Chapter 1
Industry overview

We are pleased to present the third annual edition of PwC's South African entertainment and media outlook: 2012-2016 (the Outlook).

The Outlook reflects the collective wisdom of our team of professionals, who work with entertainment and media companies around the world. It is a unique resource for the industry, offering a five-year outlook for consumer spending and advertising revenues in South Africa and globally, along with insights into the technology, government, political and business trends driving those forecasts.

The purpose of this industry overview is to provide an outline of the data presented in the other 12 chapters of this publication and to present a consolidated view of our insights into the trends driving the industry and the growth forecasts.

The *Outlook* presents annual historical data for 2007-2011 and provides annual forecasts for 2012-2016 in the following twelve entertainment and media segments:

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

2011: The recovery progresses

The global economy began to recover in 2010 from its steep decline in 2009 and continued to advance in 2011, although the hoped-for pickup in momentum did not materialise consistently around the globe.

Global entertainment and media (E&M) spending rose 4.9% in 2011 – a bit faster than the 4.5% increase in 2010 – but still below the gains in prior expansion years. Advertising increased 3.6%, down from the 7% gain in 2010 that was augmented by advertising associated with the FIFA World Cup and Winter Olympics, as well as by the rebound from a sluggish 2009. Consumer/end-user spending rose 2.0%, up from the 1.3% rise seen in 2010. Internet access recorded the largest improvement, rising by 15.1% from the 10% gain in 2010.

The entertainment and media industry in South Africa edged up 0.7% in 2011, slowed by the absence of spending associated with the FIFA World Cup in 2010, which boosted that year's total by 27.6%. Advertising in 2011 increased by 7.9%, down from the 14.7% increase recorded in 2010.

End-user spending fell by 2.3%, significantly down from the 33.7% growth that was recorded in 2010. This decline in end-user spending was the result of a 39.7% decrease for sports following the extraordinary 84.7% gain in 2010. Excluding sports, total spending rose 11.6% in 2011, led by 27% growth for the Internet and 21.7% growth in television.

Projected and actual South African 2011 growth by category (%)

Category	Projected	Actual
Advertising	4.9	7.9
Consumer/end-user spending	-2.3	-2.3
Total entertainment and media	**-0.6**	**-0.7**

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Projected and actual South African 2011 growth by segment (%)

Segment	Projected	Actual
Filmed entertainment	4.7	1.0
Television	11.6	13.4
Music	-2.6	-2.6
Radio	5.4	6.6
Out-of-home	5.7	11.6
Internet	26.0	27.3
Consumer magazine publishing	1.6	7.8
Newspaper publishing	2.0	5.7
Consumer and educational book publishing	4.0	0.9
Business-to-business publishing	3.2	2.1
Sports	-39.5	-39.7
Video games	6.3	3.8
Total entertainment and media	**-0.6**	**-0.7**

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

In the 2011-2015 *Outlook,* we predicted a 4.9% increase in advertising spending, which was somewhat lower than the actual increase of 7.9%. Consumer/ end-user spending decreased by 2.3%, in line with our projection made last year. The overall South African E&M decrease of 0.7% was also in line with our projected decrease of 0.6%.

On a segment basis, out-of-home advertising, consumer magazine publishing and newspaper publishing substantially outperformed our expectations in 2011, while filmed entertainment, consumer and educational book publishing, and video games grew less than we expected.

Music and sports materially matched our forecasts, while Internet, television, radio and business-to-business publishing were within two percentage points of our projections.

Filmed entertainment saw disappointing box office spending, reflecting the release of less than appealing movies in 2011.

In video games, growth in online gaming cut into the console market, leading to slower growth in overall spending than we expected.

In consumer and educational books, lower-priced electronic books performed well in 2011, cutting into print sales. Overall spending declined even as reading picked up.

Buoyed principally by a surging Internet market and continued double-digit growth in television in the near term, we expect total E&M spending to grow at double-digit rates during the next three years, followed by high single-digit gains in 2015-16.

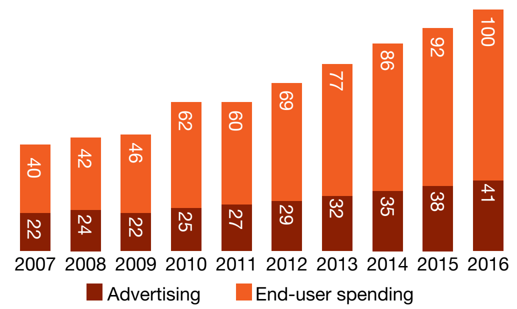
End-user spending will follow this pattern, while we project high single-digit gains in advertising with a double-digit increase in 2014 related to the FIFA World Cup in Brazil.

Entertainment and media spending by component (R millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR (%)
Advertising	22 302	24 060	21 999	25 234	27 236	29 263	31 964	35 204	37 817	41 169	
% change	*16.3*	*7.9*	*-8.6*	*14.7*	*7.9*	*7.4*	*9.2*	*10.1*	*7.4*	*8.9*	*8.6*
End-user spending	39 736	41 985	46 010	61 512	60 118	69 250	77 428	86 094	92 274	100 494	
% change	*11.6*	*5.7*	*9.6*	*33.7*	*-2.3*	*15.2*	*11.8*	*11.2*	*7.2*	*8.9*	*10.8*
Total	**62 038**	**66 045**	**68 009**	**86 746**	**87 354**	**98 513**	**109 392**	**121 298**	**130 091**	**141 663**	
% change	*13.3*	*6.5*	*3.0*	*27.6*	*0.7*	*12.8*	*11.0*	*10.9*	*7.2*	*8.9*	*10.2*

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Figure 1.1: Entertainment and media spending (R billions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

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Looking forward

The economy is an important driver of the underlying entertainment and media market and E&M spending benefited from improved economic conditions during the past two years. Following the slowdown in 2009, the economy has recovered with real growth in gross domestic product (GDP) of 2.9% in 2010 and 3.1% in 2011.

We expect real GDP growth to moderate to 2.8% in 2012. We then look for somewhat faster increases, but we do not expect a return to the large gains achieved in the mid-2000s when the economy was less developed. We project real GDP to expand at a 3.3% compound annual rate during the next five years.

Inflation propelled nominal GDP at double-digit rates during 2007-2008. After slowing to a 6.1% increase in 2009, nominal growth improved to 8.8% in 2010 and 8.7% in 2011.

With inflation now lower than in the past, we expect nominal GDP growth to remain at single-digit levels, averaging 8.7% compounded annually through to 2016.

Advertising is more sensitive to the state of the economy than end-user spending and the 2009 recession led to an 8.6% decline in advertising that year. Improved economic conditions during the past two years contributed to a rebound in advertising, which has averaged 11.3% compound annually since in 2009.

The surge in end-user spending in 2010 and its subsequent decline in 2011 was related to the 2010 FIFA World Cup and had little to do with the economy.

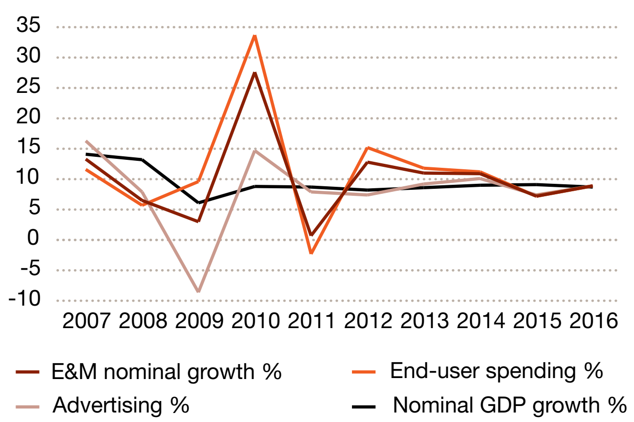
During the next five years, we project that E&M spending will grow at a 10.2% compound annual rate – ahead of the 8.7% compound annual increase in nominal GDP. This growth will be largely due to the surging Internet market, buoyed by improved infrastructure and increasing broadband penetration, as well as healthy growth in the pay-television segment.

