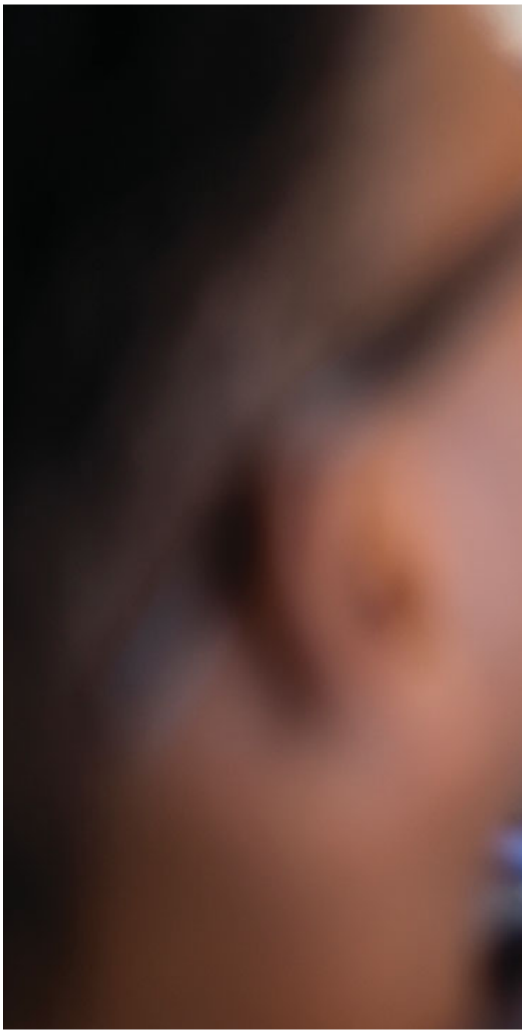
Top-selling console games for 2013

- FIFA 2014
- Assassin's Creed 4: Black Flag
- Battlefield 4
- Grand Theft Auto V
- Call of Duty: Ghosts
- Call of Duty: Black Ops 11

Top-selling PC games in 2013

- Battlefield 4
- The Sims 3
- Grand Theft Auto IV
- StarCraft II: Heart of the Swarm

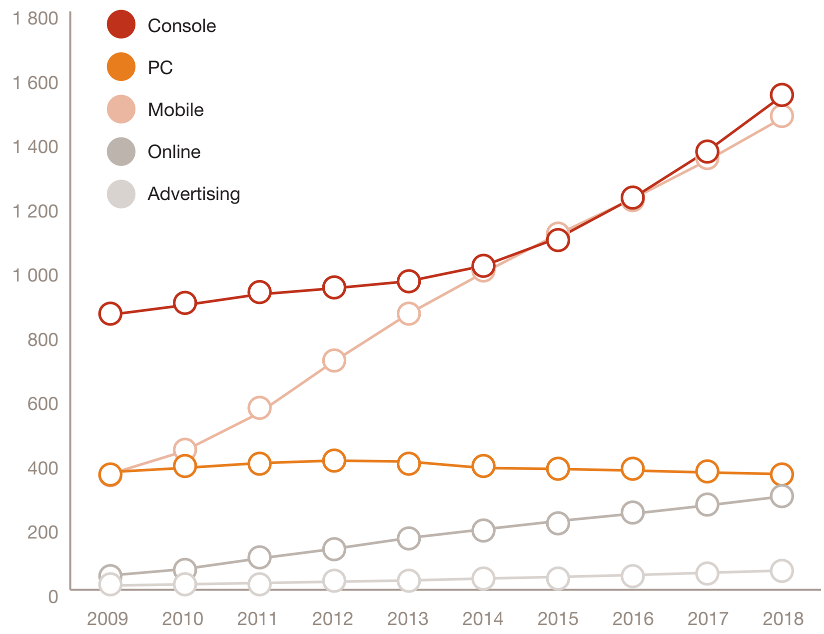
Video games in South Africa are seeing healthy growth and South African gamers are keen to learn more about upcoming games and technology. NAG magazine's annual RAGE expo catered to more 32 000 gamers in 2013 with over 2 100 bringing their own PCs for a 52-hour local area network (LAN) party. RAGE expo 2014 is scheduled for October and is expected to see an even larger audience, demonstrating the growth in gaming in South Africa.



Mobile gaming continues its strong progress

Gaming's sphere of influence continues to increase. In addition to many more people playing games on multiple devices, we're seeing elements of gaming enter other parts of consumers' lives. Edu-gaming (games with an educational purpose) has graduated from a novelty to an industry with top-tier developers, curriculum supporting games and credible research endorsing its positive impact.

Fig. 1: Video games market by category, 2009-2018 (R millions)



Sources: PwC, Ovum

PS4 debuts on console market

With both Sony and Microsoft successfully launching new home consoles in selected territories late in 2013, the 'next generation' of consoles have arrived. In April 2014, Sony reported global sales of more than seven million PlayStation 4 (PS4) consoles, while Microsoft reported sales topping five million of the Xbox One in the same month. Functions like cloud gaming, media management and better-value subscription services will serve the console gamer well as volumes ramp up and hardware prices drop.

South Africa was one of the second tranche of markets to get its hands on Sony's PS4 in December 2013 at an initial price point of around R6 300 per unit (which was subsequently increased to R6 800 per unit due to the weakening of the rand against major currencies). While sales of new consoles (the Xbox One doesn't launch until 23 September 2014, and will retail at R6 299 without a Kinect and R7 999 with it) will only represent a small sliver of the overall market, such launches serve to energise consumers and the industry.

Meanwhile as the current generation of video game consoles reach the end of their natural lives over the next 18 months, a number of things typically happen:

- **The hardware becomes more affordable, and the installed base reaches a peak.** Consoles typically start off being expensive consumer purchases (despite sometimes being loss-leaders for the manufacturers) and reduce in price on an annual (or even semi-annual) basis.

  While it has been the case historically across formats, the current generation of consoles make this cycle less likely due to the relatively high cost of manufacture. This means that while early adopters are keen gamers, those who come later in the cycle may be younger and have less disposable income to spend on games. It also means that around year five or six, the installed base for any specific generation of console is at its peak.

- **The games represent the best that the platform can support.** The final games released for a game console are almost always looked back on as the pinnacle of what that hardware was capable of. Unfortunately, sometimes these games come out as the early adopters have already moved on to the new console generation. By comparison, the initial crop of titles for the new consoles has thus far seen less popularity with the public – despite their additional visual flair.

- **Game spend per console decreases and new consoles don't make up the difference.** Naturally, as less avid gamers get hold of a console, the number of games they buy will be lower than the keen early adopters. Additionally, by late in the console lifecycle, there is a huge range of 'classic' games available at budget prices, not to mention a retail channel with a large complement of second-hand games.

  The second-hand games market is significantly smaller in South Africa than most other markets where the sale of second-hand games has greater penetration, so while the volume of sales may be higher, the overall value of the market may be static or even decrease. This was the case in the prior four years, but for the first time in 2013 the market value increase in physical console and PC games showed a volume decline, due to the fall in popularity of consoles such as the Wii.

  New consoles will eventually offset this, but given the small installed base of the PS4 (seven million units globally) and the Xbox One (five million units globally), and the relative lack of next-generation games, this will take a long time.

This has been the story of the South African console market in the past two years. Other factors are at play in South Africa's bucking of the trend of the current console generation:

- **Ongoing strength of older game platforms.** In less mature economies, the cost of consoles and games represents a significant investment compared to, say, in the US. As such, older platforms like the PS2 – with its wealth of high-quality, budget games – have a longer shelf life and can remain viable long after North American and Western European gamers have moved on. Additionally, HD visuals are a key selling point for the newer consoles, but many South African gamers will still be using older standard-definition TVs.

Digital distribution starting to make its presence felt in the console market

- **Lack of robust online services.** As other gaming numbers highlight, online services have been constrained to date (and will continue to be) by the relatively low levels of broadband access. Ironically this helps the console market – even with PS3 or Xbox 360 games, the experience is pretty good regardless of whether you are online or not.

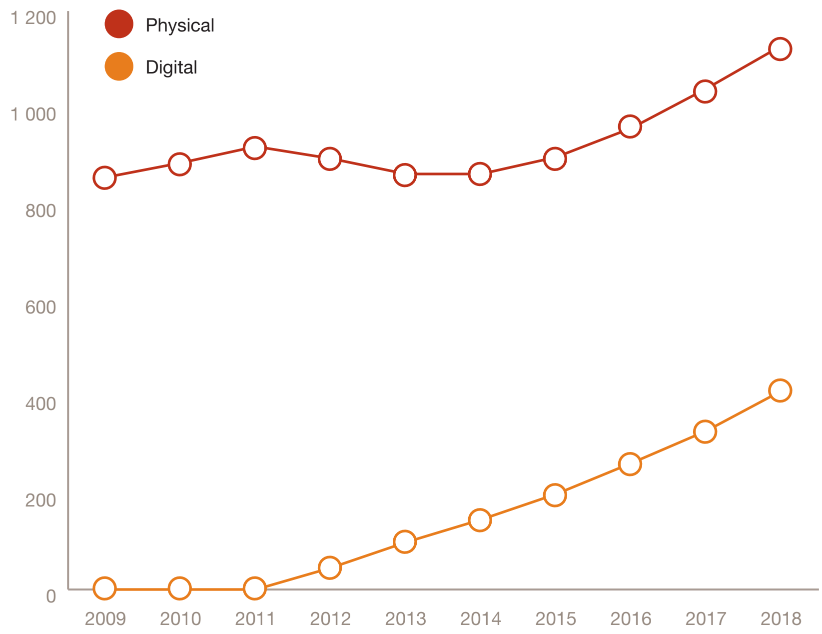
  By contrast, newer PC games, online games and advertising-supported games all need robust connectivity. This may also limit the appeal of the Xbox One and PS4 in the country as they rely much more on fast connectivity.

By 2018, 27% of console game sales will be downloaded digitally, far below the 37% figure expected globally. This will largely be a result of the lower availability of broadband – just 2.1 million households in South Africa are expected to have fixed broadband access by 2018 – and the availability of low-priced games – typically bought from malls with cash.

The physical game sales market saw slight declines in 2012 and 2013. Without mastering, distribution and retail costs to worry about, games should in most cases be more profitable when sold through a digital channel – assuming it has a similar price point.

Digital distribution also reduces piracy and opens up more opportunities for downloadable content and increased subscription services like PlayStation Plus or Xbox Live Gold.

Fig. 2: Console games market (R millions), 2009-2018



Sources: PwC, Ovum

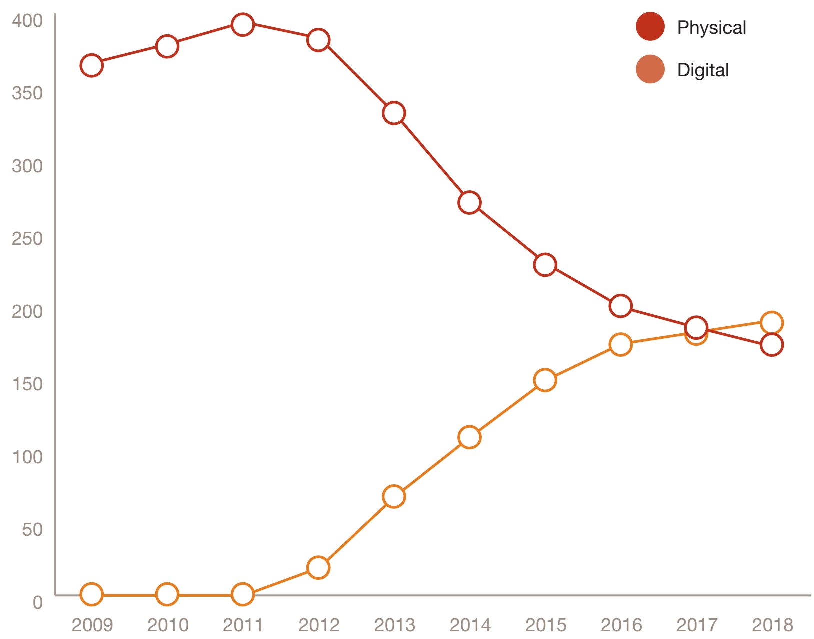
PC gaming to decline, but digital makes the fall more graceful

PC gaming revenue in the South African market will drop in value from R402 million at its peak in 2012 to a forecast R360 million by 2018. This partially reflects a shift in gaming habits – more people are playing casual games on PCs via Facebook than buying games, and more people are playing online games – as well as a media space where piracy is extremely prevalent.

Services like Steam and EA's Origin are contributing to the growth in digitally-distributed games, reducing the capacity for piracy of PC games. Growing at a CAGR of 22.5%, from a very low base, by 2018 digital games will represent 53% of all PC games revenue, finally surpassing physical game revenues, but this will still compare unfavourably to an average of 85% globally.

