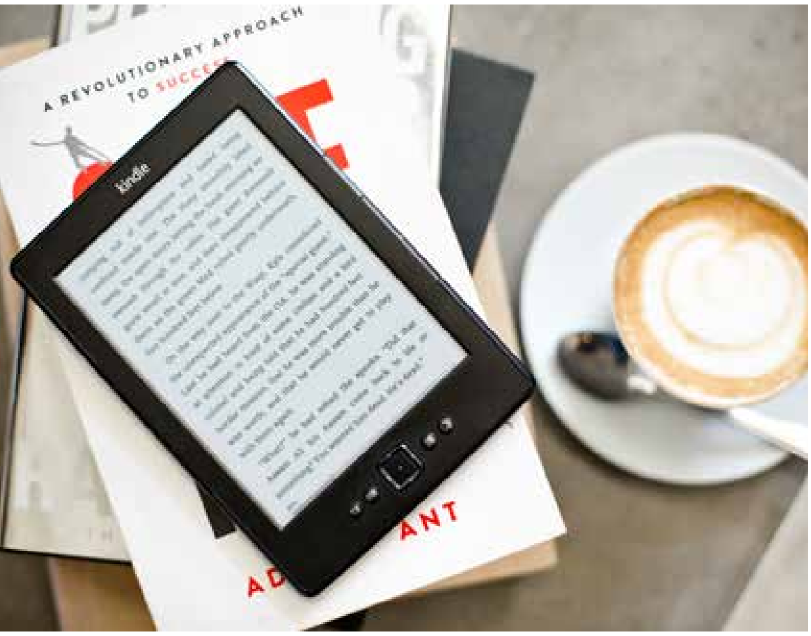
Entertainment and media outlook: 2015 – 2019

South Africa – Nigeria – Kenya



6th annual edition
September 2015

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

pwc

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Contents

Industry overview 17

Internet 39

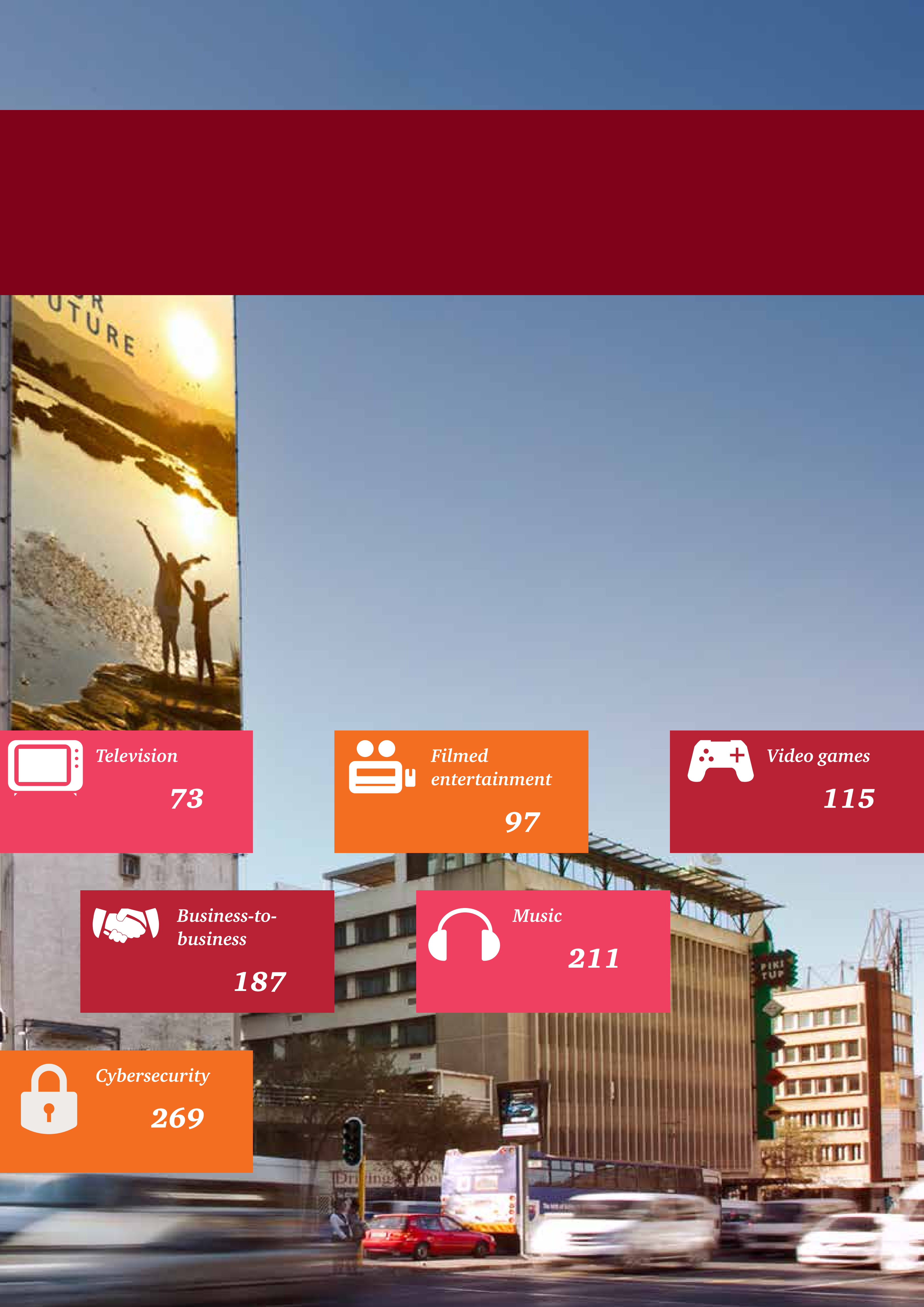
Newspaper publishing 135

Magazine publishing 153

Book publishing 171

Out-of-home advertising 231

Radio 251



Television
73

Filmed entertainment
97

Video games
115

Business-to-business
187

Music
211

Cybersecurity
269

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Acknowledgements

Many other PwC professionals and industry experts reviewed the text and contributed local expertise to this publication and we thank them for their assistance.

We also thank the following:

- Isidingo
- Netflorist
- Provantage
- Sevens Furniture Stores

Let us analyse the Entertainment and media outlook 2015-2019 forecast consumer and advertising spending data for you

From filmed entertainment to magazine publishing, we uncover how shifts in spending are likely to shape the future of 11 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 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 11 industry sectors across three countries is also available online at www.pwc.co.za/outlook.

The online Outlook provides raw data and individual country commentary.

Experience the Global Outlook

This edition of *Outlook* is part of a suite of PwC publications covering the global entertainment and media industry. The *Global entertainment and media outlook 2015-2019* 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 more than 50 countries.

Vicki Myburgh
South African Entertainment & Media Industry Leader

Welcome, clients and friends in the entertainment and media industry and beyond to the Outlook.

I'm delighted once again to bring you our annual Outlook. For five years we've been providing comprehensive consumer and advertising spend forecasts in our Entertainment and media outlook. We've examined these projections in great detail, looking at how changes in spending will reshape the industry, and how consumers, advertisers, content creators and digital distributors are responding to these shifts.

Each year, our team of entertainment and media (E&M) specialists generates impartial and detailed consumer and advertising spend data (five year historical and five year forecast) for 11 industry segments in three countries. So, in addition to reading this publication, I encourage you to visit the online Outlook at www.pwc.co.za/outlook.

This year's Outlook shows consumer demand for E&M experiences will continue to grow, while migrating towards video and mobile. However, it's increasingly clear that consumers perceive no divide between digital and traditional media. What they want is more flexibility and freedom – for which read 'choice' – in when and how they consume. And they're choosing offerings that combine an outstanding and personalised user experience with an intuitive interface and easy access. This includes shared physical experiences like cinema and live concerts, which appear re-energised by digital and social media.

Today's entertainment and media companies need to do three things to succeed: innovate around the product and user experience; develop seamless consumer relationships across distribution channels; and put mobile (and increasingly video) at the centre of the consumer experience.

I hope you enjoy this edition of the Outlook and rest assured that our PwC E&M professionals continue to track the trends explored in this publication. Should you like to discuss anything covered, please contact one of them, using the details provided in this publication. We'd love to hear from you.

Myburgh

Vicki Myburgh

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Want instant access to more consumer and advertising spend data and analysis?

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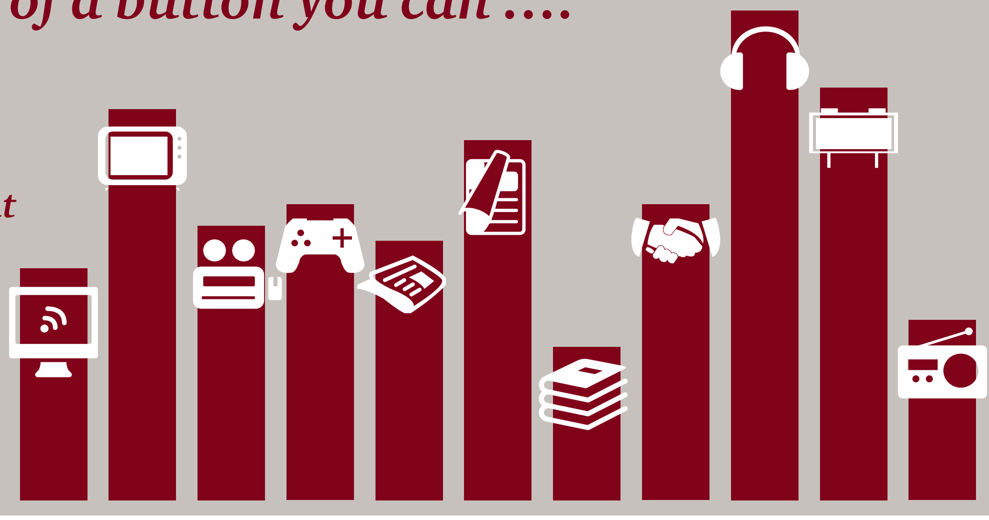
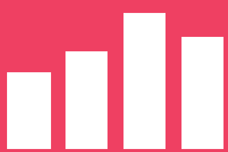
Compare digital and non-digital spend data for 11 entertainment and media segments across 3 countries