GDP growth (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR
Real GDP growth	5.5	3.6	1.5	2.9	3.1	2.8	3.3	3.6	3.4	3.2	3.3
Nominal GDP growth	14.1	13.2	6.1	8.8	8.7	8.2	8.6	9.0	9.1	8.7	8.7

Source: Statistics South Africa, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Figure 1.2: Entertainment & Media and nominal GDP growth (%)



Sources: Statistics South Africa, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

In addition to the impact of the economy, another major trend is the transition from traditional channels to digital channels. Digital spending will increase at an approximate 21.0% compound annual rate during the next five years, compared with the 6.5% compound annual growth for the non-digital components of the market.

Although comprising 20.4% of overall spending in 2011, digital channels will generate 52% of the total increase in spending during the next five years. By 2016, digital spending will comprise 32.6% of the total entertainment and media market in South Africa.

Figure 1.3: Digital and non-digital spending growth (%)

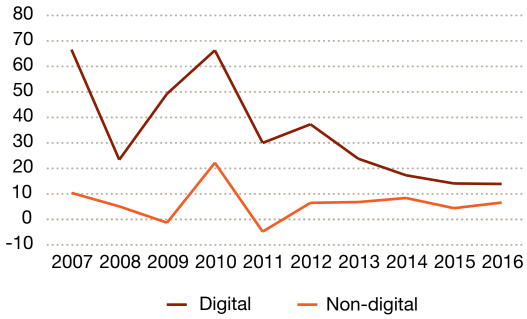
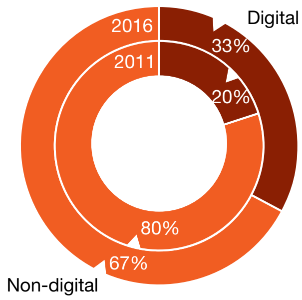
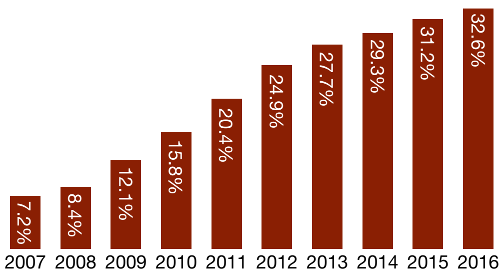


Figure 1.4: Digital and nondigital spending – 2011 vs 2016



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Figure 1.5: Digital share of entertainment and media spending



Note: Digital spending consists of broadband and mobile Internet access; online and mobile Internet advertising; mobile TV subscriptions; digital music; online and wireless video games; digital consumer magazine circulation spending; digital newspaper circulation spending; digital trade magazine circulation spending; and electronic consumer, educational and professional books.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Entertainment and media by segment

The Internet was the fastest-growing segment in 2011 with a 27.3% percent increase, boosted by growth in broadband, mobile access and advertising.

Television was next at 13.4% followed by out-of-home at 11.6%. Television benefited from ongoing double-digit growth in subscription spending and out-of-home advertising reflected improved economic conditions.

Consumer magazine publishing rose 7.8%, radio increased 6.6% and newspaper publishing advanced by 5.7%, the only other segments to grow by as much as 5%. Consumer magazines were propelled by a jump in print advertising, which was the result of stronger economic growth, the launch of a number of new titles, growth in readership and rising circulation. The growing economy also boosted radio. Print newspaper advertising, a cyclically sensitive advertising category because of the large role played by classified advertising, benefited in 2011 as real GDP posted its largest increase since 2008.

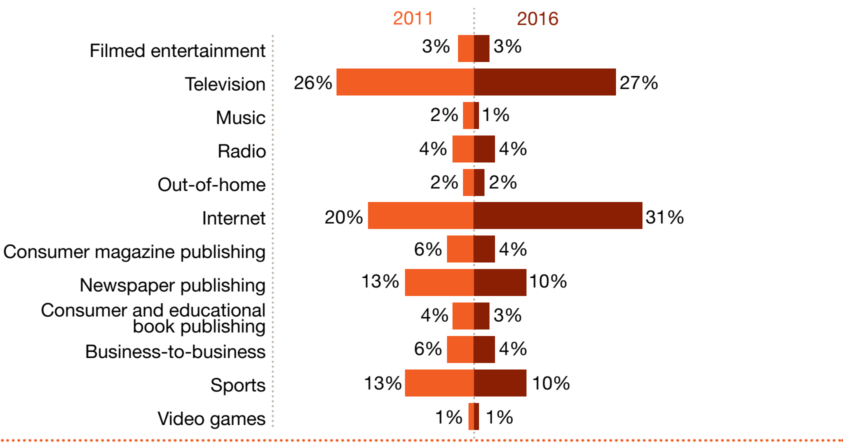
The Internet will continue to be the fastest-growing segment during the next five years with a projected 20.3% compound annual increase. Broadband and mobile access growth coupled with double-digit increases in Internet advertising will drive the Internet market.

Television will be the next fastest-growing segment with a projected 10.3% compound annual increase, the result of continued growth in subscription spending and steady growth in advertising.

Out-of-home advertising will be next at 9.3% compounded annually, boosted by an increase in the penetration of digital screens, which provide more revenue potential, as the same site can accommodate multiple advertisers.

Radio and sports will be next, each with compound annual increases of 6.5%, followed by video games at 6.4%. Video games will be boosted by large growth in online games. Radio will be bolstered by the addition of new commercial stations and the expansion of community stations, while sports will be driven by rising media rights and strong sponsorship growth.

Figure 1.6: Entertainment and media spending by segment – 2011 vs 2016



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Consumer magazines and newspapers will be the only segments projected to average in the vicinity of 5% growth compounded annually during the next five years. Consumer magazines will grow by 5.3% compounded annually as rising circulation contributes to ongoing advertising growth. Newspapers will average 5.1% on a compound annual basis, as advertising growth offsets declines in circulation spending.

Spending in 2016 will total an estimated R141.7 billion, a 10.2% compound annual increase from R87.4 billion in 2011.