Digital PC revenues to overtake physical by 2018

Fig. 3: PC games market, 2009-2018 (R millions)



Sources: PwC, Ovum

Online gaming rises from a low base

In the past few years, online gaming has grown significantly, although from a small base, owing to small increases in South Africa's broadband penetration. Online gaming spend will be the second fastest-growing segment at 12.5% annually, growing from R161 million in 2013 to an estimated R291 million in 2018.

Much of the growth in online gaming, and its current low base, can be attributed to the immature broadband market. The number of broadband subscribers in the South Africa will increase from 1.4 million in 2013 to 2.1 million in 2018, meaning that just 19% of households will have broadband by the end of the forecast period.

A significant proportion of revenues generated by online game playing will come from MMO play. Although Internet connection quality is an inhibitor to online play in some areas, MMOs continue to be popular amongst a subset of PC gamers with notable games including *Guild Wars 2*, *The Elder Scrolls Online* and *EVE Online*.

Mobile gaming continues to draw in consumers

Mobile gaming is growing in popularity, with the new generation of smartphones and tablet computers accelerating sales. Titles come and go – while Zynga's once all-conquering *Farmville* and *CityVille* on Facebook have declined rapidly, new titles like *Candy Crush Saga* (developed by King), which has now been downloaded more than 500 million times globally, have proven again that there is a significant market available for such games.

Monetising social and casual games remains a challenge, but social games for 2013 like *Puzzle and Dragons* (developed by GungHo), which was especially popular in Asia, have become profitable.

Mobile gaming spend is expected to grow from R858 million in 2013 to R1.5 billion in 2018, at an 11.4% CAGR.

Smartphone and tablet ownership drive mobile revenues

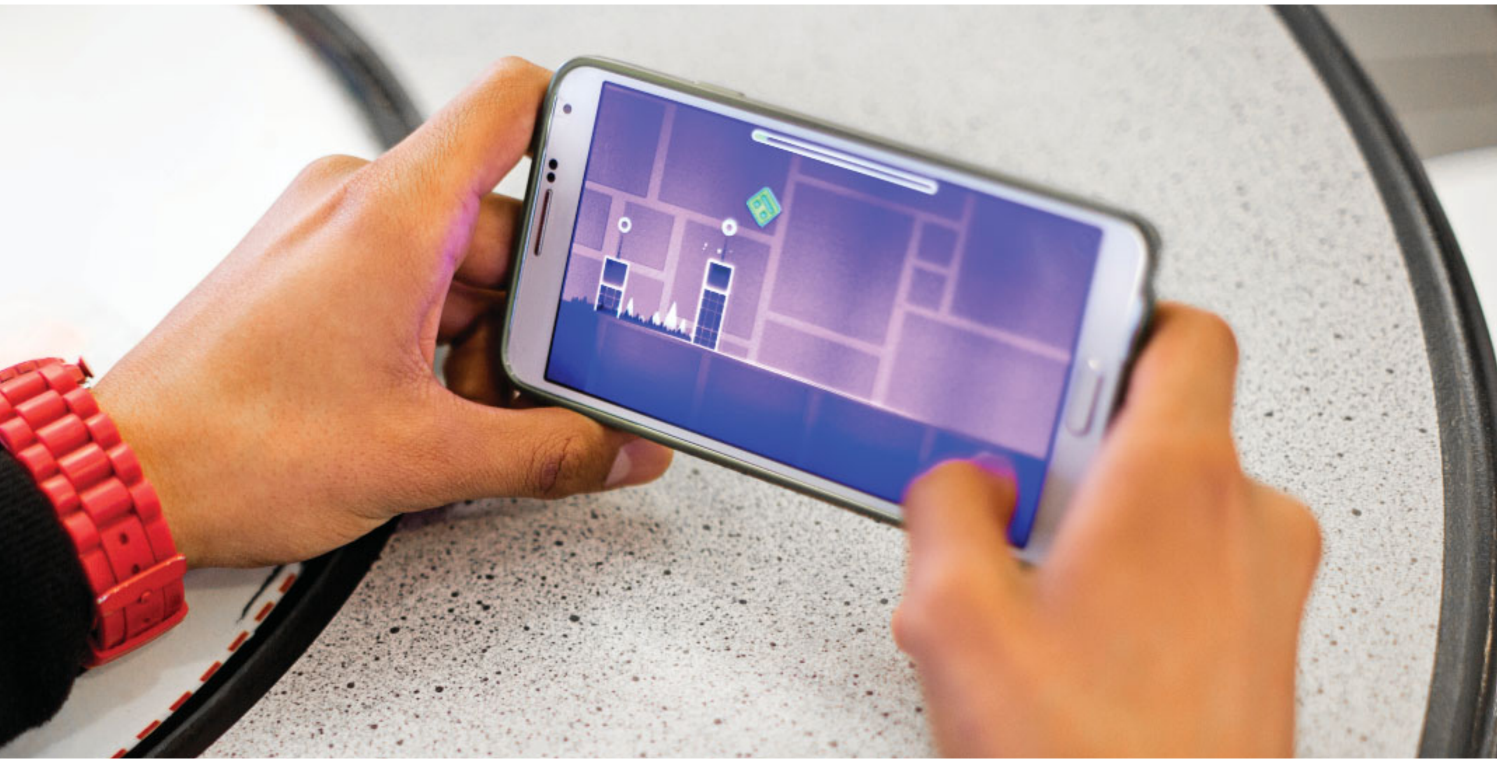
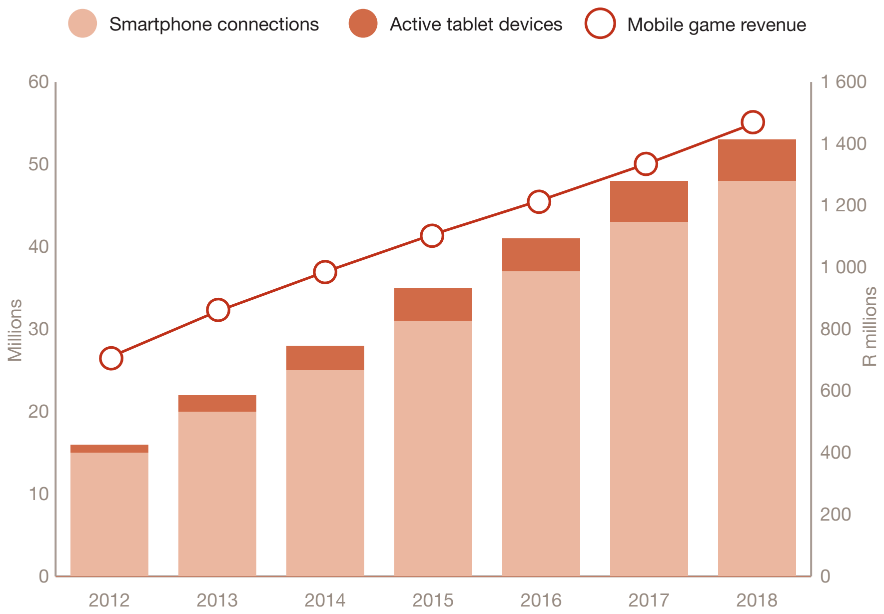


Fig. 4: Mobile games market (R millions) vs smartphone and tablet ownership (millions), 2012-2018



Sources: PwC, Ovum

Increased penetration of smartphones will be the largest driver of the expected growth, along with the availability of popular titles on pretty much any device you care to mention. A large proportion of the population is not able to afford a console or a PC, but will have access to a mobile phone.

Increasingly, modestly priced smartphones will mean the gaming experience is far better than even 18 months ago and accessible by many millions of consumers.

Additionally, the level of smartphone subscription will accelerate away from Western European markets – reflecting the emphasis on the smartphone as the primary device. This also reflects the 'smart bargain hunter' mentality of South African consumers – happy to carry multiple phones if calls are free on one, but data is cheaper on another.

The broad demographic of smartphone owners has also enabled developers to produce games that would not sell well on consoles or to the PC market. For instance, social games such as *Candy Crush Saga* are mostly played by middle-aged women, a demographic that does not own a significant number of consoles, while 18-35 year-old men do not typically play social games in large numbers and often prefer games that require more skill and time.

The emergence of reasonably priced large-screen tablets with more powerful processors (like the Amazon Kindle HD or Google Nexus 7) means that developers can produce more complex games with better graphics than smartphone games. This is a longer-term strategy as the initial install base will be low, but given South African consumers' emphasis on both mobile devices and mobile games, it will turn into a significant market segment.

Developments in the market such as Nvidia's Shield hint that mobile gaming may eventually disrupt the home console market since it will allow gamers to play a much wider variety of games. Shield is a handheld device which is built like a smartphone (Android, Tegra CPU) and has three distinct modes of operation. It can play Android games, stream gaming from a local PC (Nvidia being a key supplier of graphics cards for gaming PCs) and connect to a beta cloud gaming service named Grid. Current handheld consoles are priced at similar levels but lack streaming or cloud capabilities, or integration with PCs.

Video games advertising will rise quickly, but remain insignificant

Video games advertising will grow at a strong 15.4% CAGR between 2013 and 2018 in South Africa, but this still represents a rise from a low base of R29 million in 2013 to an estimated R60 million in 2018.

The current low level of connectivity in South Africa reduces the potential for further profits – most video game advertising is targeted and measured, which is one of its key advantages, but that requires constant connectivity.

Adverts are not only being placed in games, but games are also being developed as marketing material in their own right. Locally, Hellocomputer has developed a gaming app, *Rock vs EDM,* in order to promote the *RAMfest 2013* and the participating brands *Red Heart Rum* and *Olmeca Tequila*.

The game was played more than 17 000 times and created an opportunity for these brands to interact with their audience long after the event they sponsored had finished.

McDonald's also released an augmented reality football game for the 2014 World Cup in Brazil internationally. Similar releases have been limited, since with limited information on the success of advergaming, companies have generally tended to avoid paying for costly development that may not result in sales.

Market composition comparison

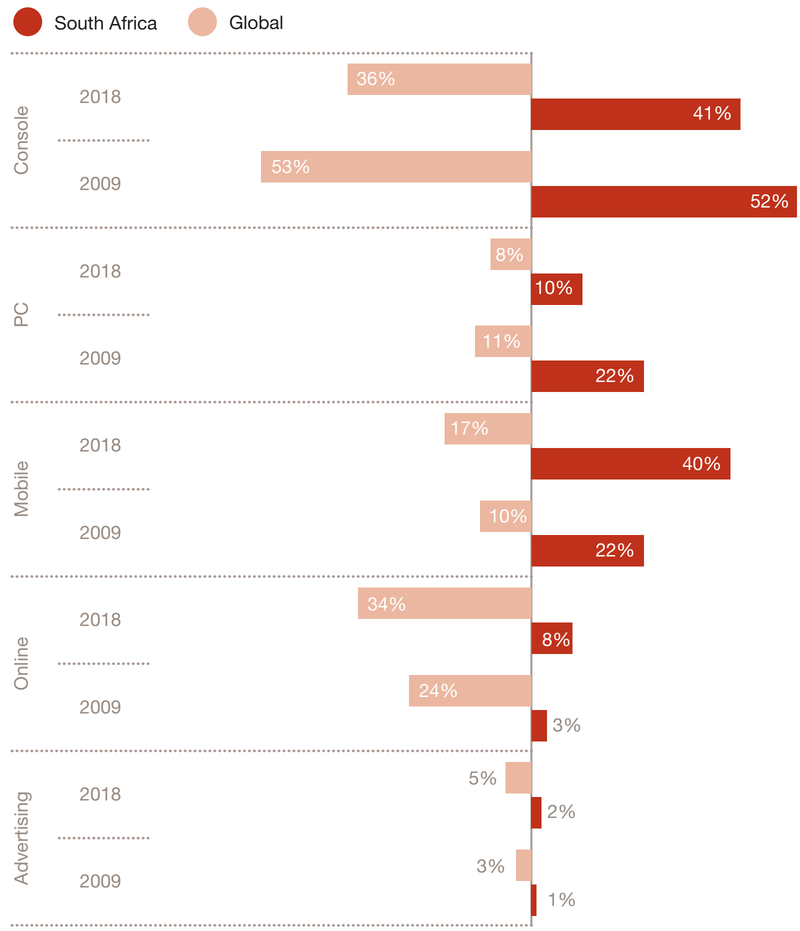
Compared to the Western European average, the South African video game market has several differences:

- **Mobile gaming accelerates away.** Mobile gaming revenue is threatening the dominance of console games revenue in South Africa, which is not the case elsewhere. While mobile gaming accounted for 22% of South Africa's video games revenues in 2009, 12 percentage points ahead of the global average, it will nearly double this lead to a 40% share of South African revenues by 2018, equating to 23 percentage points more than the global average.
- **PC revenues see their strength eroded.** The South African PC gaming segment contributed 12 percentage points more to its overall gaming market than the global average in 2009. However, this lead will fall to just 2% by 2018, when PC games will account for 10% of South African revenues as compared to 8% of global revenues. The switch reflects the stronger growth in mobile and console revenues, and PC gaming's own decline.
- **Online gaming continues to fall further behind.** Reflecting the need for good broadband connectivity, which South Africa is still developing, online gaming lags behind the global average – contributing 21% less to the gaming market in 2009. Online gaming took up 3% of South African revenues in 2009, compared with 24% of global revenues. More tellingly, by 2018 it will have fallen even further behind the average, accounting for 8% of South African revenues as compared to 34% of global revenues. Increased revenues per online gamer count for little if the audience for online games doesn't increase significantly.