See year-on-year growth with

Five-year forecast and five-year historical spend data



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Country and segment data and commentary to PDF.

www.pwc.co.za/outlook

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

A: Take a look around the Outlook 2015-2019

One comparable online source of consumer and advertising spending

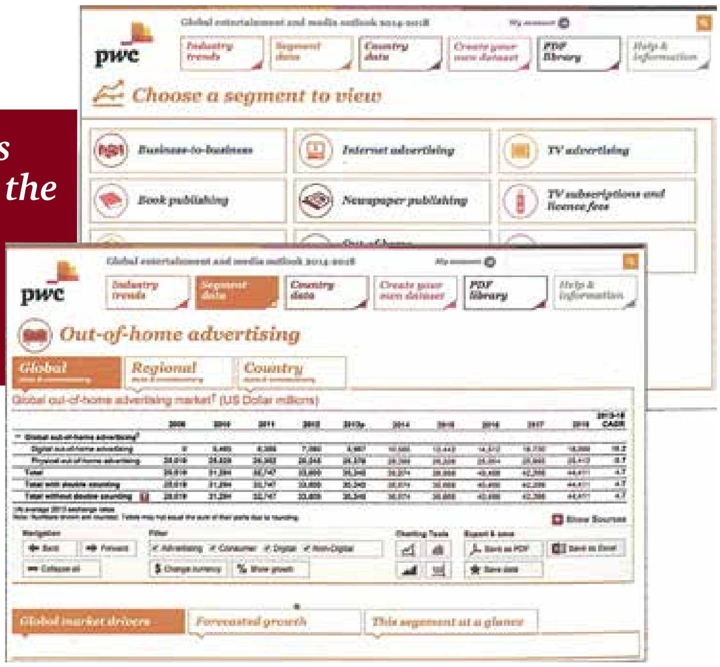
Understanding where consumers and advertisers are spending their money in the entertainment and media industry can help inform many important business decisions. But being able to find comparable data, for multiple entertainment and media sectors and countries from a single source, can be a challenge.

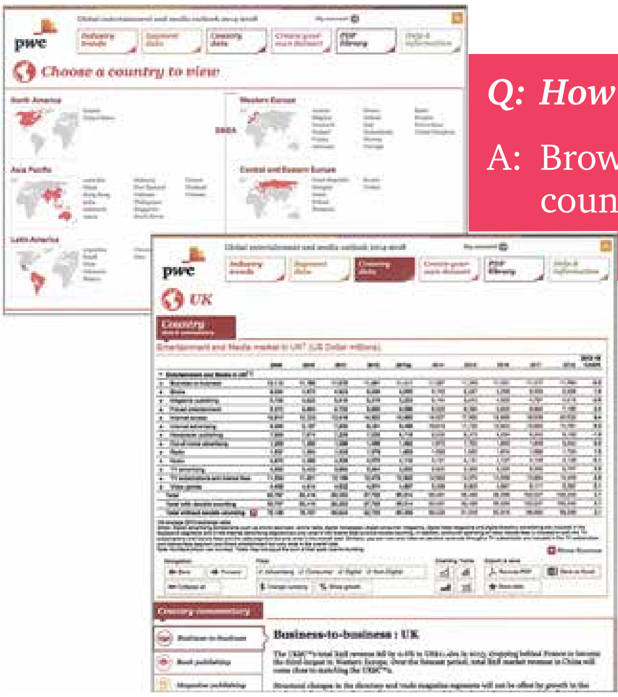
PwC's Entertainment and media outlook for South Africa, Nigeria and Kenya provides a single comparable source of consumer and advertiser spending data and analysis:

- For 11 entertainment and media segments;
- Across three countries;
- Providing five-year historic and five-year forecast spending data from 2010-2019; and
- Updated annually and now in its 6th year.

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

A: Browse consumer and advertising spending by segment.



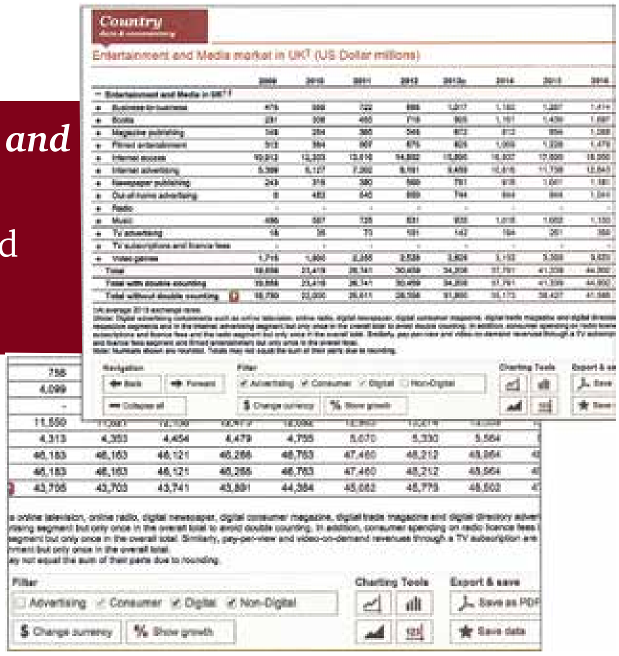


Q: ***How does spending vary by country?***

A: Browse consumer and advertising spending by country.

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

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

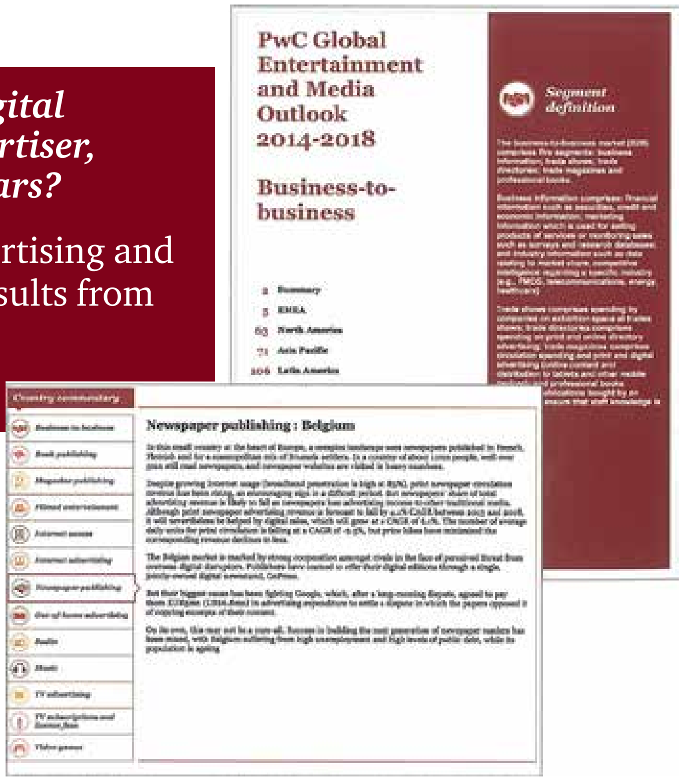


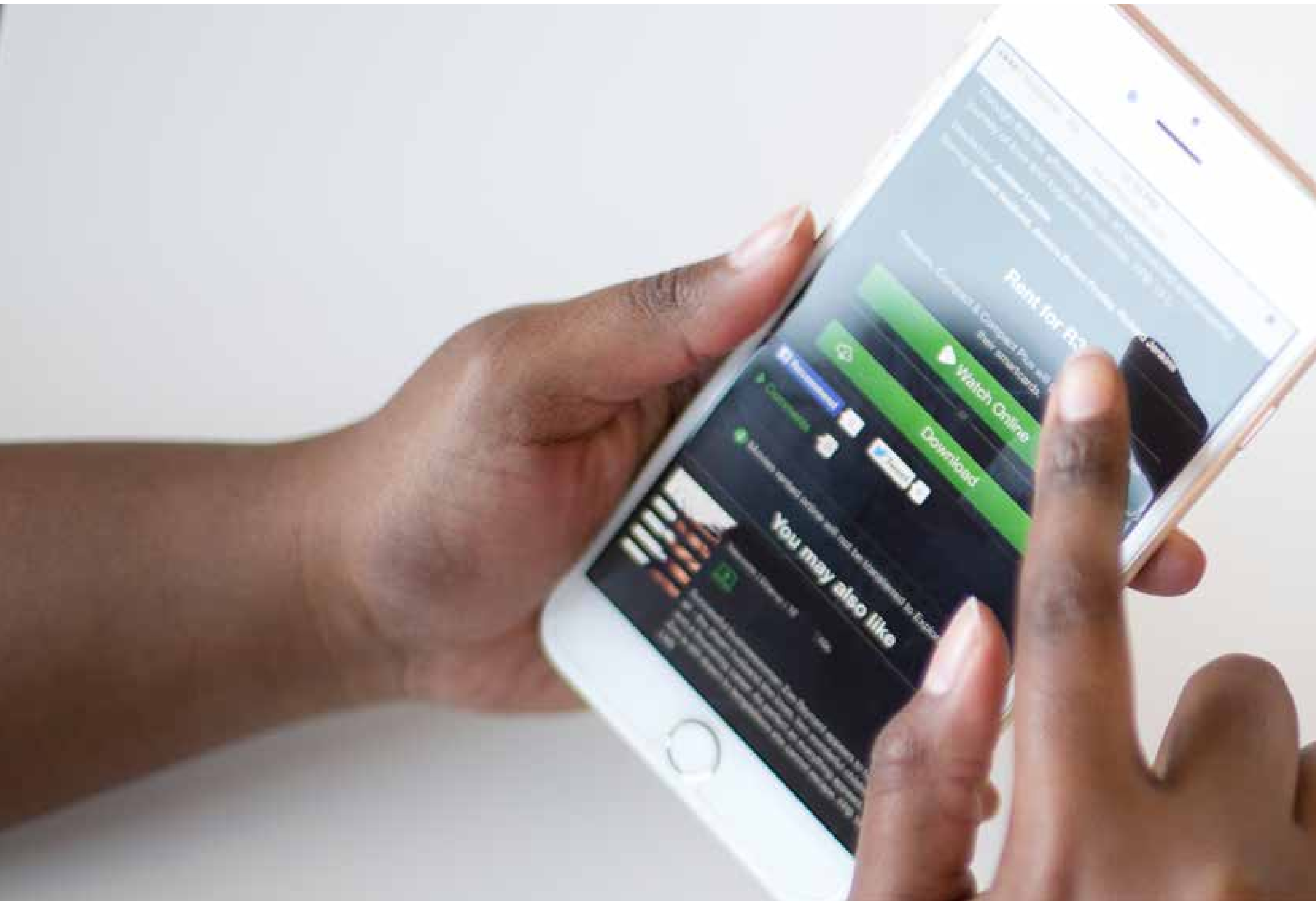
Q: ***How are shifts in segment spending shaping individual markets?***

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

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 2010-2019.