Entertainment and media spending by segment (R millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR (%)
Filmed entertainment	2 472	2 546	2 702	2 870	2 899	3 085	3 237	3 362	3 478	3 569	
% change	*0.4*	*3.0*	*6.1*	*6.2*	*1.0*	*6.4*	*4.9*	*3.9*	*3.5*	*2.6*	*4.2*
Television	14 337	15 455	16 266	20 326	23 051	25 939	29 066	32 326	34 711	37 551	
% change	*15.6*	*7.8*	*5.2*	*25.0*	*13.4*	*12.5*	*12.1*	*11.2*	*7.4*	*8.2*	*10.3*
Music	2 449	2 387	2 238	2 147	2 091	2 029	1 997	1 983	1 993	2 010	
% change	*4.7*	*-2.5*	*-6.2*	*-4.1*	*-2.6*	*-3.0*	*-1.6*	*-0.7*	*0.5*	*0.9*	*-0.8*
Radio	2 852	3 084	3 103	3 461	3 688	3 909	4 185	4 463	4 766	5 045	
% change	*12.1*	*8.1*	*0.6*	*11.5*	*6.6*	*6.0*	*7.1*	*6.6*	*6.8*	*5.9*	*6.5*
Out-of-home	1 160	1 078	1 073	1 225	1 367	1 500	1 640	1 790	1 955	2 130	
% change	*13.7*	*-7.1*	*-0.5*	*14.2*	*11.6*	*9.7*	*9.3*	*9.1*	*9.2*	*9.0*	*9.3*
Internet	5 564	6 337	8 827	14 055	17 887	24 193	29 730	34 790	39 603	45 032	
% change	*42.0*	*13.9*	*39.3*	*59.2*	*27.3*	*35.3*	*22.9*	*17.0*	*13.8*	*13.7*	*20.3*
Consumer magazine publishing	3 929	4 151	3 916	4 048	4 365	4 520	4 796	5 129	5 430	5 653	
% change	*8.9*	*5.7*	*-5.7*	*3.4*	*7.8*	*3.6*	*6.1*	*6.9*	*5.9*	*4.1*	*5.3*
Newspaper publishing	10 653	11 506	10 543	10 747	11 360	11 612	12 126	12 846	13 685	14 590	
% change	*11.4*	*8.0*	*-8.4*	*1.9*	*5.7*	*2.2*	*4.4*	*5.9*	*6.5*	*6.6*	*5.1*
Consumer and educational book publishing	4 076	4 299	3 805	3 771	3 804	3 880	3 951	4 013	4 060	4 099	
% change	*4.4*	*5.5*	*-11.5*	*-0.9*	*0.9*	*2.0*	*1.8*	*1.6*	*1.2*	*1.0*	*1.5*
Business-to-business	4 663	4 787	4 427	4 526	4 622	4 752	4 937	5 188	5 458	5 730	
% change	*7.1*	*2.7*	*-7.5*	*2.2*	*2.1*	*2.8*	*3.9*	*5.1*	*5.2*	*5.0*	*4.4*
Sports	9 080	9 465	10 015	18 495	11 160	12 055	12 695	14 400	13 940	15 285	
% change	*8.6*	*4.2*	*5.8*	*84.7*	*-39.7*	*8.0*	*5.3*	*13.4*	*-3.2*	*9.6*	*6.5*
Video games	888	1 078	1 234	1 251	1 299	1 337	1 416	1 508	1 651	1 771	
% change	*142.6*	*21.4*	*14.5*	*1.4*	*3.8*	*2.9*	*5.9*	*6.5*	*9.5*	*7.3*	*6.4*
Total	**62 038**	**66 045**	**68 009**	**86 746**	**87 354**	**98 513**	**109 392**	**121 298**	**130 091**	**141 663**	
% change	***13.3***	***6.5***	***3.0***	***27.6***	***0.7***	***12.8***	***11.0***	***10.9***	***7.2***	***8.9***	***10.2***

Note: Television, newspaper, consumer magazine, trade magazine, and directory Web site and mobile advertising are included in their respective segments and also in the Internet advertising segment, but only once in the overall total.
Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

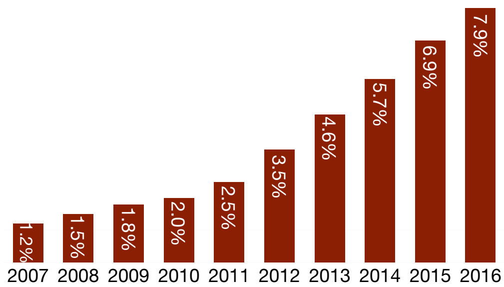
Advertising

Internet advertising rose 35.6% in 2011 and consumer magazines, newspapers, cinema and a small video games market each increased by more than 10 %.

South Africa is unusual in that print advertising continues to do relatively well. The four print categories — consumer magazines, newspapers, trade magazines, and directories — collectively grew by 10.1%, exceeding the overall 7.9% average increase.

During the next five years, the Internet will be the fastest growing category with a 36.9% compound annual increase. The Internet's share of total advertising in South Africa will more than triple to 7.9% in 2016 from 2.5% in 2011.

Figure 1.7: Internet advertising % of total advertising



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

We also expect video games to expand at double-digit rates with cinema advertising increasing at a 9.4% and out-of-home by 9.3% compounded annually.

The four print segments will collectively expand at a 7.4% compound annual rate, still healthy but lower than the overall average and lower than the increase in 2011, as advertising begins to shift to the Internet.

Each of the remaining segments will increase at compound annual rates of 7.0% or more.

We project the overall advertising market during the next five years to increase at an 8.6% compound annual rate, rising to an estimated R41.2 billion in 2016 from R27.2 billion in 2011.

Advertising (R millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR (%)
Television	7 803	8 306	7 508	9 611	10 015	10 805	11 830	13 044	13 460	14 584	
% change	*21.9*	*6.4*	*-9.6*	*28.0*	*4.2*	*7.9*	*9.5*	*10.3*	*3.2*	*8.4*	*7.8*
Radio	2 422	2 650	2 664	3 019	3 243	3 460	3 715	3 990	4 290	4 565	
% change	*14.3*	*9.4*	*0.5*	*13.3*	*7.4*	*6.7*	*7.4*	*7.4*	*7.5*	*6.4*	*7.1*
Cinema	245	255	205	240	265	295	325	355	385	415	
% change	*-7.5*	*4.1*	*-19.6*	*17.1*	*10.4*	*11.3*	*10.2*	*9.2*	*8.5*	*7.8*	*9.4*
Out-of-home	1 160	1 078	1 073	1 225	1 367	1 500	1 640	1 790	1 955	2 130	
% change	*13.7*	*-7.1*	*-0.5*	*14.2*	*11.6*	*9.7*	*9.3*	*9.1*	*9.2*	*9.0*	*9.3*
Internet	259	358	385	500	678	1 027	1 470	2 012	2 607	3 256	
% change	*43.9*	*38.2*	*7.5*	*29.9*	*35.6*	*51.5*	*43.1*	*36.9*	*29.6*	*24.9*	*36.9*
Consumer magazines	2 179	2 271	2 091	2 158	2 412	2 518	2 724	2 982	3 243	3 456	
% change	*9.7*	*4.2*	*-7.9*	*3.2*	*11.8*	*4.4*	*8.2*	*9.5*	*8.8*	*6.6*	*7.5*
Newspapers	7 113	7 987	7 116	7 557	8 373	8 821	9 481	10 331	11 271	12 272	
% change	*15.5*	*12.3*	*-10.9*	*6.2*	*10.8*	*5.4*	*7.5*	*9.0*	*9.1*	*8.9*	*7.9*
Trade magazines	564	598	432	444	478	504	541	583	626	670	
% change	*8.9*	*6.0*	*-27.8*	*2.8*	*7.7*	*5.4*	*7.3*	*7.8*	*7.4*	*7.0*	*7.0*
Directories	632	670	648	636	621	605	593	585	584	585	
% change	*8.8*	*6.0*	*-3.3*	*-1.9*	*-2.4*	*-2.6*	*-2.0*	*-1.3*	*-0.2*	*0.2*	*-1.2*
Video games	10	15	17	20	23	26	29	32	35	38	
% change	*233.3*	*50.0*	*13.3*	*17.6*	*15.0*	*13.0*	*11.5*	*10.3*	*9.4*	*8.6*	*10.6*
Total	**22 302**	**24 060**	**21 999**	**25 234**	**27 236**	**29 263**	**31 964**	**35 204**	**37 817**	**41 169**	
% change	16.3	7.9	-8.6	14.7	7.9	7.4	9.2	10.1	7.4	8.9	8.6

Note: Television, newspaper, consumer magazine, trade magazine, and directory web site and mobile advertising are included in their respective segments and also in the Internet advertising segment, but only once in the overall total.
Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

End-user spending

End-user spending, consisting of spending by consumers and other end-users on products and services produced by the entertainment and media industry, fell 2.3% percent in 2011, as a result of the absence of spending associated with the FIFA World Cup in 2010. Sports declined by 39.7% and the remaining segments rose by 13.8%.