Mobile gaming more popular in South Africa than globally

- **The console market switches from smaller than average to slightly larger.** The South African console games market is the single largest element of the overall video game space. In 2009, 52% of South African video games revenues came from consoles, and 53% of worldwide revenues came from the same base. But the relative lack of development in online gaming means that 41% of South African revenues will still be derived from console gaming in 2018, against a much reduced global average of 36%.

Fig. 5: Video games market composition (%) vs global averages, 2009 vs 2018



Sources: PwC, Ovum

Console and mobile gaming drive innovation

'Next-generation' consoles will continue to primarily serve the more affluent, better-connected markets of Western Europe and North America for the next two years or so. While countries such as the US and UK migrate to the PS4 and Xbox One, console device manufacturers and game developers may look to markets like South Africa as a continuing base for Sony's PS3, for example.

Another area where the new consoles will have an effect is in the longevity of the interest spike. Both Sony and Microsoft have new and differing strategies to sustain consumer engagement in their respective platforms.

Sony's PlayStation Now, a cloud gaming service, is an evolution of the firm's purchase of Gaikai in July 2012. The service will launch after the extended betas needed to ensure that the reliability and gaming experience are satisfactory, allowing the PS4, PS3, Vita and eventually even Bravia TVs to stream (older) PlayStation games. Opening access will increase gaming by those outside the core 18-35 year old male demographic.

Microsoft has opted to focus on becoming a central part of the living-room TV experience. The Xbox One is designed to sit on the HDMI cable between a set-top box (STB) and TV – it has rudimentary controls for the STB (volume, channel change) and can superimpose its own user interface (UI) and information on top of TV broadcasts.

It also has access to a healthy ecosystem of OTT TV services like Netflix and Microsoft's own video store. This strategy, like Sony's, is likely to increase uptake outside of the core gaming demographic. Even more significantly, if one stops looking at the market through the lens of today's technologies, it is clear the future of video gaming in South Africa belongs to mobile device gaming and the mobile broadband services that will support them.

Low spending levels spark opportunity

Understandably, in a growth market like South Africa, engaging with the emerging middle classes as they increase their spending power will present huge opportunities in the gaming space. This favours both lower-cost mobile games and more budget-friendly games for the established consoles rather than new consoles.

Low-cost Android devices have driven growth in smartphones, while tablets like Apple's iPad and Amazon's Kindle Fire have been positioned as all-round entertainment and learning devices, encouraging uptake not only by families looking to consume content, but also to educate their children.

Mall chains behind physical retail

South Africa has just one dedicated games retailer: BT Games. Much of the rest of the market for games shared between the six largest retail chains, representing around 70% of the market.

Gateway to Africa, but Nigeria is catching up fast

South African gaming growth is impressive – especially for a larger market – but arguably Nigeria offers even more opportunity. South Africa is ideally placed to expand out to neighbouring markets with game services, retail and game development.

This will become an even more significant opportunity as mobile gaming gathers pace. South African developers will be able to tap into the local tastes, play preferences and language options that traditional Western developers will need to either buy in or build from scratch.

South African developers and publishers shouldn't get too complacent though – Nigeria is quickly becoming another hub of game development on the continent. The country's growth is even more impressive than South Africa's and along with recently being reclassified as sub-Saharan Africa's largest economy (by GDP), is investing heavily in infrastructure programmes.


ASSASSINS CREED REVELATIONS
ASSASSINS CREED REVELATIONS
BRAVE
STAR TREK

Nigeria

Mobile and online growth spur skewed market

Video games market (US$ millions), by category, 2009-2018

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Console	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Physical	-	-	-	-	-	-	-	-	-	-	-
Digital	-	-	-	-	-	-	-	-	-	-	-
PC	**0***	**0***	**0***	**0***	**0***	**0***	**0***	**0***	**0***	**0***	**-4.5%**
Physical	0*	0*	0*	0*	0*	0*	0*	0*	0*	0*	-14.5%
Digital	-	-	-	-	0*	0*	0*	0*	0*	0*	25.4%
Mobile	**19**	**25**	**32**	**40**	**51**	**62**	**74**	**89**	**106**	**126**	**20.0%**
Online	**6**	**8**	**12**	**15**	**20**	**25**	**30**	**35**	**42**	**50**	**20.2%**
Advertising	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**25**	**33**	**44**	**55**	**71**	**87**	**104**	**124**	**148**	**176**	**20.1%**
YOY growth (%)		***32.2%***	***32.5%***	***27.7%***	***26.2%***	***22.8%***	***20.2%***	***19.6%***	***18.9%***	***18.9%***	

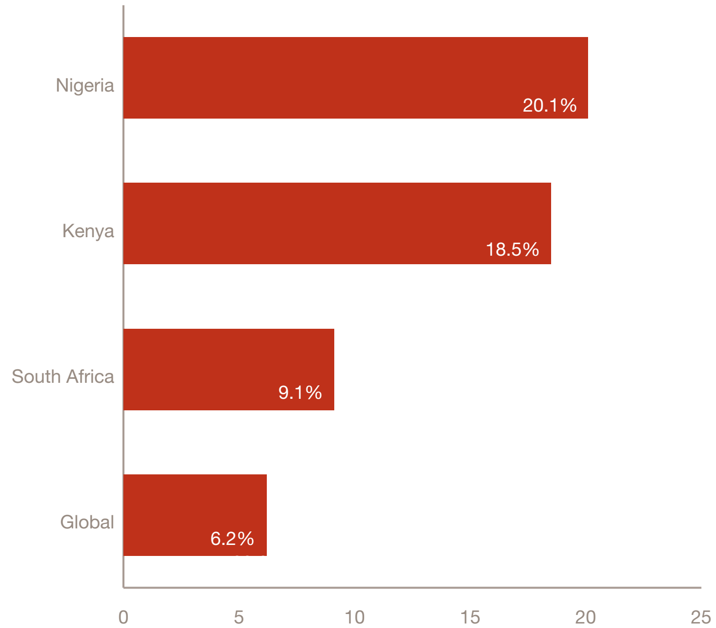
Note: 2009-2013 Nigeria figures have been updated to reflect most recently available financial information

*less than US$1 million
Sources: PwC, Ovum

A low base leads to one of the world's highest growth rates

Nigeria has one of the fastest-growing video game markets in the world, albeit from a very low base, but given the size of the population it will command respectable revenues nonetheless.

Fig. 6: Comparison of video games market growth rate (%) vs other countries/regions, (2013-2018)



Sources: PwC, Ovum

The Nigerian video games market has no established console market and virtually no revenues from boxed or digital PC games, hence the market is dominated by mobile gaming and online gaming.

Game consoles do make it into Nigeria via the grey market (usually via South Africa), but will continue to be a small business with low numbers of games titles sold.

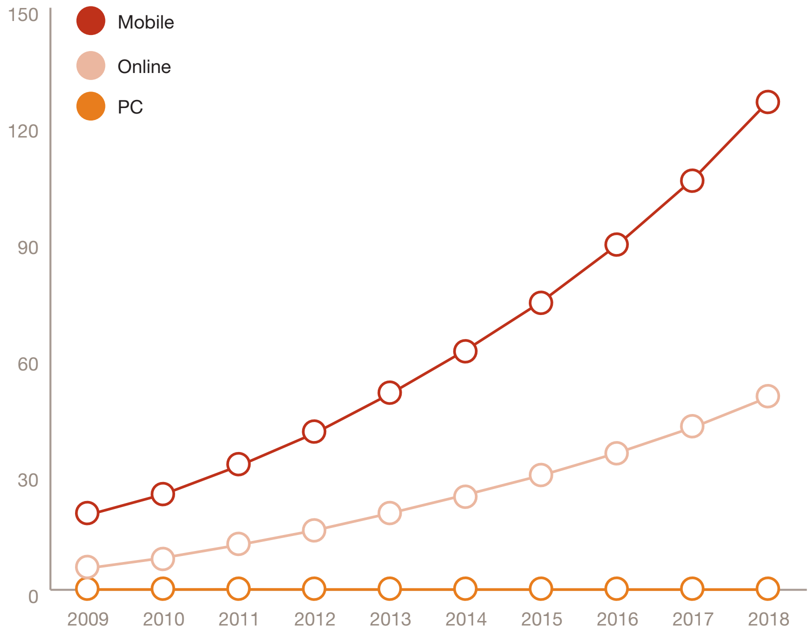
Growth in this market is thus closely connected to a rise in the adoption of Internet connectivity, through fixed broadband and mobile Internet. At the end of 2013, there were approximately 1.1 million fixed broadband households and 7.7 million mobile Internet users.

This is estimated to rise to 3.3 million fixed broadband households and 50.4 million mobile Internet subscribers by 2018. Nigeria will thus see rapid growth in the video games market, albeit from a very small base. The games market generated revenues of US$71 million in 2013, but this is forecast to rise to US$176 million by 2018, a CAGR of 20.1%.

Because of the transformation in communications, the potential for new ways to access digital entertainment and media content (such as video games) in Nigeria is significant. Additionally, the success of Nigerian online e-tailers like Konga or Jumia could drive sales of gaming-capable devices and physical games titles.

Mobile accounts for the bulk of revenues

Fig. 7: Video games market by category, 2009-2018 (US$ millions)



Sources: PwC, Ovum

Local firm Nazara Technologies has secured exclusive distribution rights to EA mobile games in 49 African markets (not including South Africa). EA franchises like *FIFA* and *Call of Duty* cross geographic borders well and should make an impression with gamers as they expand their mobile gaming with newer handsets and services.

Home-grown mobile firms such as Maliyo and Kuluya – inspired by the success of Zynga – are building unique mobile and online games reflecting African life. Games from Maliyo include *The Tribes* and *Mosquito Smasher*. New mobile platforms like Nokia's Asha smartphones bring the cost of getting a game-capable device into more consumers' hands down and should accelerate this trend.

One potential issue still remains: the margins mobile operators are charging games firms. This can be up to 80% of the game cost, well in excess of the 20% to 30% charged by app stores elsewhere.

Kenya

As with Nigeria, mobile and online dominates Kenyan video games revenue

Video games market (US$ millions), by category, 2009-2018

	Historical data					Forecast data					CAGR %
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2013-18**
Console	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Physical	-	-	-	-	-	-	-	-	-	-	-
Digital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PC	0*	0*	0*	0*	0*	0*	0*	0*	0*	0*	-2.2%
Physical	0*	0*	0*	0*	0*	0*	0*	0*	0*	0*	-12.5%
Digital	-	-	-	-	0*	0*	0*	0*	0*	0*	28.5%
Mobile	**6**	**8**	**10**	**13**	**15**	**19**	**22**	**26**	**31**	**36**	**18.6%**
Online	**8**	**12**	**17**	**23**	**29**	**35**	**41**	**49**	**57**	**67**	**18.5%**
Advertising	**-**	**-**	**-**	**0***	**0***	**0***	**0***	**0***	**0***	**0***	**15.2%**
Total	**14**	**20**	**27**	**36**	**44**	**54**	**63**	**75**	**88**	**103**	**18.5%**
YOY growth (%)		***34.9%***	***37.4%***	***33.7%***	***24.3%***	***21.2%***	***19.3%***	***18.2%***	***16.9%***	***16.9%***	

Note: 2009-2013 Kenya figures have been updated to reflect most recently available financial information

*less than US$1 million
Sources: PwC, Ovum

Kenya is also a market dominated by mobile and online games due to the prohibitive cost of consoles and PCs. New game consoles like the PS4 and Xbox One will remain beyond the reach of the majority of Kenyans over the forecast period – even then, low fixed-broadband penetration may dissuade buyers from investing in the new platforms (given much of their advantage relies on constant connectivity).

Kenya does, however, have a sizeable middle class in the capital, Nairobi, where there is a notable rise in appetite for access to entertainment and media services. Innovation in the Kenyan market has come partly on the back of this urbanisation trend.

Kenya currently has around 1.8 million mobile Internet subscribers, but this is forecast to rise to 14.3 million by 2018. Fuelled by a rise in the adoption of mobile phones and with rising levels of Internet access, especially in urban areas, Kenya's video games market will grow rapidly in the next five years, albeit from a small base.

Revenues in 2013 were US$44 million, but will rise to US$103 million by 2018, a CAGR of 18.5%. Online games revenue will account for about two-thirds of this, with mobile games revenue forming the vast majority of the rest.