Individual and corporate-level access to PwC's Global entertainment and media outlook 2015-2019

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, tailored subscription options are 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.

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Methodology

Historic data collection

All forecasts have been built on a foundation of historical data collected 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, 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 a 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 calendar 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.

Currency conversions

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

- 10.842 South African Rand (ZAR)
- 165.690 Nigerian Naira (NGN)
- 88.593 Kenyan Shillings (KES)

Industry overview

South Africa

Total entertainment and media spending by segment, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Books	3 884	3 819	3 807	3 832	3 828	3 832	3 845	3 863	3 914	3 967	
YOY growth (%)		*-1.7%*	*-0.3%*	*0.6%*	*-0.1%*	*0.2%*	*0.3%*	*0.5%*	*1.3%*	*1.4%*	*0.7%*
Business-to-business	7 289	7 328	8 103	8 623	9 203	9 805	10 393	10 966	11 517	12 050	
YOY growth (%)		*0.5%*	*10.6%*	*6.4%*	*6.7%*	*6.6%*	*6.0%*	*5.5%*	*5.0%*	*4.6%*	*5.5%*
Filmed entertainment	2 287	2 539	2 671	2 824	2 991	3 173	3 287	3 458	3 684	3 919	
YOY growth (%)		*11.0%*	*5.2%*	*5.8%*	*5.9%*	*6.1%*	*3.6%*	*5.2%*	*6.6%*	*6.3%*	*5.6%*
Internet	10 010	13 544	18 624	26 725	34 589	42 916	51 846	61 312	71 277	81 705	
YOY growth (%)		*35.3%*	*37.5%*	*43.5%*	*29.4%*	*24.1%*	*20.8%*	*18.3%*	*16.3%*	*14.6%*	*18.8%*
Magazines	6 755	7 572	8 386	8 865	9 446	9 773	10 085	10 418	10 663	10 899	
YOY growth (%)		*12.1%*	*10.8%*	*5.7%*	*6.6%*	*3.5%*	*3.2%*	*3.3%*	*2.4%*	*2.2%*	*2.9%*
Music	2 315	2 212	2 141	2 082	2 014	1 998	1 995	2 027	2 086	2 144	
YOY growth (%)		*-4.4%*	*-3.2%*	*-2.7%*	*-3.3%*	*-0.8%*	*-0.1%*	*1.6%*	*2.9%*	*2.8%*	*1.3%*
Newspapers	8 518	8 984	9 139	9 288	9 075	9 229	9 392	9 559	9 742	9 948	
YOY growth (%)		*5.5%*	*1.7%*	*1.6%*	*-2.3%*	*1.7%*	*1.8%*	*1.8%*	*1.9%*	*2.1%*	*1.9%*
Out-of-home	2 860	3 297	3 736	4 105	4 271	4 401	4 542	4 704	4 879	5 071	
YOY growth (%)		*15.3%*	*13.3%*	*9.9%*	*4.0%*	*3.0%*	*3.2%*	*3.6%*	*3.7%*	*3.9%*	*3.5%*
Radio	3 019	3 243	3 612	4 170	4 452	4 750	5 048	5 346	5 643	5 941	
YOY growth%		*7.4%*	*11.4%*	*15.4%*	*6.8%*	*6.7%*	*6.3%*	*5.9%*	*5.6%*	*5.3%*	*5.9%*
TV	23 680	25 951	28 093	30 102	32 390	33 836	35 620	37 180	39 151	40 949	
YOY growth (%)		*9.6%*	*8.3%*	*7.1%*	*7.6%*	*4.5%*	*5.3%*	*4.4%*	*5.3%*	*4.6%*	*4.8%*
Video games	1 592	1 810	2 029	2 365	2 619	2 823	2 997	3 194	3 404	3 610	
YOY growth (%)		*13.6%*	*12.1%*	*16.6%*	*10.7%*	*7.8%*	*6.2%*	*6.6%*	*6.6%*	*6.0%*	*6.6%*
Total	**71 200**	**79 001**	**88 769**	**101 136**	**112 748**	**124 098**	**136 290**	**148 916**	**162 472**	**176 281**	
YOY growth (%)		***11.0%***	***12.4%***	***13.9%***	***11.5%***	***10.1%***	***9.8%***	***9.3%***	***9.1%***	***8.5%***	***9.4%***

Notes: Figures for 2010–2014 have been updated to reflect the 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 are counted in business-to-business and book publishing, but only once in the overall total.
Trade magazines are counted in business-to-business and magazine publishing, but only once in the overall total.

Sources: PwC, Ovum

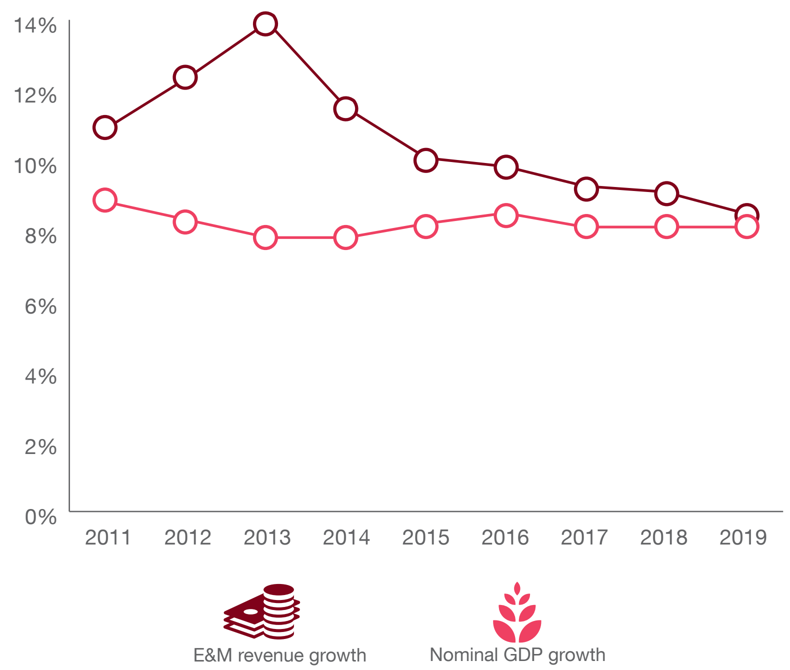
Strong overall CAGR expected to 2019

South Africa's entertainment and media (E&M) market continues its run of double-digit year-on-year growth, recording an 11.5% rise to reach R112.7 billion in 2014. Although the double-digit run is forecast to end in 2016, the country is still forecast to see a healthy CAGR rise of 9.4% to 2019, reaching R176.3 billion in that year.

It is digital growth that will fuel the overall rise, with Internet access and advertising combined rising at an 18.8% CAGR to account for the majority of the R64 billion improvement. Internet access and advertising revenues as a percentage of total E&M revenue will rise from 31% in 2014 to 46% in 2019.

The growth in E&M is in line with wider economic growth, with nominal GDP forecast to rise above 8.0% year-on-year from 2015 onwards. Although E&M revenue growth year-on-year will continue to exceed nominal GDP growth over the forecast period, the two streams will nearly converge by 2019.

Fig 1. Entertainment and media (CAGR %), and nominal GDP growth, 2011–2019 (%)



Sources: PwC, Ovum

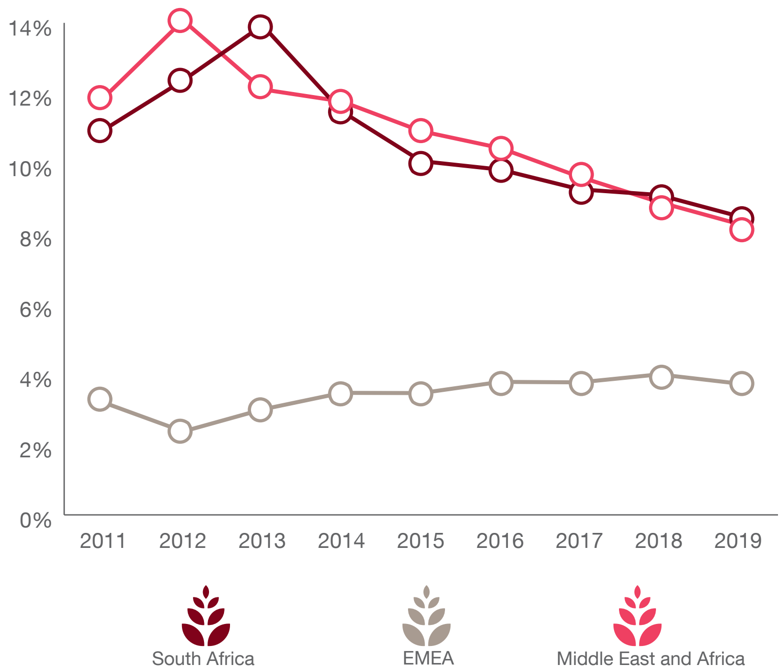
E&M revenue growth outstrips economic growth

South Africa's growth over the forecast period is broadly in line with growth in the Middle East and Africa as a whole, but compares favourably with the larger Europe, Middle East and Africa region.