The fastest-growing segments in 2011 were the Internet at 27.0% and television at 21.7%. Business information at 6.6% was the only other category to increase by more than 5%.

We expect the Internet to be the fastest-growing end-user spending category during the next five years with a projected 19.4% compound annual increase. Television will be the second fastest-growing segment at 12.0% compounded annually. Sports at 6.5%, video games at 6.3%, business information at 5.9% and trade magazines at 5.6%, will be the only other segments to average more than 5% growth on a compound annual basis.

We project total end-user spending to expand at a 10.8% compound annual rate, rising to R100.5 billion in 2016 from R60.1 billion in 2011.

End-user spending (R millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR (%)
Filmed entertainment	2 227	2 291	2 497	2 630	2 634	2 790	2 912	3 007	3 093	3 154	
% change	*1.4*	*2.9*	*9.0*	*5.3*	*0.2*	*5.9*	*4.4*	*3.3*	*2.9*	*2.0*	*3.7*
Television	6 534	7 149	8 758	10 715	13 036	15 134	17 236	19 282	21 251	22 967	
% change	*9.0*	*9.4*	*22.5*	*22.3*	*21.7*	*16.1*	*13.9*	*11.9*	*10.2*	*8.1*	*12.0*
Music	2 449	2 387	2 238	2 147	2 091	2 029	1 997	1 983	1 993	2 010	
% change	*4.7*	*-2.5*	*-6.2*	*-4.1*	*-2.6*	*-3.0*	*-1.6*	*-0.7*	*0.5*	*0.9*	*-0.8*
Radio	430	434	439	442	445	449	470	473	476	480	
% change	*1.2*	*0.9*	*1.2*	*0.7*	*0.7*	*0.9*	*4.7*	*0.6*	*0.6*	*0.8*	*1.5*
Internet	5 305	5 979	8 442	13 555	17 209	23 166	28 260	32 778	36 996	41 776	
% change	*41.9*	*12.7*	*41.2*	*60.6*	*27.0*	*34.6*	*22.0*	*16.0*	*12.9*	*12.9*	*19.4*
Consumer magazines	1 750	1 880	1 825	1 890	1 953	2 002	2 072	2 147	2 187	2 197	
% change	*8.0*	*7.4*	*-2.9*	*3.6*	*3.3*	*2.5*	*3.5*	*3.6*	*1.9*	*0.5*	*2.4*
Newspapers	3 540	3 519	3 427	3 190	2 987	2 791	2 645	2 515	2 414	2 318	
% change	*4.0*	*-0.6*	*-2.6*	*-6.9*	*-6.4*	*-6.6*	*-5.2*	*-4.9*	*-4.0*	*-4.0*	*-4.9*
Consumer and educational books	4 076	4 299	3 805	3 771	3 804	3 880	3 951	4 013	4 060	4 099	
% change	*4.4*	*5.5*	*-11.5*	*-0.9*	*0.9*	*2.0*	*1.8*	*1.6*	*1.2*	*1.0*	*1.5*
Business information	1 180	1 200	1 090	1 140	1 215	1 275	1 350	1 440	1 530	1 620	
% change	*6.3*	*1.7*	*-9.2*	*4.6*	*6.6*	*4.9*	*5.9*	*6.7*	*6.3*	*5.9*	*5.9*
Trade magazines	151	150	147	144	147	150	156	167	180	193	
% change	*-1.9*	*-0.7*	*-2.0*	*-2.0*	*2.1*	*2.0*	*4.0*	*7.1*	*7.8*	*7.2*	*5.6*
Trade shows	1 900	1 950	1 875	1 925	1 920	1 975	2 050	2 160	2 280	2 400	
% change	*9.8*	*2.6*	*-3.8*	*2.7*	*-0.3*	*2.9*	*3.8*	*5.4*	*5.6*	*5.3*	*4.6*
Professional books	236	219	235	237	241	243	247	253	258	262	
% change	*-9.6*	*-7.2*	*7.3*	*0.9*	*1.7*	*0.8*	*1.6*	*2.4*	*2.0*	*1.6*	*1.7*
Sports	9 080	9 465	10 015	18 495	11 160	12 055	12 695	14,400	13,940	15 285	
% change	*8.6*	*4.2*	*5.8*	*84.7*	*-39.7*	*8.0*	*5.3*	*13.4*	*-3.2*	*9.6*	*6.5*
Video games	878	1 063	1 217	1 231	1 276	1 311	1 387	1 476	1 616	1 733	
% change	*141.9*	*21.1*	*14.5*	*1.2*	*3.7*	*2.7*	*5.8*	*6.4*	*9.5*	*7.2*	*6.3*
Total	**39 736**	**41 985**	**46 010**	**61 512**	**60 118**	**69 250**	**77 428**	**86 094**	**92 274**	**100 494**	
% change	***11.6***	***5.7***	***9.6***	***33.7***	***-2.3***	***15.2***	***11.8***	***11.2***	***7.2***	***8.9***	***10.8***

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

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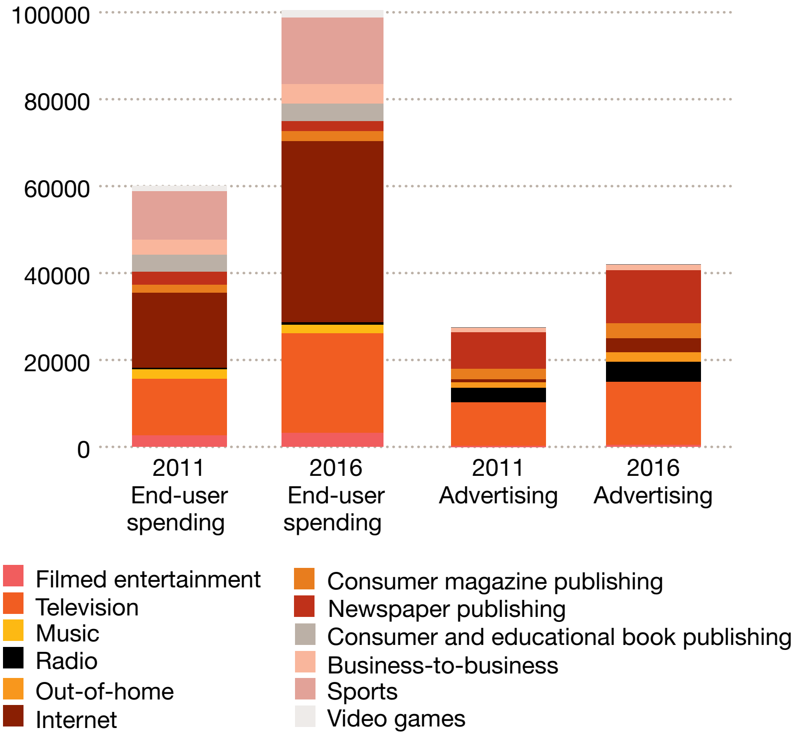
Figure 1.8: **End-user and advertising spending – 2011 vs 2016 (R millions)**



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

On air, online, out there – but is it secure?

Shifting challenges in the media and entertainment sector

The media and entertainment industry the world over is faced with a single all-embracing challenge – to harness the demands and opportunities presented by technological developments or make way for those players who do.

Digital technologies and technology convergence present formidable challenges to the industry as they erode traditional revenue bases and business models. While the media and entertainment industries have faced many technological advances over the years, digitisation of content, the disruption of consumption models and ease of access to technology are by far the most far-reaching.