Kenyan's appetite to use their mobile device for a wide range of activities (such as money transfers) shows the potential for the mobile device to become a key access point for entertainment and media services, with video games a key driver of that demand.

Local firms have embraced the opportunity for local gaming, with firms like NexGen creating gaming centres and hosting games events, while Planet Rackus's *Ma3Racer* brings a locally-flavoured matatu (minibus taxi) racing game to mobile platforms.

There has also been an explosion of ICT incubators like iHub, TheGrowthHub, Praekelt Foundation, m:lab, Nailab, 88mph and iLabAfrica. These offer a mix of training, physical offices, business advice and mentoring – and game developers have embraced these incubators wholeheartedly.

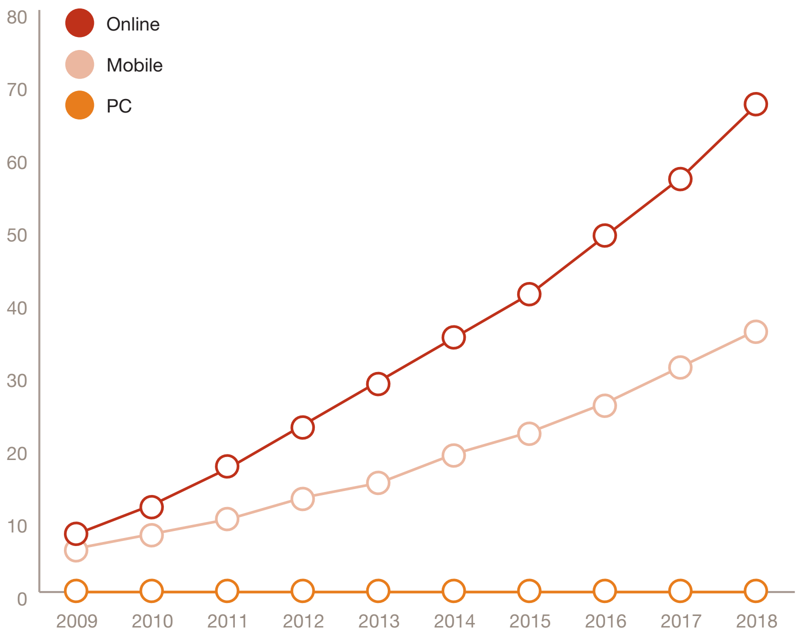
Expect to see game developers and publishers embracing the US$14.5 billion 'silicon savannah' development at Konza Techno City, 60km south of Nairobi.

Kenya is also home to the Half the Sky Movement, which uses games to communicate important messages about women's rights.

By keeping their games relevant to their local market, Kenyan developers will be able to fight off – or at least share the limelight with – titles from EA and other global publishers.

Online leads the way in Kenya

Fig. 8: Video games market by category, 2009-2018 (US$ millions)



Sources: PwC, Ovum

Global trends in video games

The following is extracted from PwC's *Global Entertainment & Media Outlook 2014-2018*

Market to add nearly US$25 billion by 2018

Global video games revenues, 2009-2018 (US$ millions)

	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Console	**28 646**	**28 171**	**27 008**	**24 146**	**25 118**	**26 905**	**28 184**	**29 451**	**30 637**	**31 936**	**4.9%**
Physical	26 522	25 132	23 282	19 765	19 365	19 804	20 009	20 125	20 086	19 991	0.6%
Digital	2 124	3 039	3 726	4 381	5 753	7 101	8 175	9 326	10 551	11 945	15.7%
PC	**5 688**	**6 334**	**6 779**	**7 141**	**7 221**	**7 235**	**7 202**	**7 152**	**7 066**	**7 030**	**-0.5%**
Physical	3 320	3 417	3 032	2 850	2 418	2 050	1 717	1 435	1 236	1 079	-14.9%
Digital	2 368	2 917	3 747	4 291	4 803	5 185	5 485	5 717	5 830	5 951	4.4%
Mobile	**5 440**	**6 198**	**7 206**	**8 351**	**9 477**	**10 546**	**11 589**	**12 649**	**13 756**	**14 973**	**9.6%**
Online	**12 727**	**15 132**	**17 533**	**19 474**	**21 376**	**23 283**	**25 078**	**26 870**	**28 670**	**30 601**	**7.4%**
Advertising	**1 605**	**1 813**	**2 056**	**2 293**	**2 544**	**2 874**	**3 233**	**3 615**	**4 019**	**4 471**	**11.9%**
Total	**55 106**	**57 649**	**60 582**	**61 405**	**65 736**	**70 843**	**75 286**	**79 737**	**84 148**	**89 011**	**6.2%**
YOY growth (%)		***6.5%***	***5.1%***	***1.4%***	***7.1%***	***7.8%***	***6.3%***	***5.9%***	***5.5%***	***5.8%***	

Sources: PwC, Ovum

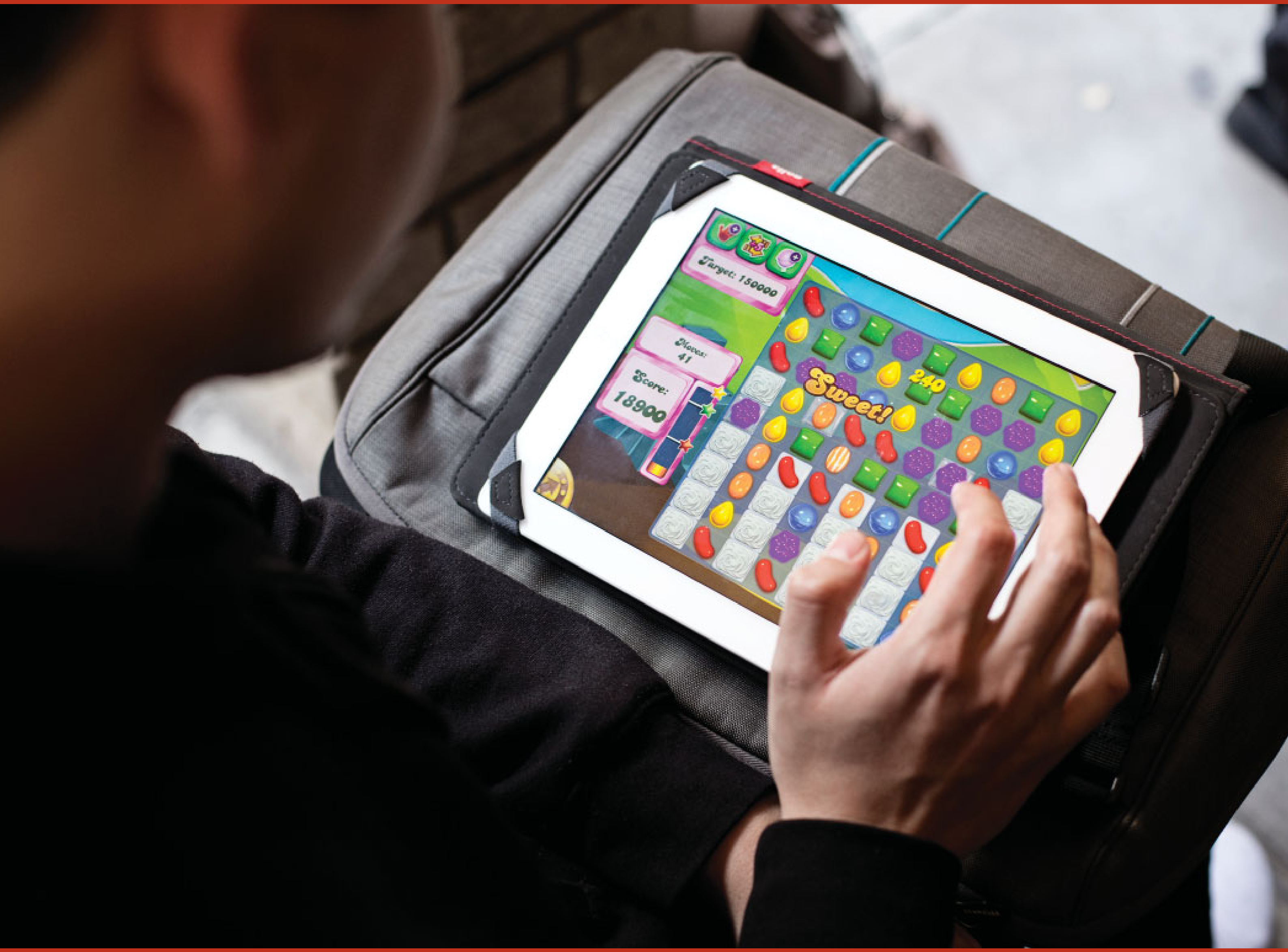
- Global mobile games revenue is forecast to reach US$15 billion in 2018, rising at a CAGR of 9.6%. China, Japan and the US are key markets. Only advertising revenue, which is still relatively small, will grow at a faster rate within the video games segment. Rising smartphone ownership is increasing access to mobile games globally and has enabled innovation in gameplay and business models.

- New consoles will renew consumer interest in console gaming and the Xbox One's emphasis on being a key piece of technology for the living room means that this interest will last longer than previous generations, with devices being used more often and appealing to a broader demographic. Global console games revenue will reach US$31.9 billion in 2018, a CAGR of 4.9%, with physical console games revenue increasing by a 0.6% CAGR over the forecast period.

- Improved online console games stores and increased access to broadband is driving digital distribution of console games. By 2018, digital will account for 37% of global console games revenue, up from 23% in 2013.

- Social and casual gaming will continue to attract non-gamers. Casual games are still growing in popularity: *Puzzle and Dragons* has dominated Asian markets, while *Candy Crush Saga* has been downloaded over 500 million times. However, the sector remains difficult to monetise, with the majority of players wanting to play for free and the games themselves lacking longevity.

- Microtransactions are widening gaming participation. Online gaming has opened up markets previously considered lost to piracy, with the business model enabling greater freedom in how much gamers pay. China is the second-largest market for online gaming (US$4.2 billion in 2013 with a 7.9% CAGR expected for the 2013-2018 period), while Russia (standing at US$588 million in that year with a 13.8% CAGR for 2013-2018) will overtake Germany in 2017 to become the seventh-largest.
- Console gaming companies will target emerging markets. Sony's opening of a manufacturing plant in Brazil signalled that the video games industry is looking carefully at emerging markets. Indeed, Brazil will become the 20th-largest console market in the world in 2018, up from 27th in 2013. India is also a growing market, rising from 20th to 15th.




BIRDS
THE BEAUTIFUL
MOROKA SWALLOWS
UP THE BIRDS
19
47
RASTA
MOROKA SWALLOWS
PSL
RASTA MOKHARI
MOROKA SWALLOWS
MOROKA SWALLOWS

Sports

Sunet Liebenberg • Senior Manager

Definition

The sports market consists of gate revenues for live sporting events, media rights fees paid to show sports on television stations, sponsorships, which include payments to have a product associated with a team or event as well as naming rights, and merchandising revenues, which includes the selling of licensed products with team or league logos and/or other intellectual property. Overall spending also includes sports betting, which consists of the house win or the revenues retained by sports bookmakers.