Overall, what is becoming more evident globally is that the distinction between 'digital' and 'non-digital' is regarded as mostly irrelevant by consumers. Instead, their focus is on choosing a convenient and compelling content experience that suits their needs depending on where they are and what they are doing – without worrying or even caring how it's delivered. What is much more relevant these days is what content, services and experiences consumers are willing to pay for and how.

South African growth to far exceed EMEA average

Fig 2. South Africa, E&M revenue growth vs EMEA, and Middle East and Africa (%), 2011–2019

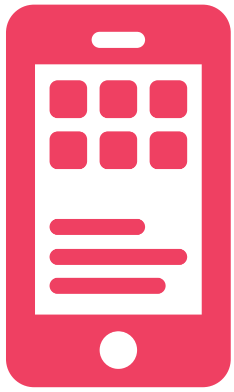


Source: PwC, Ovum

As 'traditional' media in general rises at a more gentle rate, digital media's strong performance means that the South African market is approaching a significant tipping point. The total digital share of E&M spending was an already strong 33% in 2014, but this will rise to 49.6% in 2019, meaning that digital revenues could account for the majority of overall E&M revenues as early as 2020.

The figure was only 16% in 2010, clearly demonstrating the transformative effect of the Internet in South Africa. Indeed, across multiple segments, shifts to digital will be observed before the end of the forecast period: digital recorded music revenue is set to overtake physical recorded music revenue in 2019; electronic home video revenue will surpass physical home video revenue in the same year, and South Africa will be one of the few markets globally where social/casual gaming revenue (which is primarily app-based) will overtake traditional gaming revenue by 2019.

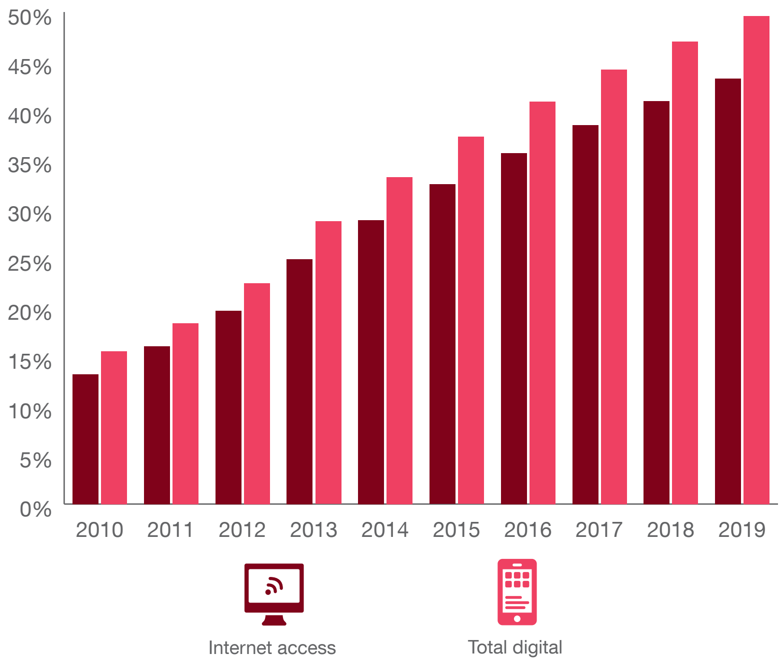
Internet access in particular is making up an ever larger proportion of overall revenue – without it, the total E&M industry would rise at only a 4.5% CAGR to 2019. That in itself should be a source of concern for providers of E&M content: the amount of free print and video content on offer once consumers have access to the Internet may well prove discouraging to future consumer spend.



Digital spending approaches half of all revenue

Internet access drives overall growth

Fig 3. Internet access share, and total digital share, of E&M spending, 2010–2019 (%)



Sources: PwC, Ovum

Internet advertising is another key digital segment, with revenue forecast to rise at a 21.7% CAGR as advertisers continue to redirect their spend to online formats. But digital delivery is also clearly working for consumers, as shown by the 9.3% CAGR growth forecast for digital recorded music revenue, and the enormous 21.6% CAGR growth expected in electronic home video revenue.

Total digital share of E&M spending will reach almost 50% in 2019

Internet-connected devices to surge over forecast period

Consumer spending

South Africa's total consumer spending will rise by more than R51 billion over the forecast period, from R73.1 billion in 2014 to R124.2 billion in 2019. Internet access spend accounts for a large majority of this growth – again, it is noteworthy that taking Internet access out of the equation leaves a consumer CAGR of just 3.4%. That said, every market is scheduled to rise to 2019.

Music, magazines and newspapers, which will show only modest consumer growth, are three segments that face strong competition from the Internet: much of the features and reporting available in magazines and newspapers can be consumed without charge online, while the likes of YouTube offer freely available music content. In South Africa's newspaper industry, titles such as *Isolezwe* have thus seen success by being able to offer quality Zulu-language content, which is less available online, and to reach areas that don't necessarily have widespread Internet access.

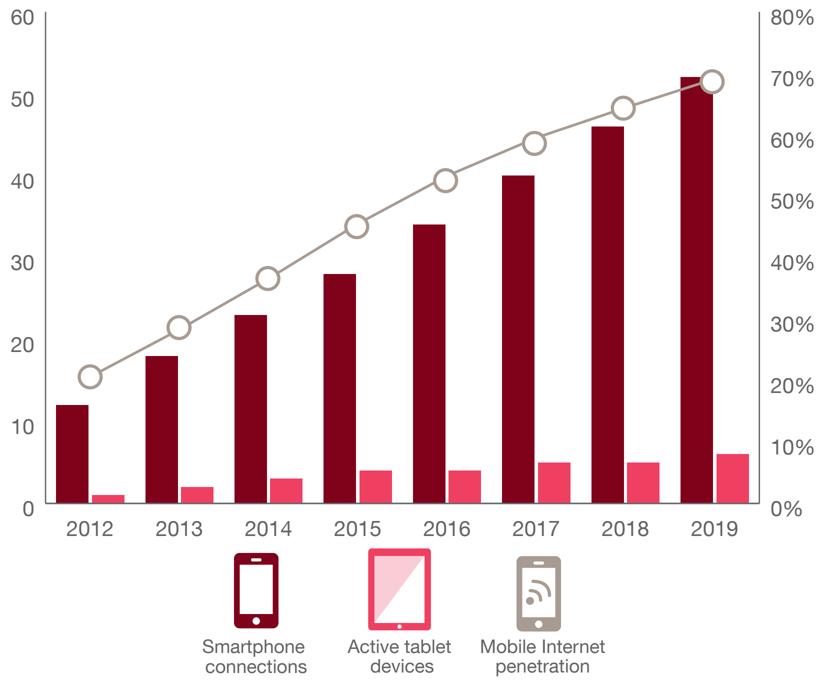
After Internet access, it is video games, business-to-business and filmed entertainment that will see the largest consumer revenue growth. But it is Internet access itself that is acting as a driver of revenues in video games and film – making new revenue streams more viable to more consumers, such as over-the-top (OTT)/streaming or social/casual gaming revenue, and cancelling out physical falls.

Consumer spending by segment, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Books	3 884	3 819	3 807	3 832	3 828	3 832	3 845	3 863	3 914	3 967	
YOY growth (%)		*-1.7%*	*-0.3%*	*0.6%*	*-0.1%*	*0.2%*	*0.3%*	*0.5%*	*1.3%*	*1.4%*	*0.7%*
Business-to-business	3 562	3 616	3 946	4 172	4 515	4 862	5 184	5 476	5 736	5 959	
YOY growth (%)		*1.5%*	*9.1%*	*5.8%*	*8.2%*	*7.7%*	*6.6%*	*5.6%*	*4.7%*	*3.9%*	*5.7%*
Filmed entertainment	1 932	2 028	2 119	2 230	2 352	2 489	2 555	2 677	2 852	3 035	
YOY growth (%)		*5.0%*	*4.5%*	*5.3%*	*5.5%*	*5.8%*	*2.7%*	*4.7%*	*6.6%*	*6.3%*	*5.2%*
Internet	9 398	12 680	17 443	25 154	32 533	40 303	48 613	57 356	66 541	76 208	
YOY growth (%)		*34.9%*	*37.6%*	*44.2%*	*29.3%*	*23.9%*	*20.6%*	*18.0%*	*16.0%*	*14.5%*	*18.6%*
Magazines	3 609	4 157	4 724	5 007	5 422	5 623	5 816	6 010	6 213	6 416	
YOY growth (%)		*15.2%*	*13.7%*	*6.0%*	*8.3%*	*3.7%*	*3.4%*	*3.3%*	*3.4%*	*3.3%*	*3.4%*
Music	2 129	2 015	1 937	1 863	1 779	1 744	1 721	1 729	1 762	1 794	
YOY growth (%)		*-5.4%*	*-3.9%*	*-3.7%*	*-4.6%*	*-1.9%*	*-1.3%*	*0.5%*	*1.9%*	*1.8%*	*0.2%*
Newspapers	2 648	2 587	2 635	2 644	2 667	2 694	2 724	2 749	2 774	2 797	
YOY growth (%)		*-2.3%*	*1.9%*	*0.3%*	*0.9%*	*1.0%*	*1.1%*	*0.9%*	*0.9%*	*0.8%*	*1.0%*
TV	13 556	15 017	16 055	17 160	18 138	18 795	19 527	20 204	20 983	21 693	
YOY growth (%)		*10.8%*	*6.9%*	*6.9%*	*5.7%*	*3.6%*	*3.9%*	*3.5%*	*3.9%*	*3.4%*	*3.6%*
Video games	1 575	1 789	2 004	2 332	2 581	2 779	2 946	3 136	3 337	3 533	
YOY growth (%)		*13.6%*	*12.0%*	*16.4%*	*10.7%*	*7.6%*	*6.0%*	*6.4%*	*6.4%*	*5.8%*	*6.5%*
Total consumer	**41 986**	**47 211**	**54 090**	**63 726**	**73 062**	**82 267**	**91 985**	**102 164**	**112 991**	**124 195**	
YOY growth (%)		***12.4%***	***14.6%***	***17.8%***	***14.7%***	***12.6%***	***11.8%***	***11.1%***	***10.6%***	***9.9%***	***11.2%***

Sources: PwC, Ovum

Fig 4. Smartphone connections (millions), active tablet devices (millions) and mobile Internet penetration (%), 2012–2019



The next five years will see a surge in smart devices, with smartphone connections more than doubling from 22.8 million in 2014 to 52.3 million in 2019 and active tablet devices rising from 2.6 million to 5.6 million over the same period. Mobile Internet penetration, meanwhile, will have risen more than 32 percentage points from 2014 to 2019, reaching 69.1% in the latter year.