What remains constant, however, are consumers and the fact that the media and entertainment industries are in the business of providing content to those consumers. While digital technology is broadening the consumer base, it is presenting the sector with consumer behaviours unrecognisable to traditional content providers.

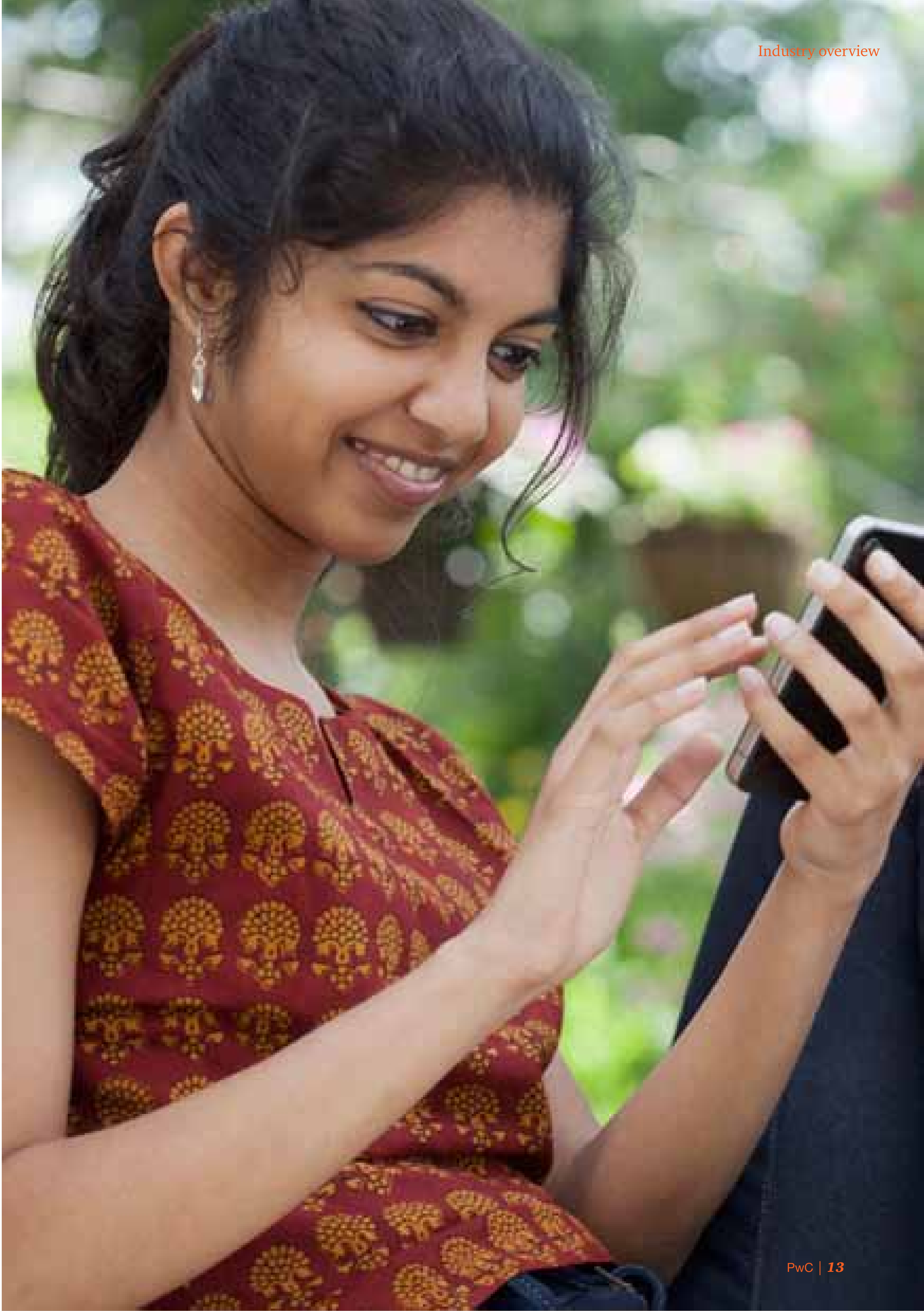
It is these behaviours that attract legal consequences. Media providers are faced with uncertainty as to how traditional laws apply in the digital age. Content is no longer confined to traditional distribution channels and audiences, since it can now be expressed, disseminated and manipulated digitally.

Copyright law is the overarching legal consideration for the sector. Content creators and providers should ensure their content is secure and that the risks of online publishing are considered before such publishing occurs. Media law also deals with the following issues relevant to the media and entertainment sector: constitutional law, intellectual property law, contract law, consumer protection law, labour law, privacy, competition, criminal and international law.

Media lawyers can assist clients in navigating the digital space by:

- Clarifying rights and responsibilities and legal liabilities of companies under electronic transaction-specific legislation such as the Electronic Communications and Transactions Act;
- Ensuring marketing activities, subscription procedures and competition rules comply with the Consumer Protection Act;
- Aligning current practices involving the use of personal information with existing and future legal requirements; and
- Considering applicable competition regulations before introducing new services and innovative market strategies; counselling on online copyright infringement; and advising on contract negotiations and licence agreements.

Media and entertainment law takes account of the changing market dynamics and offers solutions that transcend traditional business models by clarifying potential burdens to innovative players and protecting those already in the market.



The end of the digital beginning: E&M companies reshape and retool for life in the new normal

Despite ongoing economic uncertainty, the past year has seen global and South African sales of smartphones reach record levels once again – underlining the growing revenue opportunities in the digital delivery of entertainment and media content as well as advertising to increasingly connected and mobile customers.

However, behind the headlines, an even more important milestone for the E&M industry has been reached: The birth of the 'digital new normal'. Digital is now becoming embedded in business as usual. As digital moves to the heart of many media companies and begins to present the greatest opportunities for growth, what previously looked like a wide gap between old media models and new ones is being bridged.

Companies are planning and executing their strategies to cross to the new normal. With that, we're hearing clearer and more consistent language from industry CEOs as they articulate the new landscape. That clearer language signals that the initial uncertainty triggered by digital migration is giving way to a sharper focus on identifying, choosing and executing the business models, organisational structures, and skill sets that will harness new consumer behaviours to deliver rising future value in the changed environment.

Digital migration has two main implications for E&M companies. One is the need to make clear and committed choices about the role/s companies should play in the digital value chain. The other is that behaviours are changing rapidly and irreversibly within organisations and their customer bases. Leaders need to understand and harness these behavioural changes to grow future revenues.

Three global shifts

Changing consumer behaviour is driving developments. Consumers' ongoing migration to digital modes of consumption was accelerated by the economic downturn. The *Outlook* confirms that the parallel global shifts we have highlighted in the last two years will continue to play out and strengthen through 2016, with value shifting as follows:

- **From print to digital**: For example, electronic books' share of total spending on consumer and educational books will rise significantly.
- **From fixed to mobile-driven consumption:** Mobile Internet access increased from 29.9% of total Internet access spending in South Africa in 2007 to 70.8% in 2011 and will account for 66.4% in 2016.
- **From west to east, north to south:** During the next five years, total E&M revenue growth in the east (Central Europe, Eastern Europe and Asia-Pacific) will average 7.2% compounded annually, compared with a 4.3% CAGR for the west (North America and Western Europe). At the same time, growth in the south (Latin America, the Middle East and Africa) will average 10.0% compounded annually, which is more than twice the 4.5% CAGR predicted in the in the north (North America and Europe).