In brief

The strongest growth drivers in the sports market will be media rights and sponsorships. *South Africa will see total sports revenues of an estimated R20.5 billion in 2018, up from R14.8 billion in 2013 and rising at a CAGR of 6.7%. Gate revenues will account for around 25% of total revenue.*

Gate revenues will grow at a CAGR of 3.6%, but will not reach the levels seen in 2010. *The 2014 African Nations Championship aided local gate revenues in 2013, while the proposed expansion of Super Rugby in 2016 is expected to boost South Africa's gate revenues, media rights and sponsorship markets. Gate revenues will reach an estimated R5.1 billion in 2018, up from R4.3 billion in 2013. The 2018 figure will, however, still be well short of the exceptional year of 2010, when South Africa hosted the FIFA World Cup.*

Media rights revenues will see the sharpest growth over the forecast period, growing at a CAGR of 11.6%. *They will rise from R2.7 billion in 2013 to an estimated R4.7 billion in 2018. The SABC and SuperSport are the two primary contributors to the country's media rights revenue.*

Sponsorship will remain the largest segment of the sports market, reaching an estimated R7.6 billion in 2018. *The international reach of many of South Africa's sports will see sports sponsorship rise at a CAGR of 8.4% over the forecast period, up from R5.1 billion in 2013. By 2015, revenues will exceed those generated during the 2010 World Cup. In January 2014, Nike agreed to provide kit for South Africa's national football team for the next five years, while in August 2013, ASICS signed a six-year deal to supply apparel to the Springboks (the national Rugby union team).*

Merchandising revenues will grow at a slow CAGR of 1.6% over the forecast period. *Revenue will reach an estimated R680 million in 2018, up from R627 million in 2013 and will remain the smallest sporting sub-segment.*

Sports betting will grow at a CAGR of 2.8% in the next five years. *The sports betting market in South Africa will contribute projected revenues of R2.4 billion in 2018, up from R2.1 billion in 2013, at a CAGR of 2.8%.*

Improving economic conditions will drive growth at a CAGR of 10.1% in the Nigerian sports market. *The industry will be worth a projected US$799 million in 2018, rising from US$494 million in 2013. In addition to better economic conditions, increases in household and mobile broadband penetration will also be key drivers of growth.*

Sports spending in Kenya will grow at a healthy CAGR of 12.2% over the next five years. *It is projected to reach US$166 million in 2018, up from US$93 million in 2013. Again, growth will derive from generally improving economic conditions and increases in mobile and household broadband penetration.*

South Africa

South Africa's sports market will rise at a CAGR of 6.7% to 2018

Sports revenues, 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Gate revenues	4 454	7 489	4 028	4 109	4 267	4 526	4 693	4 898	5 024	5 100	3.6%
YOY growth (%)		*68.1%*	*-46.2%*	*2.0%*	*3.8%*	*6.1%*	*3.7%*	*4.4%*	*2.6%*	*1.5%*	
Media rights	1 702	3 971	2 014	2 453	2 703	3 218	3 382	3 888	4 234	4 680	11.6%
YOY growth (%)		*133.3%*	*-49.3%*	*21.8%*	*10.2%*	*19.0%*	*5.1%*	*14.9%*	*8.9%*	*10.5%*	
Sponsorships	2 723	6 127	4 085	4 639	5 089	5 944	6 224	6 929	7 351	7 631	8.4%
YOY growth (%)		*125.0%*	*-33.3%*	*13.6%*	*9.7%*	*16.8%*	*4.7%*	*11.3%*	*6.1%*	*3.8%*	
Merchandising	658	1 123	607	614	627	635	651	662	671	680	1.6%
YOY growth (%)		*70.7%*	*-45.9%*	*1.2%*	*2.1%*	*1.2%*	*2.5%*	*1.7%*	*1.4%*	*1.4%*	
Total sports market	9 537	18 710	10 734	11 815	12 686	14 323	14 950	16 377	17 280	18 091	7.4%
YOY growth (%)		*96.2%*	*-42.6%*	*10.1%*	*7.4%*	*12.9%*	*4.4%*	*9.5%*	*5.5%*	*4.7%*	
Sports betting	1 827	2 275	1 929	2 054	2 101	2 220	2 231	2 260	2 298	2 406	2.8%
YOY growth (%)		*24.5%*	*-15.2%*	*6.5%*	*2.3%*	*5.7%*	*0.5%*	*1.3%*	*1.7%*	*4.7%*	
Total sports spending	**11 364**	**20 985**	**12 663**	**13 869**	**14 787**	**16 543**	**17 181**	**18 637**	**19 578**	**20 497**	**6.7%**
YOY growth (%)		***84.7%***	***-39.7%***	***9.5%***	***6.6%***	***11.9%***	***3.9%***	***8.5%***	***5.0%***	***4.7%***	

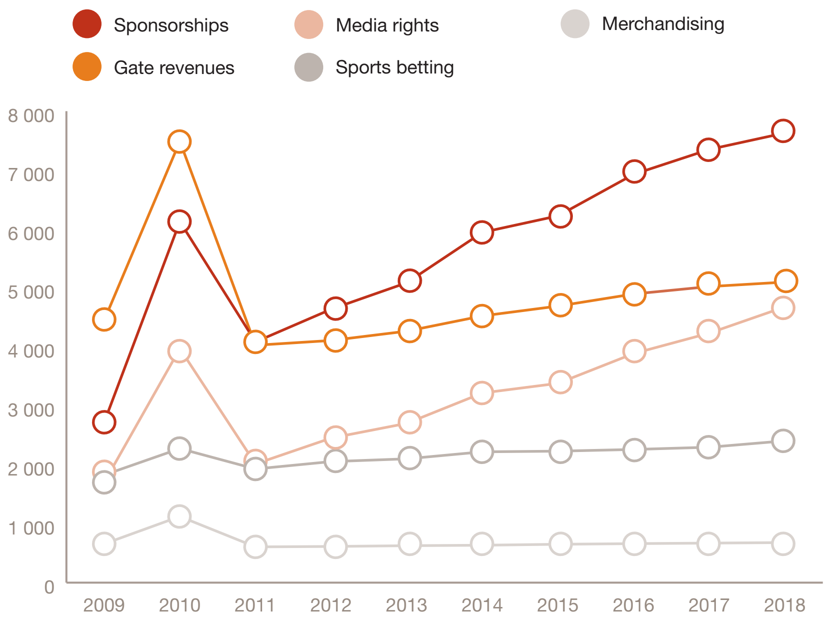
Sources: PwC, Ovum

South African sports spending increased by just under R1 billion in 2013 and will continue to grow healthily. Historically, 2010 was an exceptional year in which the country hosted the FIFA World Cup. Sports revenue nearly doubled across the board in 2010, before a correction in 2011. In the longer term, the market remains on an upward trend and will see revenues of nearly R20.5 billion in 2018, up from R14.8 billion in 2013, growing at a CAGR of 6.7%.

Future growth will be driven by a strong rise in revenue from media rights, which will increase at a forecast 11.6% CAGR to 2018, and sponsorship, rising at a projected 8.4% CAGR. Gate revenues, though rising at a less strong CAGR of 3.6%, will remain the second-largest revenue stream through to 2018.

Gate revenues and sponsorship will remain the two largest revenue streams

Fig. 1: Sports revenues per category, 2009-2018 (R millions)



Sources: PwC, Ovum

Gate revenues will see 3.6% CAGR growth

Gate revenues, 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Gate revenues	4 454	7 489	4 028	4 109	4 267	4 526	4 693	4 898	5 024	5 100	3.6%
YOY growth (%)		*68.1%*	*-46.2%*	*2.0%*	*3.8%*	*6.1%*	*3.7%*	*4.4%*	*2.6%*	*1.5%*	

Sources: PwC, Ovum

Gate revenues to see growth throughout forecast period

Gate revenues will increase relatively steadily up to 2018, rising from R4.3 billion in 2013 to an estimated R5.1 billion in 2018, a CAGR of 3.6%.

Gate revenues in South Africa peaked in 2010 due mostly to the impact of the FIFA World Cup, when 3.2 million fans attended 64 matches. The following year saw a marked correction, resulting in a decrease of 46.2% in total gate revenues, but these continued to recover during 2013 and will continue to rise again, even though they will not reach the 2010 high of R7.5 billion during the forecast period.

Gate revenues for the Absa Premier League, South African football's top division, continued their decline in 2013, despite the addition of the vast new stadiums built for the 2010 FIFA World Cup.

Alongside continued strong performances from Super Rugby, the Rugby Championship, Twenty20 cricket and golf as well as, the hosting of the 2014 African Nations Championship (CHAN) football tournament in January (held in South Africa due to Libya withdrawing its right to host the tournament) was a boost to revenues.

CHAN distinguishes itself from the African Cup of Nations by only featuring players who play for clubs based in their respective countries. Games were played in Polokwane, Kimberley, Bloemfontein and Cape Town, and drew a combined total of just over 227 000 spectators, even though the South African national team's early exit affected overall ticket sales.

A sixth South African team is earmarked for addition to the Super Rugby tournament in 2016, which should boost gate revenue figures.

Sports media rights will grow at a CAGR of 11.6% over the next five years

Media rights revenues, 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Media rights	1 702	3 971	2 014	2 453	2 703	3 218	3 382	3 888	4 234	4 680	11.6%
YOY growth (%)		*133.3%*	*-49.3%*	*21.8%*	*10.2%*	*19.0%*	*5.1%*	*14.9%*	*8.9%*	*10.5%*	

Sources: PwC, Ovum

Media rights to see the fastest rate of growth

Revenues from media rights in South Africa are set to grow significantly throughout the forecast period, rising from R2.7 billion in 2013 to an estimated R4.7 billion in 2018. The CAGR of 11.6% is higher than for any other revenue stream. In 2017, it is forecast to surpass the revenue of 2010 (which was exceptional due to the FIFA World Cup).

Sports audiences will increase for major events as viewers are increasingly able to access content across multiple digital platforms, including smartphones and tablets. Monetising this increased viewership will be integral to sports broadcasters' efforts in the coming years, with the 2014 FIFA World Cup hosted in Brazil providing an important test of media rights across an increasing array of platforms and devices.

Strong demand and an increase in the number of ways consumers can access the content suggests a positive future for media rights holders. This is critical for the wider sports market as the revenues generated from media rights have an impact on sport teams, federations, sponsors and broadcasters.

SABC and SuperSport continue to dominate media rights

The SABC and SuperSport are the two big players in the media rights market in South Africa.

In March 2013, the SABC offered Athletics South Africa a boost by signing a one-year deal to provide radio, television and digital coverage of the annual Comrades Marathon, Two Oceans Marathon and Soweto Marathon road races, as well as domestic track & field events.

In March 2014, SuperSport and SABC agreed a deal that permitted SABC to show seven matches during the 2014 World Twenty20 competition that took place in Bangladesh. SuperSport also covered all 35 matches live and in high definition. In November 2013, SuperSport launched a 24-hour cricket channel to capitalise on the vast amount of cricket that was played between November 2013 and April 2014.

SuperSport agreed a deal with UEFA in 2013 to broadcast coverage of the Champions and Europa Leagues throughout all of sub-Saharan Africa. In 2010, it also reached an agreement with SANZAR (South Africa, New Zealand and Australia Rugby), the collective rights holder for Rugby in the three countries.

Super Rugby is expected to expand in 2016, with SANZAR agreeing to an additional South African team, one team from Argentina, as well as an additional team from either Asia, the US or possibly even Europe, depending on who wins the tender. These additional teams would coincide with the first year of SANZAR's next television contract, presenting the next owners of Super Rugby TV rights with more games and potentially a bigger audience to broadcast to.

In August 2014, the South African Football Association confirmed that new DTT broadcaster Siyaya TV had signed a deal to broadcast all of the national team's matches live. The six-year deal, which covers the men's, women's and junior national games, is reported to be worth R175 million per year, beginning in May 2015.

Siyaya will take over the contract from public broadcaster, the SABC. The deal means that the state broadcaster will no longer screen live football games of the national team, Bafana Bafana, a fact disputed by SABC's chief operating officer, who stated that all sports of national interest should be on the station.

Sponsorship continues as largest revenue stream

Sports sponsorship revenues in South Africa will grow at a CAGR of 8.4% over the next five years, rising from R5.1 billion in 2013 to an estimated R7.6 billion in 2018. By 2015, revenues will exceed those generated during the FIFA World Cup year of 2010.

Soccer

Sponsorship is a key contributor to the revenue of South Africa's Premier Soccer League (PSL). In 2012, Absa extended its sponsorship of the Absa Premiership to the end of the 2016/17 season in a deal worth R591 million, but cancelled its partnership with the Bafana Bafana in 2013 following a review of its business and brand objectives.

Castle Lager continues to sponsor the national team, while the women's national team continues to be sponsored by oil & gas company, Sasol. Telecoms giant, Vodacom has continued its affiliation with PSL teams, with its sponsorship of Kaizer Chiefs and Orlando Pirates believed to be worth around R1 billion.

Bafana Bafana's kit sponsor, Puma, ended its partnership with the national team in 2013, on the grounds that the South African Football Association's (SAFA) response to allegations of match-fixing was inadequate and that the commercial partnership was therefore unsustainable. In January 2014, SAFA announced that it had reached an agreement with the global sports brand Nike to manufacture the men's and women's national team's kits for the next five years.

Interest in the television coverage of the 2014 FIFA World Cup in Brazil was lessened by South Africa's absence from the competition, although SuperSport's coverage of the competition will still boost overall broadcasting revenue, as will Nigeria's success in getting through the group stages.

Cricket

Cricket is the second-most popular sport in South Africa after soccer. RAM Hand-to-Hand Couriers continues to sponsor Cricket South Africa in a three-year deal (signed in 2013) worth up to R20.5 million.

In 2011, Castle Lager also signed a multimillion-Rand four-year sponsorship deal with the South African Test team, while Blue Label Telecoms sponsors the country's T20 side after an agreement first penned in September 2012.

Elsewhere, in July 2013 the Highveld Lions signed a two-year sponsorship agreement with the South African branch of global risk management firm Aon, and in August 2013, financial services company, The Unlimited, signed a three-year sponsorship deal with the Eastern Titans, who are now known as The Unlimited Titans.

Sports sponsorship will rise nearly R2.6 billion over the forecast period

Sports sponsorship revenues, 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Sponsorships	2 723	6 127	4 085	4 639	5 089	5 944	6 224	6 929	7 351	7 631	8.4%
YOY growth (%)		*125.0%*	*-33.3%*	*13.6%*	*9.7%*	*16.8%*	*4.7%*	*11.3%*	*6.1%*	*3.8%*	

Sources: PwC, Ovum, World Sponsorship Monitor

Rugby

In May 2013, the Sharks announced a major new five-year sponsorship deal with Growthpoint Properties, giving naming rights to its home ground, now known as Growthpoint Kings Park. At the end of 2013, the Sharks announced that Kyocera Document Solutions would become the side's official sponsor from January 2014, and in January 2014 they also announced that Puma would be the side's new kit supplier for the 2014 season. Puma also launched a new jersey for the Toyota Cheetahs' for the same season.