	2012	2013	2014	2015	2016	2017	2018	2019
Smartphone connections (millions)	12	18	23	28	34	40	46	52
Active tablet devices (millions)	1	2	3	4	4	5	5	6
Mobile Internet penetration (%)	20.6%	28.3%	36.6%	45.5%	53.3%	59.5%	64.4%	69.1%

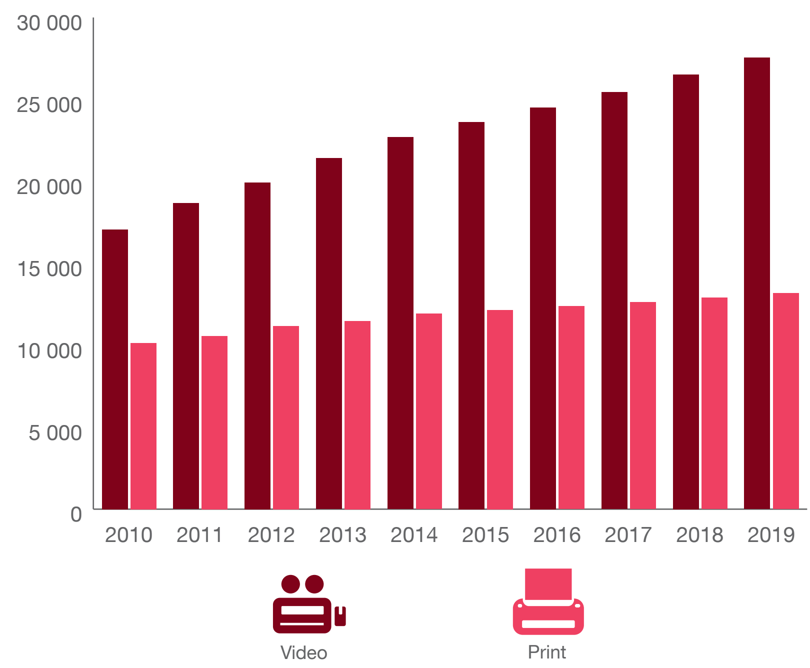
Sources: PwC, Ovum

Smartphone connections will exceed 50 million in 2019

Video content outperforms print...

Television, of course, remains a highly significant contributor to consumer spending, second only to Internet access in terms of value. One consistent trend, then – and not just in South Africa, but globally – is the rise in overall consumer spending through to 2019 on video-based content and services, against far flatter prospects for spending on primarily text-based content and services. If consumer revenue from TV subscriptions and licence fees, video games and filmed entertainment is aggregated, around R4.8 billion will be added between 2014 and 2019. This reflects a surge in video-based content, particularly as the means of creating, distributing and viewing it becomes cheaper and easier. In contrast, consumer revenue from books, magazines and newspapers is expected to rise by just R1.3 billion over the entire forecast period.

Fig 5. Video vs print, 2010–2019 (R millions)



NB: 'Video' combines consumer revenue from filmed entertainment, video games and TV subscriptions and licence fees. 'Print' combines consumer revenue from magazines, newspapers and books. 'Through-TV subscription' forms part of both filmed entertainment and TV subscription revenues, and has therefore only been counted once.
Source: PwC, Ovum

Consumer spending on video content pulls away from print

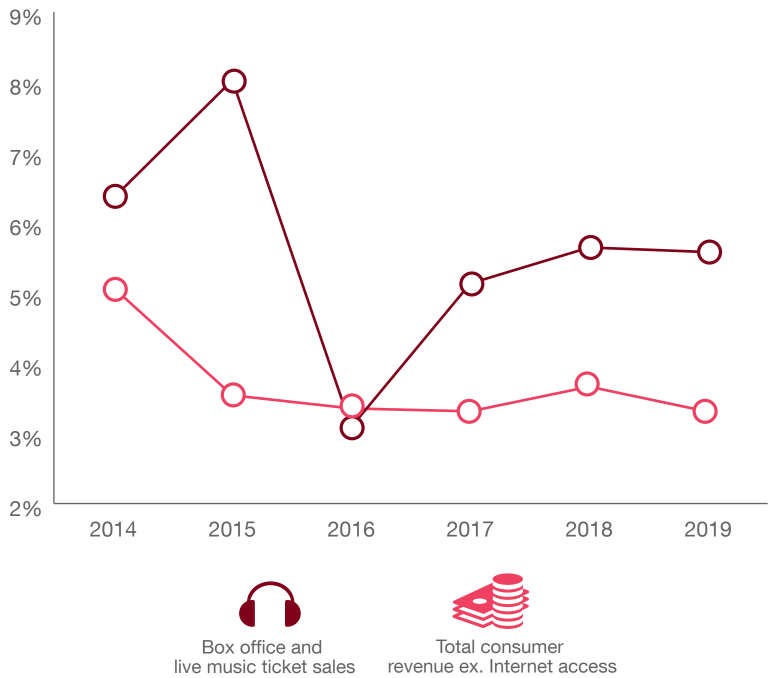
Alongside video providers, a further thriving source of consumer revenue over the coming five years will be live events. Taken together, box office revenue and live music ticket sales revenue will rise at a 5.5% CAGR to 2019 – some distance ahead of consumer revenue growth, excluding Internet access, at 3.4%.

Despite rapid increases in global Internet access and ever more available online entertainment content, the unique nature of the live experience means consumers still devote a significant share of their leisure time and entertainment budgets to attending live events – as demonstrated by the massive worldwide popularity of *Jurassic World* upon its launch in June 2015, and record-breaking figures for *Fast and Furious 7* at the South African box office.

…as the live experience continues to engage and delight consumers

Live entertainment continues its popularity

Fig 6. Total box office and live music ticket sales revenue vs total consumer revenue, excluding Internet access, year-on-year growth (%), 2014–2019



Sources: PwC, Ovum

This enduring appeal also has a positive effect on the related advertising revenues. South African cinema advertising revenue will grow by a CAGR of 6.7% between 2014 and 2019, while global live music sponsorship revenue is expected to rise at a CAGR of 8.3% in the same period, as advertisers seek to better direct their spend to particular audiences. It's clear that consumers value – and are willing to pay a premium for – real-life physical entertainment experiences, and these in turn are the types of consumer that advertisers wish to target.

Advertising revenue to rise at a robust 5.6% CAGR

Advertising

South Africa's total E&M advertising revenue will still rise at a 5.6% CAGR over the forecast period, from R39.7 billion in 2014 to R52.1 billion in 2019.

TV advertising is by some measure the largest contributor to total advertising revenue, followed by newspaper advertising: however, their combined 52% share of total advertising in 2014 will fall slightly to 51% in 2019. This is down to the meteoric rise of Internet advertising, which has a forecast CAGR of 21.7% to bring its share of total advertising up from 5% in 2014 to 11% in 2019. It also indicates that the days of several channels guaranteeing mass audiences are not going to stay for long, as viewership fragments in terms of content, time and place thanks to multiscreen devices and video-on-demand (VOD) services.

Internet advertising's appeal as the most measureable and accountable of advertising media, with advertisers easily able to track expenditure, has driven revenues, as has the increasing proliferation of Internet-enabled consumers, and the direction of travel towards this advertising medium seems clear. It is worth noting, however, that the paid search advertising market in South Africa – the largest contributor to Internet advertising revenue – is dominated by Google. This situation may be a concern for domestic media organisations, as such spending is not viewed as clearly benefitting the local content creation sector, for which traditional advertising has long been viewed as a key source of funding.

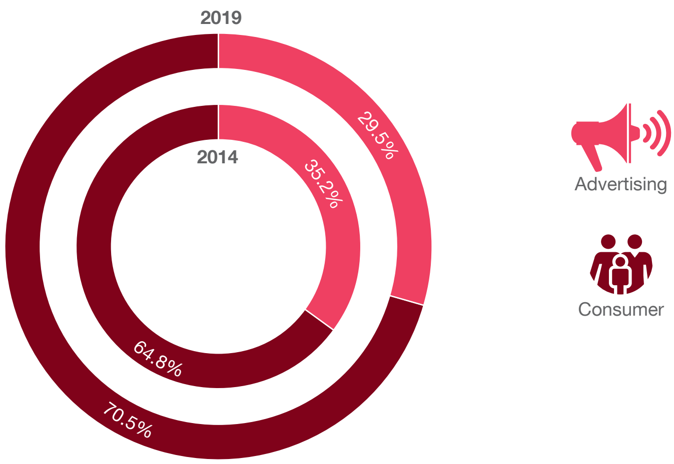
Radio will be the fourth-largest advertising segment in 2019, just behind business-to-business. The combination of a comparatively high average listening time with radio's capacity to reach even the more isolated communities means it will continue to provide an attractive form of advertising. These benefits could be further enhanced if radio stations can effectively harness Internet channels to provide a compelling product for the newly connected consumer.