Looking beyond the impact of digital

The developments of the past year reinforce our view that was set out in last year's *Outlook* – the outcome of the transformation heralded by the digital migration is a new type of enterprise that we termed the collaborative digital enterprise. At the same time, these developments underline the fact that talking specifically about 'digital' increasingly misses the point. Digital marketing, for example, now means marketing in a digital world. And as digital becomes the new normal, its rising penetration will cease to be a topic for discussion. What matters is how companies capitalise on it and operate within it.

Mapping out the industry's future topography

Within the current context, we believe the reshaping of the industry will be influenced by the perspectives of three main groups:

- **For consumers:** Creating more-compelling, more-immersive and increasingly shared experiences by understanding what connected consumers want – by finding the right little data amid the big data.

- **For advertisers and value chain partners:** The design of new business models that reinvent and expand the value proposition of advertising and content through innovation.

- **For the industry:** Development of the right organisational and operational models to understand and harness new behaviours inside and outside organisations in order to grow their revenues and/or margins in the new normal.

We'll examine each of these perspectives in turn.

1. Understanding the connected consumer

Any discussion of what's happening in entertainment and media must begin with consumers. Why? Because change in today's consumer behaviour is both pervasive and accelerating – and E&M is in the front line of that change.

PwC research bears out the scale of shifts under way: More than 80% of respondents to PwC's recent multichannel shopper survey[1] now research their purchases online before buying electronics, computers, books, music and movies.

As the *Outlook* highlights, these changes reflect an underlying and ongoing migration in consumer behaviour and spending toward digital consumption and digital experiences. Growth in digital spending – defined here as spending over Internet protocol platforms in such segments as mobile and Internet access, mobile TV subscriptions, music, home video, video games, newspapers, magazines and books – will continue to outpace growth in non-digital spending during the next five years.

Demanding immersive and socialised experiences

So what kind of experiences are these increasingly digital and connected consumers seeking? They're often characterised as more demanding. In practice, this encompasses three specific shifts. Today's consumers want to:

- Watch, read or listen to what they want and when they want to – ranging from 'now' to 'in my own good time'.

[1] "Customers take control," PwC, December 2011; http//download.pwc.com/ie/pubs/2011_customers_take_control.pdf

- Access and consume content simultaneously via multiple devices and connections: TV, smartphone, tablet app, social media.
- Find and engage with provocative and relevant media experiences that cross the traditional boundaries of genre and immediacy – and ones that share, shape and control.

These characteristics add up to a search for immersive experiences that unite the personal with the social. Past generations could feel engaged through the passive consumption of mass-market content. But today's younger generations expect consuming media to involve multifaceted, personalised experiences that they can touch and influence – meaning, they feel not just engaged, but immersed.

The drive for immersion is increasingly evident in the growth of such behaviours as personal marathoning and social marathoning – consuming an entire series end-to-end either alone or socially.

With smart devices now enabling easier and fuller social interaction around such content as newspapers and magazines, the same sense of socialised immersion is emerging in other media and is driving spending choices.

The medium formerly known as TV: toward the media hub

Amid these developments, one clear trend is the continued strength of the medium formerly known as television – or, more accurately today, video. The consumption of professional video content has never been more popular, partly reflecting the explosion in the ways people access it.

The growing number of ways and contexts in which people can experience video content is raising questions about the value proposition and pricing of TV-only content bundles – especially given the advent of a rising generation of savvy and increasingly urbanised customers who still love television, but want more flexibility – first in ways they access and pay for content and second, what content they get.

Like previous generations, the new consumers are passionate about other media experiences as well as television, including live concerts, radio, magazines and books. But unlike previous generations, they demand, consume and function in a world of globally connected social media. And they are increasingly adept at incorporating the various elements of content and connectivity into their media consumption mix.

All this points towards the multichannel, multicontent, multiexperience future – a concept we have termed here the *media hub,* wherein a mass of content is available for an agreed price on all devices and where the live experience – be it FIFA World Cup football or Lady Gaga in concert – comes at a premium.

Turning the second screen into the consumer's social nexus

With the advent of smart devices, the concept of the media hub has now gained a so-called second screen for sharing and enjoying these experiences anywhere. With formerly print-based media such as magazines and newspapers launching smart-device apps, these forms of content could also become part of the overall media package as part of a multi-segment media bundle accessed via the media hub and its connected screens.

With social media incorporated into the media hub concept, consumers can take the logical next step from 'watching everything wherever and whenever I want' to having friends and family log in to share the experience in real time.

This could lead to an environment in which all content is streamed as a cheap, easily available, cloud-based utility-style service, with streamed and shared live experience becoming the premium form of content. The digital locker may also play a role, enabling consumers to store recorded content remotely and access it anywhere on any device.

In such a world, the multicontent, multidevice media hub could assume the role that TV held as the nexus of the collective social experience. However, while the analogue TV in the living room put the family circle at the centre of the shared content experience, the media hub will shift the centre of gravity towards a more geographically spread community of friends with shared interests, often of similar ages. This extended circle of friends could become the media hub's killer application, glued together by the shared content experience.

Smart devices spearhead change

The first signs of the socialised multiscreen future are already emerging. But how is the consumer experiencing them? The answer lies in the rocketing take-up of smart devices.

Since the launch of the original iPad in April 2010, tablets have brought home to consumers – like no other device has – what the future of media might look like. For the first time, consumers became willing to watch premium video content on the go. In addition to cutting into PC sales, the tablet provides a metaphor for the feel of a future with ever-available mobile video and non-video content. Portability, accessibility to content, on-demand capability, high resolution and acceptable screen size – all formerly conflicting goals – have finally been reconciled.

Across broadcast and print media

Smart devices bring transformational opportunities across E&M segments. For example, TV companies could give consumers a customisable tablet/smartphone app that brings the consumers' own personal media on the TV, with consumer's favourite shows, movies and apps.

Tablets are also enabling print publishers to present consumers with a value proposition previously lacking in those publishers' online products, thus convincing consumers to pay for additional and premium content.

More generally, as the *Outlook* highlights, tablets' superior content experience is enabling growing numbers of print publishers to harness rising digital revenues. E-books are claiming a rising share of the paid-for book market. More and more newspapers are both launching apps and starting to put their content behind paywalls.

Consumer trends knock on into business-to-business models

Consumers' behavioural changes are also driving change in business-to-business publishing. Consumers who are members of the business workforce are increasingly mobile as well as accustomed to accessing information via an ever-wider range of devices. They expect the same immersive quality and consistency of experience at work as in their private lives and are incorporating social behaviours into their business behaviours.

For companies, these trends present challenges in terms of security and access, but also open up business opportunities. One outcome is that corporations are setting up social networks to encourage collaboration and innovation.

For business-to-business information providers, the core value of their business used to lie in their original product, such as a trade magazine or directory, whether physical or online. Today, these businesses' real asset is the deeply engaged specialist community with deep domain expertise for whom they provide information and interaction, thereby acting as a gateway for advertisers.

For business-to-business information providers, the most direct and most sustainable way to maximise their proposition to advertisers is to be a curator of information for the target community.

The finger on the consumer's pulse

In segments ranging from business-to-business information to consumer magazines, to streaming live music, smart devices are helping to usher in the connected multiscreen future. But to engage and immerse consumers in that future, E&M companies will need to understand consumers' behaviours, motivations and expectations as well as being able to access such information as location and transaction records.

The raw material needed to build that understanding – consisting of big data on consumers' activities, lifestyles, behaviours and transactions – is now available on a previously inconceivable scale and depth.

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Using analytics to find the little data in the big data

Getting this right isn't easy. The sheer volume and noise of big data make it hard to identify and apply the little data within them – the granular individual information that enables companies to personalise their communications with consumers and engage or immerse consumers more effectively. While many companies are still collecting and mining only the most basic of information, they will raise their game in this area going forward, because they know they have to.