In January 2014, AFGRI, the South African agricultural services and diversified foods group, signed a sponsorship deal with the Vodacom Bulls, while in February, Currie Cup side the Golden Lions also announced that Xerox would become the team's title sponsor for the forthcoming season, and that Jonsson Workwear had also come on board as an official associate sponsor. However, unusually the Lions spent much of the season without a title sponsor, after MTN ended its sponsorship of the side in late 2013.

In August 2013, it was announced that the Springboks had signed a six-year deal with sports performance brand ASICS to replace Canterbury as the national side's official apparel sponsor. As well as providing kit to the Springboks, ASICS will supply kit and apparel to their associated national teams – including the women's and all age-group teams as well as South African Rugby Union (SARU) referees. SARU also agreed a two-year sponsorship deal with the South Korean electronics firm Samsung, with Samsung becoming the official smartphone supplier to SARU and the Springboks as of the end of 2013.

Other sports

Beyond the three major sports in South Africa (soccer, rugby and cricket), the International Sports Promotion Society (ISPS) is now the official presenting partner of golf's Nelson Mandela Championship. Lion of Africa Insurance is now the title sponsor of golf's Cape Town Open.

Super Rugby to expand from 15 to 18 teams in 2016

SANZAR announced in September 2013 that, starting from the 2016 season, Super Rugby would be adding an extra team from South Africa, a new team from Argentina, and a third team from either the North American West Coast, Asia or potentially even southern Europe. The additional South African franchise will be the Port Elizabeth-based Southern Kings, which was replaced by the Johannesburg-based Lions at the end of the 2013 season.

Under the new format, there will be 44 more games in South Africa thanks to the addition of a sixth South African franchise, with the current five-team South African conference being converted into two conferences of four; one league featuring a team from Argentina, the other a team from an as yet undecided country.

The additional matches across the two conferences present a clear opportunity for a boost to South Africa's gate revenues, media rights and sponsorship markets. SANZAR aims to offer the proposed new format for the 2016-2021 period to broadcasters at the start of 2015.

Australian broadcasters, however, have expressed concern that the new format will show less Australian derby games, which rate higher than matches between Australian and foreign teams. Securing a broadcasting deal that financially boosts all of the Rugby unions involved will be key to ensuring the success of the new format in the years following its launch in 2016.

Sports merchandising to edge up over the forecast period.

Sports merchandising revenues, 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Merchandising	658	1 123	607	614	627	635	651	662	671	680	1.6%
YOY growth (%)		*70.7%*	*-45.9%*	*1.2%*	*2.1%*	*1.2%*	*2.5%*	*1.7%*	*1.4%*	*1.4%*	

Sources: PwC, Ovum

Merchandising continues modest upward trend

Merchandising is the smallest sporting sub-segment in South Africa, generating R627 million in 2013, rising to an estimated R680 million in 2018, a CAGR of 1.6%.

Merchandising is usually linked to large sporting events and the peak observed in gate revenues in 2010 due to the FIFA World Cup, corresponded with a peak of R1.1 billion in merchandising revenue. This figure fell significantly in 2011 due to the absence of a major sporting event and has yet to recover, with growth in 2013 of just 2.1%.

In light of Bafana Bafana's failure to qualify for the 2014 FIFA World Cup in Brazil, a similar peak in merchandising sales is not expected to be observed in 2014. If the team qualifies for the 2018 World Cup in Russia, a spike in merchandising revenues is likely.

Sports betting revenues will increase strongly in World Cup years

Sports betting revenues, 2009-2018 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Sports betting	1 827	2 275	1 929	2 054	2 101	2 220	2 231	2 260	2 298	2 406	2.8%
YOY growth (%)		*24.5%*	*-15.2%*	*6.5%*	*2.3%*	*5.7%*	*0.5%*	*1.3%*	*1.7%*	*4.7%*	

Sources: PwC, Ovum

Sports betting will grow at a CAGR of 2.8% in the next five years

The sports betting market is expected to generate revenues of R2.4 billion in 2018, up from R2.1 billion in 2013, a CAGR of 2.8%. Soccer remains the leading sports betting market, followed by the likes of rugby and cricket.

The South African economy overall is predicted to continue growing modestly, and we expect that the sports betting market will continue to grow at a similar pace with spikes anticipated in the World Cup football years of 2014 and 2018.

World Cup provides a bumper year for global sports revenues

The 20th FIFA World Cup in Brazil took place in June and July 2014. The average venue capacity in Brazil was 49 896, down on the 51 857 average in South Africa in 2010, with even Rio de Janeiro's Maracana stadium unable to match Soccer City's 88 460 seats.

Worldwide, media rights for the World Cup continued to be sold for record prices. FIFA is estimated to have made USD4.3 billion from the tournament, with FIFA's secretary-general indicating that 60-65% of its profits would come from broadcast rights.

Nowhere is the surge in media rights illustrated more clearly than in the US, where US broadcaster ESPN paid just US$33 million to show the combined 1994 and 1998 tournaments, it has now come to the end of a US$100 million deal to screen the 2010 and 2014 events. In turn, Fox will pay US$425 million to show the 2018 and 2022 tournaments, while Telemundo will pay US$600 million for Spanish-language rights to the next two tournaments.

In South Africa, the tournament was screened by national broadcaster SABC and MultiChoice's SuperSport. SuperSport also offered live streaming via its app for DStv premium subscribers. However, the fact that this tournament was not on home soil, coupled with an unfavourable time difference for games, meant viewing figures were not expected to surpass those from 2010.

SuperSport also held the rights to screen games in Kenya and Nigeria. Large-scale screenings of Nigerian games at viewing centres had to be cancelled after terrorist threats and although TV audiences were sizeable, with 17.5 million fans watching Nigeria's opening game against Iran, just 10.6 million tuned into Nigeria' next group game.

Globacom, a major sponsor of Nigerian football, produced a campaign named 'Go Ahead Eagles' to tie in with Nigeria's run in the World Cup. The campaign involved songs, commercials and an online reality show.

In Kenya, satellite operators Wananchi and StarTimes were prevented from screening World Cup matches by the High Court, after the Kenya Broadcasting Corporation claimed the pair were showing the matches on their digital channels without authorisation.

The 2014 African Nations Championship met with mixed success

South Africa hosted the 2014 African Nations Championship (CHAN) from 11 January to 1 February 2014. The tournament is designed to showcase the talent that can be found in African leagues, as unlike the Africa Cup of Nations, the only players allowed to compete in the CHAN are those that play for African clubs. The best attended match in the tournament was South Africa's group stage defeat to Nigeria, which attracted in the region of 35 000 fans.

Attendances at games not involving South Africa, knocked out in the quarter finals by eventual champions Libya, were lower, with none of the games in Group B and Group D attracting crowds of more than 8 000 people. This can be attributed to a number of factors, including the relatively high cost for Africans to travel long distances to watch their countries compete, and the absence of many of the top African players, both those who play overseas and others who were not released by their African clubs.

The 2014 edition of the African Nations Championship was broadcast by SuperSport in South Africa, EuroSport throughout Europe, ESPN3 in the USA and Abu Dhabi Sport in the Middle East.

In terms of sponsorship, the championship relied heavily on the Confederation of African Football (CAF)'s existing commercial partnerships, with Orange, Pepsi Co. and Standard Bank all enjoying considerable media exposure throughout the tournament. However, only energy drink Power Horse has signed on as a major sponsor of CHAN through to 2016, as companies remain reluctant to invest in a tournament that garners limited interest.

Regardless of where the tournament is held, in order to make more of a success of CHAN in the future, Africa needs better organised leagues that can retain their better players. The ruling by CAF that now requires African clubs to release players for future CHAN tournaments will help boost the overall quality of the competing teams, while rising disposable income across the continent should allow more fans to travel abroad to attend matches.

Nigeria

Nigeria's sports market will rise at a 10.1% CAGR to 2018

Sports revenues by category, 2009-2018 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Gate revenues	122	201	139	155	169	187	197	207	218	239	7.1%
YOY growth (%)		64.6%	-31.0%	11.8%	9.1%	10.2%	5.5%	5.2%	5.5%	9.3%	
Media rights	14	79	39	66	80	95	103	121	132	143	12.4%
YOY growth (%)		455.3%	-50.5%	68.6%	20.5%	19.4%	8.6%	16.9%	9.2%	8.3%	
Sponsorships	23	126	81	120	145	181	197	232	255	290	14.9%
YOY growth (%)		452.3%	-35.9%	48.7%	20.8%	24.8%	8.8%	18.1%	9.7%	13.6%	
Merchandising	22	39	25	28	30	32	33	33	34	35	3.0%
YOY growth (%)		77.1%	-35.6%	12.7%	7.2%	6.8%	1.7%	2.6%	1.5%	2.4%	
Total sports market	181	445	284	369	424	495	530	593	639	707	10.7%
YOY growth (%)		145.7%	-36.2%	30.2%	14.8%	16.7%	7.1%	12.1%	7.7%	10.5%	
Sports betting	35	54	51	64	70	77	79	83	86	92	5.6%
YOY growth (%)		55.9%	-5.8%	26.0%	9.1%	9.5%	2.9%	5.3%	3.8%	6.5%	
Total sports spending	**216**	**499**	**335**	**433**	**494**	**572**	**609**	**676**	**725**	**799**	**10.1%**
YOY growth (%)		***131.3%***	***-32.9%***	***29.6%***	***14.0%***	***15.7%***	***6.5%***	***11.2%***	***7.2%***	***10.0%***	

Sources: PwC, Ovum

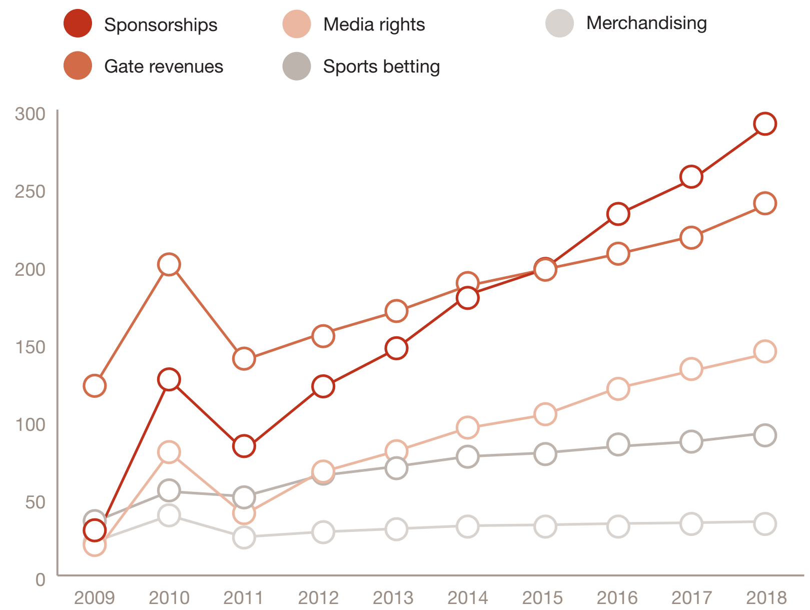
Nigeria's total sports spending will rise at a CAGR of 10.1% to 2018 to reach US$799 million, up from US$494 million in 2013. This growth will come from continued improvements in economic conditions and strong rises in household and mobile broadband penetration.

Fixed broadband penetration in Nigeria will increase from 5% in 2013 to 13% in 2018, while the number of mobile Internet subscribers will rise swiftly from 7.7 million in 2013 to 50.4 million in 2018.

This increased broadband and mobile penetration will allow an increased number of fans to view and engage with sporting events and thereby contribute to the attractiveness and growth of the market.

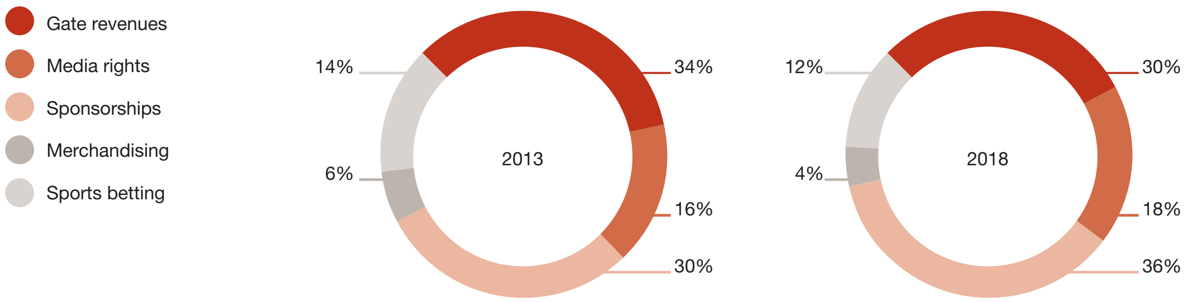
Sponsorships are on a strong upward trajectory, followed by gate revenues

Fig. 2: Sports revenues by category, 2009-2018 (US$ millions)



Sources: PwC, Ovum

Fig. 3: Sports revenue share by category, 2013-2018 (%)



Sources: PwC, Ovum

Gate revenues will approach US$250 million in 2018

Gate revenues

Gate revenues in Nigeria will grow at a CAGR of 7.1% over the next five years, reaching US$239 million in 2018, accounting for 30% of Nigerian sports revenues. This is down from 34% in 2013 as other segments increase their share of the pie.