Advertising vs consumer vs access

Despite the strong figures for advertising, its share of the E&M mix will decrease by 2019 as consumer spending takes an ever larger part of the pie. From 35% in 2014, advertising will account for just 30% of spending in 2019.

Consumer spending an ever larger part of the mix…

Fig 7. Consumer vs advertising, 2014 vs 2019 (%)



Sources: PwC, Ovum

Advertising spending by segment, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Business-to-business	3 727	3 712	4 157	4 451	4 688	4 943	5 209	5 490	5 781	6 091	
YOY growth (%)		*-0.4%*	*12.0%*	*7.1%*	*5.3%*	*5.4%*	*5.4%*	*5.4%*	*5.3%*	*5.3%*	*5.4%*
Filmed entertainment	355	511	552	594	639	684	732	781	832	884	
YOY growth (%)		*43.8%*	*8.0%*	*7.7%*	*7.5%*	*7.2%*	*6.9%*	*6.7%*	*6.5%*	*6.3%*	*6.7%*
Internet	612	864	1 182	1 570	2 056	2 613	3 233	3 956	4 736	5 497	
YOY growth (%)		*41.4%*	*36.7%*	*32.9%*	*30.9%*	*27.1%*	*23.7%*	*22.4%*	*19.7%*	*16.1%*	*21.7%*
Magazines	3 146	3 415	3 662	3 858	4 024	4 150	4 269	4 408	4 450	4 483	
YOY growth (%)		*8.6%*	*7.2%*	*5.4%*	*4.3%*	*3.1%*	*2.9%*	*3.2%*	*1.0%*	*0.7%*	*2.2%*
Music	186	197	204	219	235	254	274	298	324	350	
YOY growth (%)		*6.1%*	*3.3%*	*7.2%*	*7.5%*	*7.8%*	*8.2%*	*8.5%*	*8.9%*	*8.1%*	*8.3%*
Newspapers	5 870	6 397	6 504	6 644	6 408	6 535	6 668	6 810	6 968	7 151	
YOY growth (%)		*9.0%*	*1.7%*	*2.1%*	*-3.6%*	*2.0%*	*2.0%*	*2.1%*	*2.3%*	*2.6%*	*2.2%*
Out-of-home	2 860	3 297	3 736	4 105	4 271	4 401	4 542	4 704	4 879	5 071	
YOY growth (%)		*15.3%*	*13.3%*	*9.9%*	*4.0%*	*3.0%*	*3.2%*	*3.6%*	*3.7%*	*3.9%*	*3.5%*
Radio	3 019	3 243	3 612	4 170	4 452	4 750	5 048	5 346	5 643	5 941	
YOY growth (%)		*7.4%*	*11.4%*	*15.4%*	*6.8%*	*6.7%*	*6.3%*	*5.9%*	*5.6%*	*5.3%*	*5.9%*
TV	10 124	10 934	12 038	12 942	14 252	15 041	16 093	16 976	18 168	19 256	
YOY growth (%)		*8.0%*	*10.1%*	*7.5%*	*10.1%*	*5.5%*	*7.0%*	*5.5%*	*7.0%*	*6.0%*	*6.2%*
Video games	17	21	25	33	38	44	51	58	67	77	
YOY growth (%)		*20.1%*	*19.9%*	*34.3%*	*15.1%*	*16.3%*	*15.1%*	*14.2%*	*14.2%*	*15.4%*	*15.0%*
Total advertising	**29 214**	**31 790**	**34 679**	**37 410**	**39 686**	**41 831**	**44 306**	**46 752**	**49 481**	**52 087**	
YOY growth (%)		***8.8%***	***9.1%***	***7.9%***	***6.1%***	***5.4%***	***5.9%***	***5.5%***	***5.8%***	***5.3%***	***5.6%***

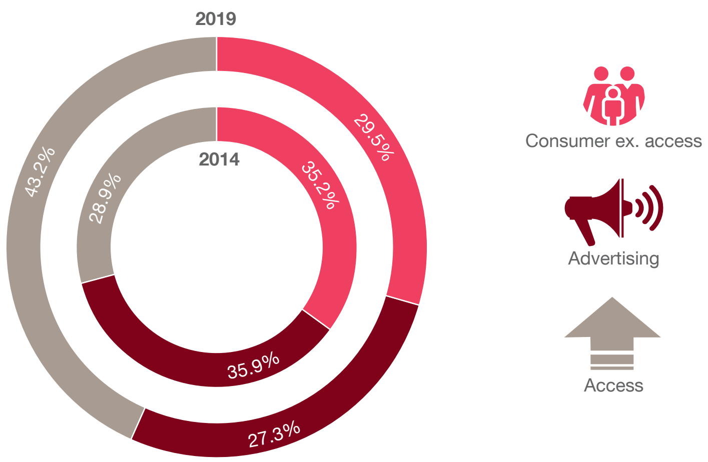
Sources: PwC, Ovum

But when Internet access spending is broken out from these figures, the transformative effect of this revenue stream becomes far clearer. Such is the rate of growth in Internet access, from an already high base, that it will rise 14 percentage points over the forecast period to account for 43% of E&M spending in 2019.

…as Internet access revenue makes a huge mark on the E&M market

On-demand models are changing consumer expectations about paid digital content…

Fig 8. Consumer vs advertising vs access, 2014 vs 2019 (%)



Sources: PwC, Ovum

Few would question the role of affordable Internet access in kick-starting the digital transformation of media and entertainment, but its ability to continue to disrupt the market in new and radical ways should not be underestimated. The ongoing spread of services to mobile networks, new devices and emerging markets will change how media and entertainment are served, consumed and monetised in multiple ways.

At a very high level, as these pie charts suggest, affordable Internet access will inhibit the revenue growth of various media sectors as consumers use it to access free, ad-funded and lower-priced subscription-based versions of new and existing media services. Mobile technologies will play a key role in driving this trend by making services more available and affordable to a wider base of consumers.

The Internet has accustomed consumers to the idea of instant access to content. In most cases, this content was initially delivered at no cost to the end user, and this apparent lack of a monetisation model caused owners of expensive content to hold back from making it available online. However, as sales of physical media continue to decline, globally expanding services such as Spotify and Netflix are managing to build a sizeable paying audience for content delivered over the Internet.

On-demand models are not solely about making digital versions of content available to paying consumers. These new services are also building their business on an understanding of the way consumers' expectations are changing. The model of traditional media asks consumers to pay to own a physical copy – a book, CD or DVD. But attempts to replicate the 'ownership' model in digital media have struggled. In music, for example, revenue from digital downloads – where consumers pay to own a file – are already declining in markets such as the US, and are set to be overtaken by revenue from digital streaming services, where the consumer pays merely to access the content.

Devices will increasingly shape media and entertainment services – and the market as a whole. Smartphones are emerging as the most popular way to access the Internet, providing media firms with the opportunity to create services that can be accessed almost anywhere – the ongoing challenge is to persuade consumers that those services should be paid for.

Nigeria

A booming entertainment and media market to surpass US$8 billion by 2019

Nigeria's entertainment and media market grew by 19.3% in 2014 to reach US$4.0 billion. The fastest-expanding major market globally, it will rise at an impressive forecast CAGR of 15.1%. By 2019, the market will be more than twice as big, with estimated total revenue of US$8.1 billion.

Consumer-heavy revenue mix in fast-evolving Nigerian market

Total entertainment and media spending by segment, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Books	39	44	45	47	50	52	55	58	61	63	
YOY growth (%)		*11.8%*	*1.8%*	*4.6%*	*5.9%*	*5.5%*	*5.2%*	*5.0%*	*4.8%*	*4.6%*	*5.0%*
Business-to-business	17	18	19	20	22	24	25	27	29	31	
YOY growth (%)		*3.2%*	*3.7%*	*10.5%*	*9.1%*	*6.4%*	*6.3%*	*6.6%*	*7.3%*	*6.7%*	*6.7%*
Filmed entertainment	139	162	166	175	183	194	209	230	258	295	
YOY growth (%)		*17.0%*	*3.1%*	*4.7%*	*4.7%*	*5.9%*	*7.5%*	*9.8%*	*12.4%*	*15.0%*	*10.1%*
Internet	552	765	1 090	1 608	2 134	2 780	3 419	4 122	4 843	5 622	
YOY growth (%)		*38.8%*	*42.4%*	*47.5%*	*32.6%*	*30.3%*	*23.0%*	*20.6%*	*17.5%*	*16.1%*	*21.4%*
Magazines	181	192	206	214	221	226	230	231	233	236	
YOY growth (%)		*6.3%*	*7.2%*	*4.5%*	*2.9%*	*2.0%*	*1.5%*	*1.2%*	*1.1%*	*0.9%*	*1.3%*
Music	47	48	50	50	51	56	62	69	79	88	
YOY growth (%)		*2.7%*	*2.8%*	*1.6%*	*3.8%*	*6.3%*	*9.0%*	*12.1%*	*15.6%*	*13.5%*	*11.3%*
Newspapers	209	200	199	200	198	197	198	196	197	196	
YOY growth (%)		*-4.0%*	*-0.9%*	*0.0%*	*-0.4%*	*-0.3%*	*-0.3%*	*-0.1%*	*-0.1%*	*-0.1%*	*-0.2%*
Out-of-home	150	160	173	188	203	216	231	246	264	287	
YOY growth (%)		*6.6%*	*8.0%*	*8.9%*	*7.9%*	*6.3%*	*6.7%*	*6.7%*	*7.6%*	*8.6%*	*7.2%*
Radio	77	79	83	87	90	93	97	100	103	107	
YOY growth (%)		*2.6%*	*5.0%*	*4.0%*	*4.5%*	*3.2%*	*3.3%*	*3.3%*	*3.6%*	*3.4%*	*3.4%*
TV	626	647	679	745	823	880	930	980	1 043	1 097	
YOY growth (%)		*3.3%*	*4.9%*	*9.8%*	*10.4%*	*7.0%*	*5.6%*	*5.4%*	*6.3%*	*5.2%*	*5.9%*
Video games	44	54	64	77	91	105	122	140	162	177	
YOY growth (%)		*22.5%*	*19.1%*	*19.7%*	*18.1%*	*15.8%*	*15.7%*	*15.5%*	*15.6%*	*9.3%*	*14.3%*
Total	**2 055**	**2 345**	**2 746**	**3 380**	**4 031**	**4 784**	**5 530**	**6 352**	**7 221**	**8 145**	
YOY growth (%)		***14.1%***	***17.1%***	***23.1%***	***19.3%***	***18.7%***	***15.6%***	***14.9%***	***13.7%***	***12.8%***	***15.1%***