This is evidenced by the continuing rise in the prominence and power of data analytics companies and skill sets. A related development is the drive to create new measurement systems for many segments of media, ranging from radio to out-of-home and from magazines and newspapers to TV content across platforms.

Privacy concerns: A major global barrier

The data that brings consumer insights also brings risks. An ongoing issue for E&M companies and policy makers within governments across the world is consumers' fear over the privacy of their personal information, with signs of a public and regulatory backlash against spying by online applications.

Consumers' concerns have been intensified by confusion and controversies surrounding the privacy approaches taken by global online giants. These concerns are creating the risk of regulatory actions that could potentially threaten growth, not only in the digital media industry, but also in the broader, digital economy. This risk underlines the need for further rapid progress in such areas as secure digital identities.

A win-win solution

In our view, there's a middle way that companies can pursue. Consumers are happier to provide information if they get something that they value in return – such as filling in a questionnaire at the supermarket in exchange for loyalty points. But they're concerned about companies going too far by monetising their data first and asking permission later. Given such worries, there's an opportunity to give consumers more control over how their personal data gets used and to deliver higher benefits in return, thereby encouraging them to volunteer even more information.

Under the current model, the advertiser works on behalf of the brand, not on behalf of the consumer. What's needed is a model that produces a win-win with the medium, the advertiser and the consumer all collaborating and benefiting transparently in a way that is ethical and legally appropriate.

Such a model demands collaboration as well as the acceptance that the only ones who own customers – and the customers' data – are the customers themselves. This requires a shift in the industry mindset, from the legacy focus on customer ownership to a new approach based on putting the customer in control – with all parties agreeing that personal data can be used only in ways the customer has agreed to.

2. Devising new business models to reinvent and expand the value proposition of advertising and content

A world of difference

The core challenge for E&M companies lies in how to remain relevant to their consumers and business customers in a way that differentiates them from their competitors. There are long-term structural and organisational changes that are needed right across the industry.

For companies operating internationally, this reshaping of their organisation is made more difficult because while many of the trends are global, the solutions vary locally. The reason is that the E&M market in each territory worldwide is developing in a different way and from a different starting point.

Pockets of pent-up growth potential

What's more, the impact on consumer behaviour when such services as mobile broadband burst onto the market can be electrifying. Even if the infrastructure to support such offerings is currently rudimentary or lacking, the growth in usage and revenues in the market can be explosive, once ignited by connectivity. These dynamics can be seen in the rapid take-up of mobile banking in Africa, as providers and consumers leapfrog the stage of physical branch infrastructure.

Far from hampering growth, a lack of legacy analogue connectivity and media choices makes consumers in growth markets more voracious for new digital choices – partly because the novelty and excitement are greater and partly because those consumers don't have to cope with the transition from old behaviours. The pent-up demand for connectivity also helps explain why businesses in emerging markets are outpacing mature territories in the pursuit of the commercial potential of mobile broadband.

The reinvention of advertising in the image of the consumer

Regardless of the differences between markets, the overriding trend across the world is that consumers' engagement with connected digital experiences is continuing to grow. As this happens, it's increasingly evident that people's time, and, by extension, the data generated through the ways they spend it are currencies that can be monetised. While this has always been the case, the addition of digitally derived insights into the mix is now redefining advertising – and expanding its value proposition.

Until recently, the natural choice for an advertiser to reach, say, potential car buyers might have been to advertise on the major auto websites. But, by applying analytics to the individuals' browsing behaviours, ad agencies and networks can now identify specific so-called auto-intenders who have the highest propensity to buy a car in the next 12 months.

Such developments mean that premium results are increasingly key to getting premium rates. Advertisers will pay a premium only for clearly demonstrated premium demographics, a proven track record of engaged consumers or solid revenues from click-throughs. Similarly, the conversation has shifted from display inventory to behavioural factors and drivers such as location.

Already, audience metrics and measurement are changing rapidly in response to such shifts. Customised metrics are valuable for retrospectively testing the impact of audience reach and engagement on the effectiveness of advertising campaigns and for allocating marketing spend across media.

Socialisation of advertising: Bought, owned, managed and earned

A further aspect of the primacy of data is the socialisation of advertising. Consumers are increasingly sharing recommendations and sponsored content with their friends via social media – sometimes incentivised by consumer-rewarded advertising mechanisms such as loyalty points and payments in virtual currencies.

Socialisation of advertising is also being fostered by consumers' strengthening engagement with the live shared experience, ranging from concerts to cinema, to exhibitions. These live formats are driving growth in experiential ads such as portable cardboard seats for music festivals, which act as mini billboards for brands.

Advancing socialisation is feeding into the widely accepted concept among agencies of bought-owned-and-earned advertising, to which we've added a fourth category: managed. Bought media consist of traditional above-the-line platforms such as the paid-for 30-second spot. Owned media are brands' websites that consumers are driven to by ads. Managed media is the orchestrated use of social media, such as engagement via bloggers. Earned media consists of ad content that generates massive hits through social recommendation.

More and more brands are using earned or unpaid media in their mixes, because a shared ad – if it takes off – can generate returns out of all proportion to the investment, especially if integrated across media.

Driving profound change for agencies

The rise of unpaid media reflects an innovative, new fusion of advertising, content and analytics – and is helping drive sweeping change in the roles and business models of creative and media agencies. As their clients hunt for new ideas and approaches, agencies are stepping up to act as digital advertising consultants, guiding their clients via insights into opportunities around the aggregation of data, socialisation, and content.

This trend is being accelerated by the disappearance of the historical distinction between traditional and digital media. Everything that agencies do for their clients now has an embedded digital component – and brands will increase their spend on previously untried models if they can see a reasonable likelihood of the right return.

To stay ahead, agencies need to be flexible enough both to quickly adapt to change and to collaborate with a wide array of media, technology, data and research companies.

Whatever alliances they form, data analytics is increasingly central to agencies' ability to demonstrate value for clients. Digital measurement tools mean brands can demand far greater accountability and insights into advertising effectiveness.

New roles emerge across the E&M value chain

The evolution of the value chain over the next five years will see new roles emerge across the E&M industry, reflecting growing clarity about the business models that will generate value in the new landscape.

What will the roles look like? We believe one of them will involve acting as the online destination or physical auditorium that hosts the customer experience – a role that could be termed 'the venue'. Another will be to act as the aggregator and filter for the target consumers' requirements. A further role will be as provider of exclusive content. Device developers will have a continuing part to play in collaborating closely with other participants to ensure the right experience.

As the various roles crystallise, media groups will conduct portfolio reviews to decide which they should focus on. Companies that take on multiple roles will face pressure from shareholders to justify their investments in diverse activities and to show how those investments contribute to overall value.

Paying for content: Renting, not owning

The models for monetising content are also continuing to evolve. Consumers generally appear to be moving toward wanting to rent content rather than own it outright. One factor may be that past experience has made consumers wary of owning content on formats that might become obsolete.

Overall, various trends highlight the need for flexibility in the way that different types of content are priced and delivered. For example, some high-end consumer magazine publishers are finding that 30-40% of the single copies they sell on tablets are back issues, which consumers then store and keep digitally. This opens up opportunities to sell a 'rental' subscription for current issues and use an 'ownership' model for selling back issues. It also underlines that the long tail of existing content continues to offer opportunities for additional revenue.

Using an array of pricing models

We are seeing the emergence of differentiated pricing models, which include free or paid-for options, respectively, with or without ads; tiered pricing, again with or without ads; payments in virtual currency; stored-value micropayments to buy 'bolt-on' packs and rental models charging cash or virtual currency over social networks.