The market is set to develop as a result of the growing Nigerian economy, but will also be boosted by improved supervision at match-day events to prevent people from entering sporting events without paying.

Football is the largest contributor to gate revenues, although problems relating to the predictability of the Nigerian league (the Nigeria Premier League table made headlines across the world last season due to the paucity of away wins, with away teams rarely winning due to problems relating to fears of violence), as well as the ongoing popularity of European leagues, have the potential to discourage Nigerians from following domestic football. Improvements in the match-day experience could lead to a greater increase in gate revenues in future.

Media rights

Media rights are the second fastest growing revenue stream

Media rights will rise at a CAGR of 12.4% to 2018, increasing to US$143 million from US$80 million in 2013.

Telecoms firm, Globacom, became the title sponsor of the Nigeria Premier League (NPL) in January 2013, in a deal worth in the region of US$16.4 million over four years.

In January 2014 it was announced that sports marketing company, HotSports Nigeria, had signed a deal with the Nigerian Football Federation to become official media partner. The deal runs for three years.

Sponsorship

Sponsorship revenues will rise at a 14.9% CAGR

Sports sponsorship will be Nigerian sport's fastest growing revenue segment, as the country's continued economic improvements attract greater outside investment. Sponsorship in Nigeria is expected to be worth an estimated US$290 million in 2018, up from US$145 million in 2013 and rising at a CAGR of 14.9% over the forecast period.

In April 2013, brewing company Guinness Nigeria signed sponsorship deals with five NPL clubs, with Shooting Stars Sports Club and Enyimba International FC signing further one-year extensions to those deals in July 2013, reputedly worth around US$75 000 each.

Merchandising

Merchandising will see a small uptick in revenues

Merchandising revenues are the slowest-growing revenue stream in the Nigerian sports market. They will rise to an estimated US$35 million in 2018 from US$30 million in 2013, at a 3.0% CAGR. Revenues have yet to return to the peak of 2010, when Nigeria participated in the FIFA World Cup hosted in South Africa. In 2014, a relatively strong 6.8% year-on-year growth is expected following Nigeria's participation in the World Cup in Brazil.

A kit deal signed by Adidas with the Nigerian national football team in 2010, worth EUR10 million (US$13.2 million), is due to expire in 2014.

Sports betting

Sports betting continues to increase in popularity

A growing and increasingly well-off population will contribute to a rise in sports betting revenues over the forecast period, moving from US$70 million in 2013 to a projected US$92 million in 2018, at a 5.6% CAGR. Sports betting will continue to be the fourth-largest revenue stream in terms of total sports spending.

Kenya

Total sports spending in Kenya will reach US$166 million by 2018

Sports market, 2009-2018 (US$ millions)

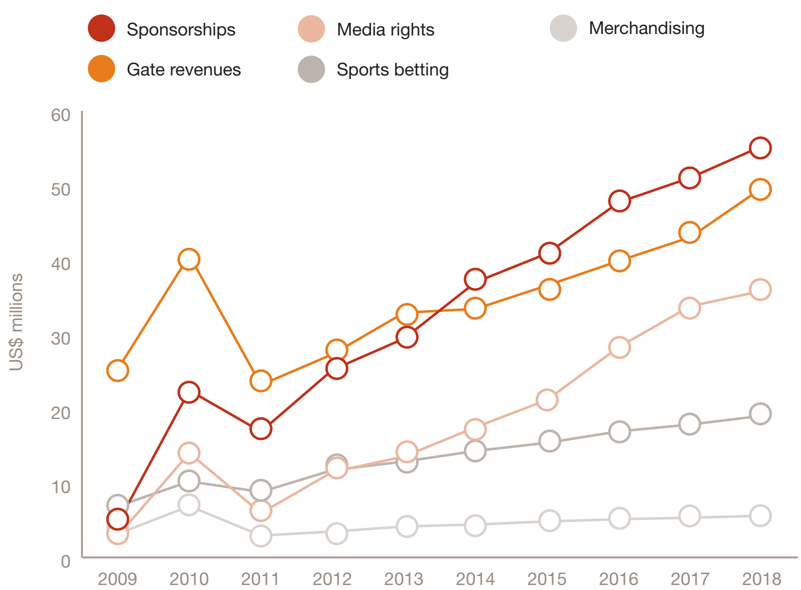
Kenya	Historical data					Forecast data					CAGR %
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013-18
Gate revenues	25	41	23	27	33	33	37	40	43	50	8.6%
YOY growth (%)		*60.5%*	*-42.9%*	*17.7%*	*20.5%*	*1.5%*	*9.4%*	*9.0%*	*8.0%*	*15.4%*	
Media rights	3	14	6	11	14	18	21	28	34	36	21.4%
YOY growth (%)		*387.5%*	*-57.6%*	*93.0%*	*18.0%*	*29.2%*	*21.0%*	*33.5%*	*19.4%*	*6.1%*	
Sponsorships	5	22	17	25	29	37	41	48	51	55	13.4%
YOY growth (%)		*387.6%*	*-24.7%*	*49.1%*	*16.7%*	*25.8%*	*10.4%*	*16.8%*	*6.9%*	*8.3%*	
Merchandising	3	7	3	3	4	4	5	5	5	6	6.1%
YOY growth (%)		*118.2%*	*-57.4%*	*18.3%*	*19.6%*	*6.3%*	*9.4%*	*6.1%*	*4.0%*	*5.0%*	
Total sports market	36	84	49	66	80	92	104	121	133	147	12.8%
YOY growth (%)		*133.7%*	*-41.7%*	*37.7%*	*18.6%*	*15.4%*	*12.0%*	*17.0%*	*10.1%*	*9.9%*	
Sports betting	7	10	9	12	13	14	15	17	18	19	8.1%
YOY growth (%)		*48.3%*	*-13.8%*	*33.3%*	*9.8%*	*11.1%*	*7.7%*	*9.9%*	*5.5%*	*6.6%*	
Total sports spending	**43**	**94**	**58**	**78**	**93**	**106**	**119**	**138**	**151**	**166**	**12.2%**
YOY growth (%)		***120.0%***	***-38.6%***	***37.1%***	***17.3%***	***14.8%***	***11.4%***	***16.1%***	***9.5%***	***9.5%***	

Sources: PwC, Ovum

Kenya's sports market will be worth an estimated US$166 million in 2018, up from US$93 million in 2013, rising at a CAGR of 12.2%. Media rights and sponsorship deals, wedded to improving macroeconomic conditions and increases in mobile and household broadband penetration, will drive growth. The number of mobile Internet subscribers in particular will rise from 1.8 million to 14.3 million over the forecast period.

Sponsorships and gate revenues will be the main growth drivers to 2018

Fig. 4: Sports revenues by category, 2009-2018 (US$ millions)



Sources: PwC, Ovum

Gate revenues

Gate revenues will hit US$50 million by 2018

Gate revenues will add around US$17 million over the forecast period, reaching US$50 million in 2018 and growing at an 8.6% CAGR. Improving disposable income is the main growth driver here. Gate revenues will account for 30% of total sports spending in 2018.

Soccer, rugby union (particularly rugby sevens), boxing and athletics are the most popular spectator sports in Kenya.

Media rights

Sports media rights are the fastest-growing revenue stream

The media rights industry in Kenya is set to increase strongly to 2018, growing at a CAGR of 21.4% to generate revenues of US$36 million in 2018, up from US$14 million in 2013.

In 2011, SuperSport agreed to renew its deal with what is now known as Tusker Premier League football in a five-year deal worth 'close to double' the US$5.5 million value of the previous package. Since then, the broadcaster has gone on to screen close to 90 live matches a season.

Kenya was recently announced as the host country for the 2018 African Nations Championship, which will boost its media rights revenue in the years following the end of our forecast period.

Sponsorship

Sponsorship revenue will rise at a 13.4% CAGR

Kenyan sport is developing in terms of sports sponsorships, which will reach US$55 million in 2018, increasing at a 13.4% CAGR from US$29 million in 2013.

In 2012, the Kenyan Premier League changed its name to the Tusker Premier League in a three-year sponsorship deal worth US$2.0 million.

In early 2014, Tusker also announced sponsorship of the Kenyan national 15-a-side rugby team, in a three-year deal worth KES75 million (USD857 000).

In athletics, the National Bank of Kenya increased its sponsorship of Athletics Kenya from US$230 000 (KES20 million) to US$350 thousand (KES30 million) in 2012. Other sponsors include Nike and dairy company New KCC, while 800m Olympic gold medallist David Rudisha, who is currently sponsored by Adidas among others, was listed as the 41st most marketable athlete in the world by *SportsPro* magazine in 2013.

Merchandising

Merchandising is yet to fully take off in Kenya

Merchandising will rise at a CAGR of 6.1% to 2018, but in revenue terms this means an increase of less than US$2 million – from US$4 million in 2013 to a forecast US$6 million in 2018. An improved economy and rising GDP will aid merchandising revenues.

Merchandising revenues are also linked to large-scale sporting events – perhaps Kenya's largest such events are the KCB Safari Rally and Kenya Open Golf Championships, both held in April, as well as the Tusker Safari Sevens Rugby tournament, held in June.

The Kenyan national football team recently signed a deal with sports apparel manufacturer Joma, which will see 50% of sales revenue being put back into the FKF (Federation of Kenyan Football) over the course of the contract.

Sports betting

Sports betting will see a steady rise in interest

Kenya's sports betting industry will generate an estimated US$19 million in 2018, growing at an 8.1% CAGR from US$13 million in 2013. This puts sports betting revenues well ahead of merchandising revenues, but some way behind third-largest revenue stream media rights.

Section 03

Digital trust

Marthie Crafford • Partner
Jagruti Morar • Manager

The trust dynamic that the digital age unleashes is huge – embrace it or miss the next digital growth opportunity.

The confidence to take risks

The digital age is here. The potential for an organisation to be fast, agile and creative is as never before. Embracing the opportunities on offer is the only way to stay competitive.

As an organisation's reliance on IT systems grows and they become a fundamental part of the organisation, they mustn't fail. Technology is a key player in business success. But each organisation – and its customers, shareholders and regulators – need to trust it.

Trust means that the organisation's customers will buy the offered products online. It means they're confident in the organisation's ability to keep their data safe and secure. Trust means that an organisation's suppliers know the organisation's systems won't fail them. And it means that the organisation has the confidence to move its business forward by embracing technology and the opportunities it has to offer.

Organisations need to build trust into the fabric of their digital operation. With trust in its data and security, with resilience built into its systems, and with the knowledge that its digital transformations will succeed, an organisation will have the confidence to embrace its digital future, and enjoy the exponential impact it has on the organisation's growth.

Growth = opportunity + trust

It's the new equation for the digital age.

How to build digital trust the right way

Managing risk and building trust underpins the digital agenda as digital platforms become increasingly central to the delivery of business strategy.

Five confidence areas in which to build trust:

- **Confidence in security**
  Confidence that systems are secure to protect customer and other data and that identity/privacy issues have been dealt with.

- **Confidence in data**
  Confidence in the integrity of data and the ability to benefit from what it can reveal about a business.

- **Confidence in systems**
  Confidence that business systems have the right controls and monitoring to ensure that they do what they are supposed to, whether they are in-house systems or are delivered as cloud-based services.

- **Confidence to take risks**
  Confidence that technology risks are understood and well managed and that digital platforms will be available when required (24/7).