Notes: Figures for 2010–2014 have been updated to reflect the 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 are counted in business-to-business and book publishing, but only once in the overall total.
Trade magazines are counted in business-to-business and magazine publishing, but only once in the overall total.
Sources: PwC, Ovum

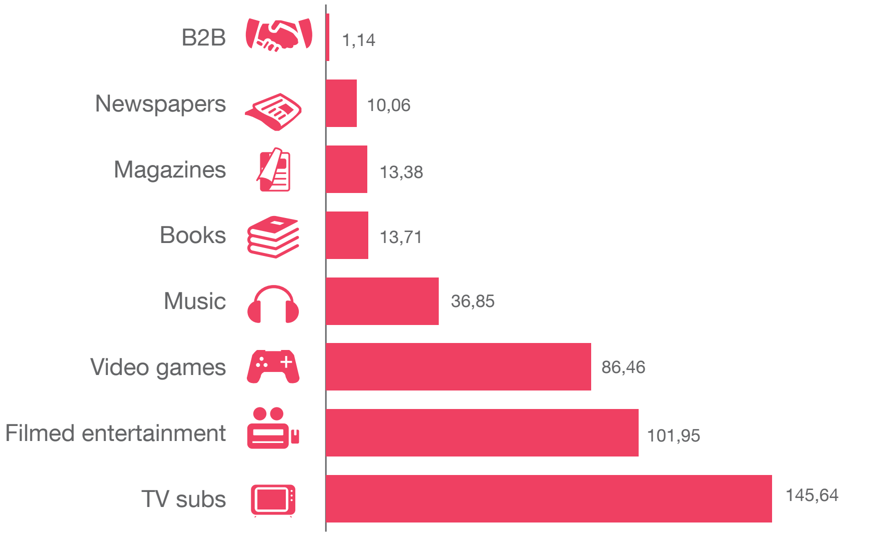
Television subscriptions and filmed entertainment are winners in the consumer markets

The Nigerian market is heavily driven by consumer spend, which accounted for more than four-fifths of total revenue in 2014. In particular, Internet access will be the main contributor to market expansion. In terms of absolute growth over the forecast period, Internet access revenue accounts for a remarkable 82% of the growth through to 2019.

The proportion of Nigerian households with fixed broadband access will rise reasonably strongly over the forecast period, from 7% in 2014 to 14% in 2019, whereas mobile Internet penetration is set to rocket from 7% to 31% over the same period. By then, 63.8 million Nigerians will have mobile Internet access and this is beginning to shape media consumption on a wide scale. Advertising still lags behind consumers in terms of online spend, but Internet advertising is a fast-growing area.

Television, comprising revenue from TV advertising and subscriptions, is the other main driver. The market is benefitting from a strong economy, with annual real GDP growth averaging over 6% over the last five years, leading to demand from both consumers and advertisers. One in four households will have a TV subscription by 2019 and although cable and IPTV services are currently limited, the satellite sector is still growing, and pay DTT became the leading platform in 2012.

Fig 9. Consumer spend (excluding Internet access), absolute revenue growth (US$ millions), split by sub-category, 2014–2019



Sources: PwC, Ovum

Excluding Internet access, television, filmed entertainment and video games are the areas where Nigerian consumers are expected to spend the most over the next five years. Consumer spend on video games and music is set to see the sharpest rise in forecast CAGRs at 14.3% and 11.4% respectively.

If revenues from the black market were to be included, the actual consumer spend numbers would be much higher. Piracy remains a widespread issue in Nigeria, limiting growth across several entertainment and media sectors.

Sharp rise in Internet advertising spend with an impressive forecast CAGR of 31.6%

Advertising spending by segment, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Business-to-business	4	4	4	5	5	5	6	6	6	7	
YOY growth (%)		*0.5%*	*6.2%*	*16.7%*	*16.5%*	*4.9%*	*4.8%*	*4.8%*	*5.7%*	*3.6%*	*4.8%*
Filmed entertainment	1	1	1	1	1	1	2	2	2	2	
YOY growth (%)		*-7.5%*	*-8.6%*	*2.3%*	*3.4%*	*7.6%*	*10.9%*	*13.5%*	*15.8%*	*18.2%*	*13.1%*
Internet	9	11	15	23	36	47	63	85	114	141	
YOY growth (%)		*34.4%*	*37.5%*	*54.0%*	*47.8%*	*34.1%*	*32.6%*	*33.7%*	*34.5%*	*23.4%*	*31.6%*
Magazines	7	7	8	7	8	8	9	8	9	9	
YOY growth (%)		*6.3%*	*7.4%*	*1.1%*	*2.0%*	*5.0%*	*4.8%*	*4.5%*	*4.9%*	*2.0%*	*4.2%*
Music	1	1	1	1	1	1	1	1	1	1	
YOY growth (%)		*1.5%*	*-2.5%*	*0.1%*	*0.2%*	*0.5%*	*1.0%*	*1.8%*	*4.0%*	*3.8%*	*2.2%*
Newspapers	87	81	76	72	68	65	63	60	58	56	
YOY growth (%)		*-6.8%*	*-7.0%*	*-5.4%*	*-4.8%*	*-4.4%*	*-4.2%*	*-3.4%*	*-3.4%*	*-3.5%*	*-3.8%*
Out-of-home	150	160	173	188	203	216	231	246	264	287	
YOY growth (%)		*6.6%*	*8.0%*	*8.9%*	*7.9%*	*6.3%*	*6.7%*	*6.7%*	*7.6%*	*8.6%*	*7.2%*
Radio	77	79	83	87	90	93	97	100	103	107	
YOY growth (%)		*2.6%*	*5.0%*	*4.0%*	*4.5%*	*3.2%*	*3.3%*	*3.3%*	*3.6%*	*3.4%*	*3.4%*
TV	235	274	284	301	331	350	370	394	431	459	
YOY growth (%)		*16.2%*	*3.8%*	*6.2%*	*9.8%*	*5.8%*	*5.7%*	*6.7%*	*9.2%*	*6.6%*	*6.8%*
Total advertising	**566**	**613**	**638**	**679**	**735**	**779**	**830**	**892**	**977**	**1 056**	
YOY growth (%)		***8.3%***	***4.1%***	***6.4%***	***8.3%***	***6.0%***	***6.5%***	***7.5%***	***9.6%***	***8.1%***	***7.5%***

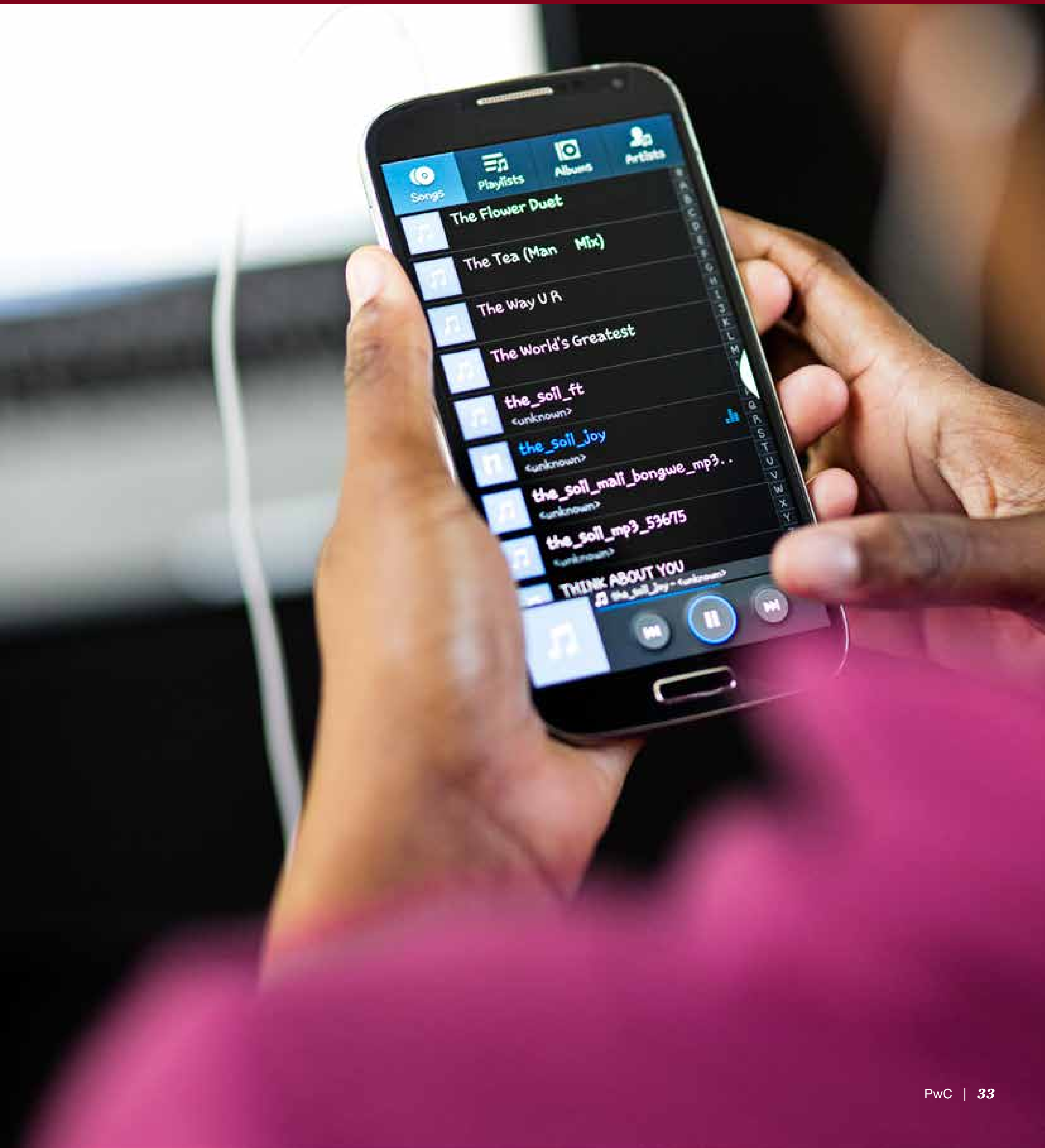
Sources: PwC, Ovum

TV advertising will remain the biggest advertising category in terms of size throughout the forecast period, followed by OOH advertising. Internet advertising is a fast climber and will surpass radio as the third-biggest spending category in 2018. Internet advertising will grow from a 5% share of advertising spend in 2014 to 13% in 2019, with the highest CAGR of 31.6%.