Across the whole area of pricing, the question remains how the future infrastructure to service rising demand for bandwidth will be paid for. This issue demands a collaborative solution involving content and distribution.

As business models for the new E&M environment take shape, attention is turning to the organisational and operating models needed to underpin them. This is the third dimension of the reshaping of the industry.

3. Developing organisational models to harness new behaviours and grow revenues in the new normal

Reorganising around digital

Over the past decade, many E&M businesses have developed their digital business as an adjacent operating group, with separate infrastructure, solutions and staff. But in the new normal, with digital established as part of business as usual, that siloed approach has passed its sell-by date. The dislocation it causes between digital and physical is hindering consistent customer insight, holding back revenues and limiting scope for cost efficiencies on both sides of the divide.

The imperative is to combine the duplicate processes into a single enterprise-class digital operating model and capability, enabling companies to create once and distribute everywhere they choose. A digital model positions the business to reshape itself for the new normal and to harness new behaviours more effectively as a source of revenues.

Boosting profitability, scalability and innovation

E&M businesses have grasped the need to move digital to the centre of their operations, are now integrating their digital divisions into the main enterprise and are targeting benefits around three key areas:

- **Higher profitability** by reducing operational costs through common platforms and integrated business processes, thereby enabling the enterprise to take advantage of identifiable unique content and consumer experience assets across multiple platforms.

- Better **scalability**, thereby gaining greater agility to grow and flex the business – through the digital work flows; rights and royalty solutions that can support millions of digital transactions; and digital consolidation of physical-format archives to reduce costs and boost commercial exploitation.

- More effective and continual **innovation** through integration and automation, thereby freeing up time for staff to collaborate and generate new ideas.

Barriers to address: Rights, royalties

While the journey to put digital at the heart of the organisation brings clear benefits, there are barriers along the way. One of the biggest involves content rights and royalties – an area in which many companies are burdened by rigid and complex legacy systems that can have direct impacts on their bottom lines.

E&M companies need to know when their rights to content will expire because if they don't renew their rights, the rights will diminish in value. They need a management system that removes that risk.

But this has become challenging for three reasons. First, despite moves toward multiformat IP-based distribution, rights still often vary by platform. Second, payment schedules vary significantly by format. And third, the sheer number of contracts required for all of the content channels and formats is making the exercise more complex. In many cases, rights buyers face comparable complexity and legacy challenges in their side of the deal.

Piracy: Still a growing problem

Piracy remains a growing problem. Legal moves to tackle piracy are continuing. In recorded music, graduated-response programmes have helped reduce unauthorised file sharing.

Irrespective of the legal position, the widespread mindset in many countries is still that piracy is not a crime or is at worst a victimless one. However, in contrast to the handful of committed digital pirates, most consumers are somewhere on a spectrum between complete legitimacy and criminality. Those who undertake piracy usually do so because easy and cheap opportunities arise or because they cannot get the content any other way. Companies and regulators need to encourage people to shift towards the legitimate end of this spectrum.

One way to do this is by reducing the legal barriers to legal availability. In our view, a more fundamental issue is that consumers intrinsically do not understand why content rights matter. This is a knowledge gap that may critically undermine efforts to introduce new windowing and revenue models. Closing the gap requires education.

The collaborative digital enterprise starts to emerge

In last year's *Outlook* we proposed the collaborative digital enterprise (CDE) as the future organisational model for the industry. This is a digital-based organisation that can collaborate flexibly, openly, and effectively, both internally and externally.

Transforming to a CDE involves tough choices and changes, both internally and externally:

- **Internally**, there are decisions to be made about the organisational model. In our view, the CDE lends itself to the integrated company model, as major media companies cannot leverage their scale effectively if their divisions are operating as independent fiefdoms. Also, internal collaboration is a prerequisite for external collaboration. If people cannot collaborate inside, they'll hardly be able to do so outside the enterprise.

- **Externally**, the choice is as wide as, whom to collaborate with? And how?

The raw materials: Talent and innovation

The technology to deliver the CDE exists now. The main challenges involve marshalling and leading the talent and the innovative culture needed to make it a reality.

Intrinsically linked to talent is the need to develop a culture of innovation – not just in technological terms, but also in the way people collaborate and approach problems. Research and development no longer only happens in the lab and an innovative culture forms a vital circle by attracting innovative talent, who in turn reinforce the culture.

However, E&M companies face fierce competition from pure technology companies, which generally tend to pay higher salaries. E&M companies need to overcome this barrier by becoming better employers and by leveraging nonfinancial attractions.

Leaders who understand behaviour

A key success factor in E&M through to 2016 is the need for clear-sighted leadership by people who understand the power and motivations behind the behavioural changes underway. These leaders will ask questions rather than dictate strategy; empower their people rather than direct them; and embrace an innovative new culture through their own behaviour, rather than try to impose it through rules.

The key is that the changing behaviours of employees and consumers demand a new way to foster, measure, and improve performance and thereby productivity. Specifically, it requires awareness of behavioural drivers that go beyond the familiar world of reason, which define strategy, operating model and process.

It involves asking what motivates people to act with passion as well as uncovering the 'moving parts' and unconscious biases that can cause irrational or damaging behaviour. Identifying these moving parts requires an understanding of behaviours across both the new generation of Millennial employees and the older workforce.

Putting behaviour at the heart of performance will help E&M leaders address these issues by enabling themselves to understand both the limitations of reason as a predictor of behaviour and the potential for going beyond reason to inspire performance. The E&M organisation led this way will be more agile, more innovative, and more engaged – thereby making it better able to line up strategy with performance and to tap into the opportunities that will emerge over the next five years.

Conclusion: The end of the beginning

In the face of sweeping changes and uncertainty, the E&M industry has spent the past few years seeking the right business models for the new digital world through an iterative cycle of constant experimentation, ongoing innovation and targeted analysis of results.

The cycle is far from over and experimentation and innovation will continue. But the analytic results are now sufficiently robust and compelling to enable companies to press ahead into the new normal with confidence.

The digital new normal becomes clearer

We believe the industry is at the end of the beginning of its digital journey. There remains a lot more to be done to adapt to the new world, but the fog is lifting and digital's move to the core of business as usual and into the heart of E&M companies' operations means execution and experimentation are no longer sequential but will continue hand in hand.

As the landscape becomes clearer, it's increasingly evident that old and new media, or analogue and digital formats, are not mutually exclusive. The key in areas from pricing to delivery models and from collaboration to consumer privacy are flexibility and inclusivity.

By embracing digital as the engine of their business and using digital to integrate and automate processes from content production to rights management, companies can position themselves to meet consumers' changing demands through any channel and format – and more effectively and more profitably than ever before.

Data-driven collaboration gains momentum

Two elements will underpin the capabilities needed for success in the new normal. Each of these elements will bring its own challenges.

The first element is data. The killer insights are there in big data – and companies are refining their ability to identify and isolate the nuggets of little data that contains those insights. The main challenge is the privacy agenda, wherein companies must move away from owning the customer to putting the customer in control.

The second element is collaboration. The immersive experience of the future cannot be delivered by a single provider. The challenge here will be cultural and competitive – building the ability to trust collaborative partners, including competitors, while avoiding collusion.

As collaborative groupings emerge, different players will adopt different and complimentary roles in the value chain, and analytics-driven data will act as the glue holding them all together. Digital metrics will enable value created to be distributed equitably on the basis of results achieved.

For the E&M industry, the new normal is here, making an unprecedented pool of value available to those who want to compete for it. It's time to look beyond the uncertainty of recent years and to focus on pinpointing and executing strategies and models to claim a sustainable and rising share of resulting revenues.

Source: Global entertainment and media outlook 2012-2016 (PwC, 2012)

Drill down through data across segments and components.

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