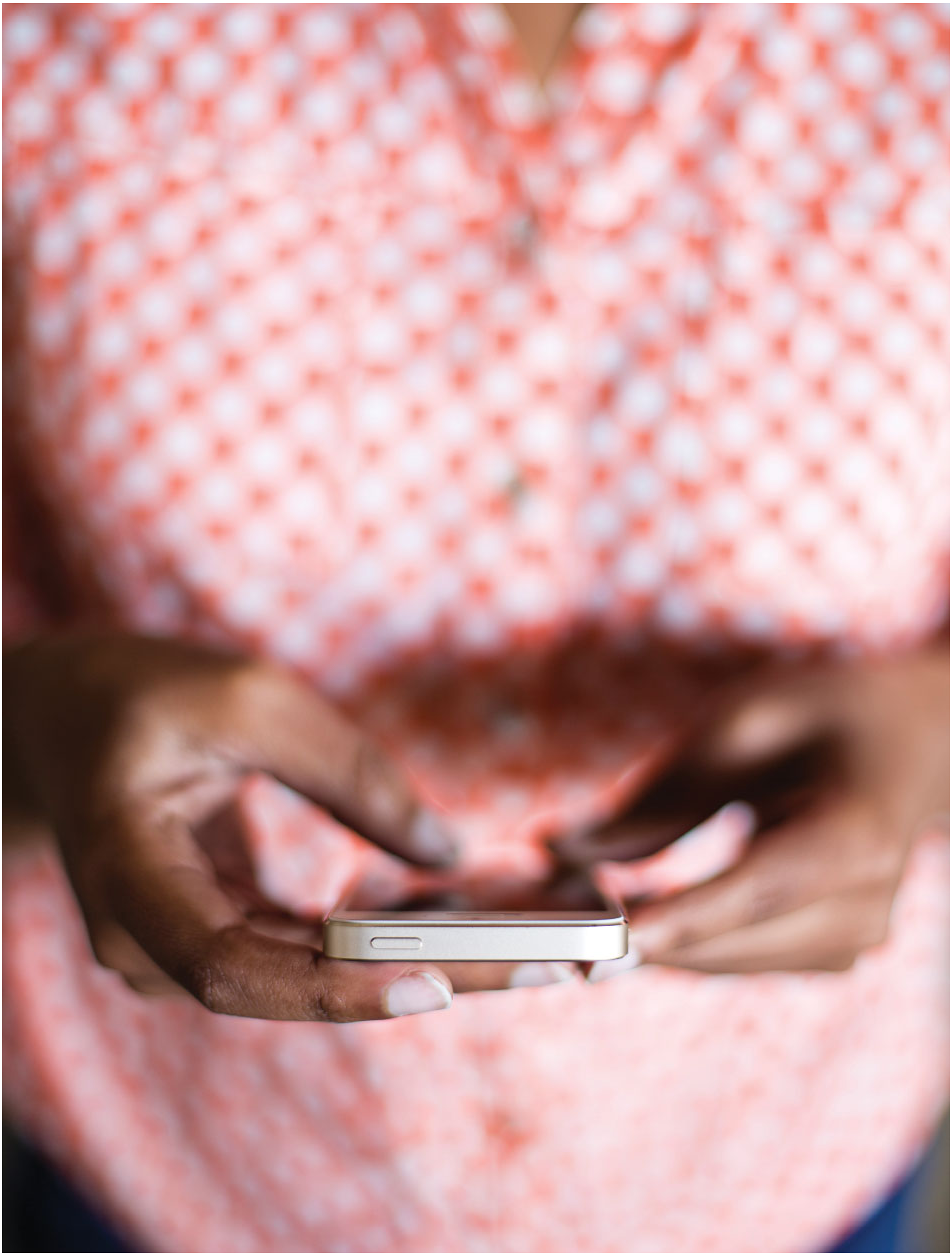
- **Confidence in an organisation's digital transformation programme**
  Confidence to embark on and deliver the next complex digital transformation programme in a way that delivers the expected benefits, on time and to budget.

Trust has become essential in the digital age. It must underpin how you organise and run your business so that you can be successful. With high profile international debates on data privacy and security it's not difficult to see why.

Building Digital Trust

To find out more about this issue, download this publication here:

http://www.pwc.com/gx/en/ceo-survey/2014/assets/building_digital_trust_brochure_nov_19th_2013.pdf



Glossary of terms

2G	Second-generation wireless (mobile telecommunications technology)
3G	Third-generation wireless (mobile telecommunications technology)
3.5G	Enhanced 3G technology (mobile telecommunications technology)
AANA	Australian Association of National Advertisers
ABC	Audit Bureau of Circulations of South Africa
ACE	Africa Coast to Europe (submarine cable)
AIH	Africa Internet Holdings (South Africa)
AIRCO	Association of Independent Record Companies (South Africa)
AMPS	All Media and Products Study (South Africa)
ARPU	Average revenue per user
BBC	British Broadcasting Corporation
BON	Broadcasting Organisations of Nigeria
BRICS	Brazil, Russia, India, China and South Africa (association of major emerging economies)
CAF	Confederation of African Football
CAGR	Compound annual growth rate
CDMA	Code division multiple access (mobile technology standard)
CHAN	2014 African Nations Championship
COSON	Copyright Society of Nigeria
CPM	Cost per mille
CSI	Corporate social investment
CSP	Communications service provider
DAB+	Digital Audio Broadcasting
DBE	Department of Basic Education (South Africa)
DEC	Daily effective circulation
DLC	Downloadable content
DOOH	Digital out-of-home
DRC	Democratic Republic of Congo
DRM	Digital Radio Mondiale
DTH	Direct-to-home
DTHTV	Direct-to-home television
DTI	Department of Trade and Industry (South Africa)
DTT	Digital terrestrial television
DVD	Digital versatile disc
DVR	Digital video recorder
EA	Entertainment Arts
EABL	East African Breweries Limited (Kenya)
EASSy	East Africa Submarine Cable system
ECO	Event & Conference Organisers (Kenya)
EFC	Extreme Fighting Championship
EMA	Experian MicroAnalytics

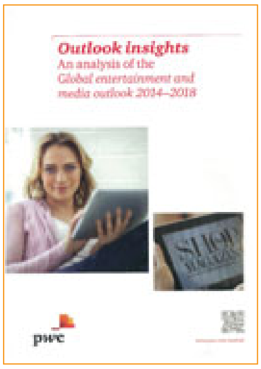
EMEA	Europe, Middle East and Africa
EV-DO	Evolution-Data Optimised (telecommunications standard)
EXSA	Exhibitions and Events Association of Southern Africa
FIFA	Fédération Internationale de Football Association
FKF	Federation of Kenyan Football
FTTH/B	Fibre-to-the-home/building
FTTx	Fibre-to-the-x
GB	Gigabytes
GBC	Ghana Broadcasting Corporation
GCIS	Government Communication and Information System (South Africa)
GDP	Gross domestic product
GHS	Ghanain new Cedi
GHz	Gigahertz
GPS	Global Positioning System
GSM	Global System for Mobile Communications
GTI	Globetrack International
GTV	Ghana Television
HD	High-definition
HSPA	High Speed Packet Access (wireless protocol)
ICASA	Independent Communications Authority of South Africa
ICT	Information and communications technology
IPTV	Internet protocol television
ISP	Internet service provider
ISPS	International Sports Promotion Society
ITU	International Telecommunications Union
JIC	Joint Industry Committee (South Africa)
Ka	Microwave band (26.5–40 GHz)
KBC	Kenya Broadcasting Corporation
KES	Kenyan Shillings
LAN	Local area network
LED	Light-emitting diode
Lion	Lower Indian Ocean Network (submarine cable)
LSM	Living Standards Measure
LSSAA	Lagos State Signage and Advertisement Agency
LTE	Long-Term Evolution (wireless communication standard)
LTS	Likelihood to see
MB	Megabytes
MBps	Megabytes per second
M-commerce	Mobile commerce
MCSK	Music Copyright Society of Kenya

MFA	Media Federation of Australia
MHz	Megahertz
MMDS	Multichannel multipoint distribution services (wireless telecommunications technology)
MMI	Messe München International
MMO	Massively multiplayer online game
MOVE	Measurement of Outdoor Visibility and Exposure (Australia)
MPASA	Magazine Publishers Association of South Africa
NAB	National Association of Broadcasters (South Africa)
NBC	National Broadcasting Commission (Nigeria)
NCC	Nigerian Copyright Commission
NCMA	Nakuru County Musician Association (Kenya)
NFC	Near-field communications
NGN	Nigerian Naira
NMG	Nation Media Group (Kenya)
NPA	Nigerian Publishers' Association
NPL	Nigeria Premier League
NTA	Nigerian Television Authority
OAAK	Outdoor Advertising Association of Kenya
OECD	Organisation for Economic Co-operation and Development
OHMSA	Out of Home Media South Africa
OMA	Outdoor Media Association (Australia)
OOH	Out-of-home
OS	Operating system
OTT	Over-the-top (video content delivered via the Internet)
PASA	Publishers' Association of South Africa
PC	Personal computer
PDMSA	Print and Digital Media South Africa
PERC	Policy and Economic Research Council (United States)
POSIB	Protection of State Information Bill (South Africa)
PPV	Pay-per-view
PRASA	Passenger Rail Agency of South Africa
PS4	Sony PlayStation 4
PSL	Premier Soccer League (South Africa)
QoS	Quality of service
QR	Quick response
RAB	Radio Advertising Bureau (South Africa)
RACS	Radio audience and currency survey
RAMS	Radio Audience Measurement Survey (South Africa)
ROMI	Return on media investment (South Africa)
ROTS	Realistic opportunity to see
RTB	Real-time bidding
SAARF	South Africa Audience Research Foundation
SABC	South African Broadcasting Corporation

Sadiba	Southern African Digital Broadcasting Association
Saex	South Atlantic Express (submarine cable system)
SAFA	South African Football Association
SAFE	South Africa Far East (submarine cable system)
SAMPRA	South African Music Performance Rights Association
SAMRO	Southern African Music Rights Organisation
Santaco	South African National Taxi Council
SANZAR	South Africa, New Zealand and Australia Rugby
SARU	South African Rugby Union
SAT3	South Atlantic 3 (submarine cable system)
SCA	Supreme Court of Appeal (South Africa)
SDSL	Symmetric digital subscriber line (Internet access technology)
SIM	Subscriber identification module
SMATV	Satellite Master Antenna Television
SME	Sony Music Entertainment
SMEs	Small and medium-sized enterprises
SSA	Sub-Saharan Africa
STB	Set-top box
TEAMS	The East African Marine System (submarine cable)
TEPG	Thebe Exhibitions & Projects Group
TMG	Times Media Group
TPA	Televisão Publica de Angola
UEFA	Union of European Football Associations
UI	User interface
UJ	University of Johannesburg
UK	United Kingdom
UMG	Universal Music Group
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
US	United States
USD	US dollars
VAT	Value-added tax
VOD	Video-on-demand
VoIP	Voice over IP
WACS	West African Cable System
WCDMA	Wideband Code Division Multiple Access (3G wireless standard)
Wi-Fi	Wireless Fidelity (wireless standard)
WiMAX	Worldwide Interoperability for Microwave Access
WMG	Warner Music Group
WTM	World Travel Market
xDSL	Digital subscriber line technologies

Further reading

Global entertainment and media outlook: 2014-2018



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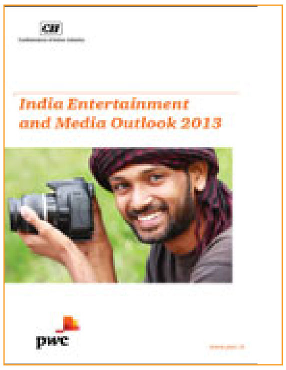

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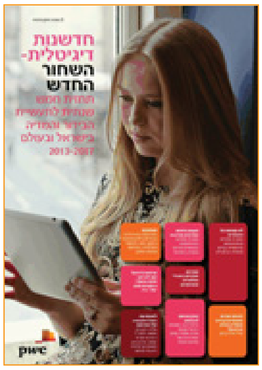

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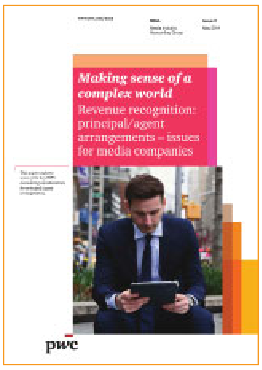

Revenue recognition principal/agent arrangements issues for media companies

This report considers the assessment of the key principal/agent considerations in various practical examples, including physical books, eBooks, television content and film production. We hope this insight provides food for thought for media companies when considering whether they are acting as principal in new or existing routes to market.

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Revenue recognition: Payments to customers issues for media companies

This publication considers the assessment of payments to customers in various practical examples, covering the purchase of advertising space, physical and digital 'slotting fees', outsourced advertising sales and video game prizes.

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Other publications:

17th Annual Global CEO Survey

Key findings in the entertainment and media industry

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17th Annual Global CEO Survey
Fit for the future

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Consumer Intelligence Series: Video content consumption

According to the latest in PwC's Consumer Intelligence series, while traditional subscriptions still dominate, content discovery happens mostly online.

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Consumer Intelligence Series: Mobile advertising: What do US consumers want?

The evolving frontier of mobile advertising requires advertisers and marketers to quickly learn how to leverage the medium within the boundaries of consumers' willingness and attitudes towards receiving mobile ads. Our research reveals that consumer preferences related to mobile advertising are different than other media, and advertisers and marketers would be well served by developing a 'mobile first' strategy.

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Game Changer: A new kind of value chain for entertainment and media companies

With digital content projected to account for 87% of growth in spending in the entertainment and media industry over the next five years, efficiently producing and managing such content is top of mind for industry players.

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