The rapid growth in video advertising in particular is being served by local platforms. Nigeria's Iroko, which invests in popular local content (in this case 'Nollywood' movies) to build audiences, argues that it offers a better environment for consumers and advertisers, as well as a more readily monetisable service.

Billboards are the predominant form of OOH advertising in Nigeria and rapid urbanisation is spurring growth. Lagos, the largest and one of the fastest-growing cities in Africa with a population of over 21 million, accounted for 42% of Nigeria's OOH advertising market in 2013.

Kenya


Songs
Playlists
Albums
Artists
The Flower Duet
The Way U R
The World's Greatest
THINK ABOUT YOU

Kenya's E&M market to surpass US$3 billion in 2019

Total entertainment and media spending by segment, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Books	30	33	36	39	42	43	44	45	47	48	
YOY growth (%)		*9.3%*	*8.9%*	*8.6%*	*6.7%*	*2.6%*	*2.6%*	*2.6%*	*2.6%*	*2.5%*	*2.6%*
Business-to-business	7	8	9	10	11	12	14	15	16	18	
YOY growth (%)		*11.4%*	*9.5%*	*16.9%*	*11.2%*	*9.8%*	*9.6%*	*9.4%*	*9.3%*	*9.7%*	*9.6%*
Filmed entertainment	36	37	37	37	37	38	38	39	42	44	
YOY growth (%)		*2.7%*	*-0.8%*	*0.5%*	*0.8%*	*1.2%*	*1.7%*	*2.8%*	*5.5%*	*5.9%*	*3.4%*
Internet	112	190	308	471	547	697	858	1 024	1 190	1 363	
YOY growth (%)		*67.3%*	*62.7%*	*53.4%*	*16.3%*	*27.3%*	*22.9%*	*19.4%*	*16.1%*	*14.7%*	*20.0%*
Magazines	52	57	62	70	76	79	82	84	86	91	
YOY growth (%)		*9.4%*	*7.7%*	*11.1%*	*10.0%*	*3.1%*	*3.1%*	*3.2%*	*3.2%*	*4.8%*	*3.5%*
Music	18	19	19	19	20	21	22	24	26	29	
YOY growth (%)		*3.7%*	*4.1%*	*0.3%*	*2.7%*	*4.0%*	*5.8%*	*8.2%*	*11.1%*	*10.0%*	*7.8%*
Newspapers	111	130	163	175	186	194	201	209	216	224	
YOY growth (%)		*17.0%*	*25.3%*	*7.7%*	*5.6%*	*4.8%*	*3.9%*	*3.4%*	*3.6%*	*3.9%*	*3.9%*
Out-of-home	57	77	83	91	101	109	118	127	137	146	
YOY growth (%)		*34.5%*	*8.0%*	*8.3%*	*11.2%*	*8.8%*	*8.0%*	*7.6%*	*7.6%*	*6.7%*	*7.7%*
Radio	213	250	266	301	328	354	381	409	439	471	
YOY growth (%)		*17.2%*	*6.2%*	*13.4%*	*9.0%*	*7.8%*	*7.6%*	*7.2%*	*7.4%*	*7.3%*	*7.5%*
TV	182	211	282	319	382	446	515	583	660	735	
YOY growth (%)		*16.0%*	*32.8%*	*13.5%*	*19.8%*	*16.7%*	*15.4%*	*13.3%*	*13.1%*	*11.5%*	*14.0%*
Video games	22	28	36	46	59	68	79	90	103	116	
YOY growth (%)		*29.8%*	*27.5%*	*30.0%*	*26.3%*	*16.6%*	*15.9%*	*13.9%*	*13.6%*	*12.6%*	*14.5%*
Total	**837**	**1 033**	**1 291**	**1 568**	**1 777**	**2 048**	**2 335**	**2 630**	**2 937**	**3 258**	
YOY growth (%)		***23.4%***	***24.9%***	***21.5%***	***13.3%***	***15.2%***	***14.0%***	***12.6%***	***11.7%***	***10.9%***	***12.9%***

Notes: Figures for 2010–2014 have been updated to reflect the 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 are counted in business-to-business and book publishing, but only once in the overall total.
Trade magazines are counted in business-to-business and magazine publishing, but only once in the overall total.
Sources: PwC, Ovum

Emerging urban middle classes driving growth in advertising spend

TV advertising to surpass radio as the dominant advertising medium in 2016

Kenya's total entertainment and media industry was valued at US$1.8 billion in 2014, up 13.3% from 2013, when it stood at US$1.6 billion. The market is expected to surpass the US$3 billion mark in 2019 to reach US$3.3 billion, a forecast CAGR of 12.9%.

Internet will be the largest industry growth driver in terms of absolute growth, followed by television and radio. Total Internet revenue, including consumer spend on Internet access and revenue from Internet advertising, comprised 13% of the market in 2010. By 2019 this share will have risen to 42%, representing US$1.4 billion, as mobile access in particular becomes more widespread among the growing middle class.

Internet spend will exceed the combined revenue of television and radio, which will generate US$1.2 billion in 2019. The television market is largely made up of advertising revenue as the subscription TV market is still somewhat nascent. Subscription revenues are, however, expected to more than double over the forecast period as more households begin to subscribe to pay-TV.

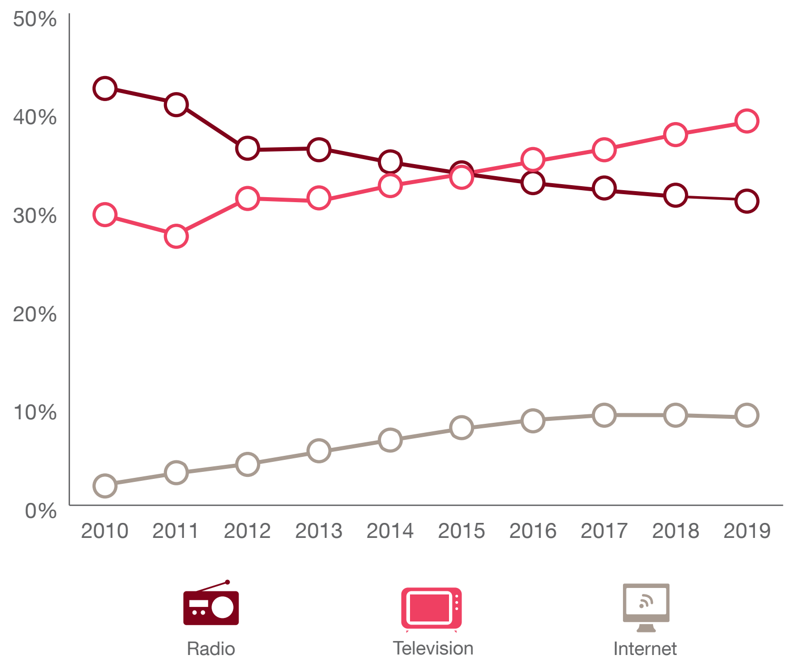
Overall, the split between advertising and consumer E&M spend is fairly equal, with consumer spend accounting for 47.0% in 2014. Consumer revenue, which is largely driven by spend on Internet access, will overtake revenue from advertising in 2016 and account for 53.5% of Kenya's total industry revenue in 2019.

Rises in disposable incomes and concomitant consumer spend are encouraging growth in the Kenyan advertising market.

Kenya's radio market is entirely made up of advertising revenue, and the medium will remain the second-largest E&M sector in terms of advertising revenue over the forecast period due to its large audience reach and relatively low cost compared to other traditional media. It also remains a medium of major importance in rural areas, where access to television and Internet is limited. Traditionally, radio has been the dominant advertising platform, but this is set to change as advertisers follow consumer expenditure patterns.

TV advertising will overtake radio in 2016, and Internet advertising will see the fastest growth rate with a CAGR of 16.8%. By 2019, advertisers will spend a total of US$135 million on Internet advertising, more than doubling from just US$62 million in 2014. Nonetheless, Internet advertising will account for less than one-tenth of total advertising spend in Kenya in 2019. Traditional mediums such as TV, radio and newspapers will continue to be the first choice for most Kenyan advertisers in the foreseeable future.

Fig 10. Internet, television and radio's individual revenue shares (%) of the total entertainment and media advertising market, 2010–2019



Sources: PwC, Ovum

Advertising market will grow by a CAGR of 10.0% to surpass US$1.5 billion by 2019

Advertising spending by segment, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Business-to-business	2	2	3	3	3	4	4	5	5	6	
YOY growth (%)		*35.6%*	*10.9%*	*20.4%*	*13.4%*	*10.1%*	*9.7%*	*9.3%*	*8.5%*	*10.1%*	*9.5%*
Filmed entertainment	1	1	1	1	1	1	1	1	2	2	
YOY growth (%)		*-11.1%*	*-28.3%*	*10.0%*	*11.6%*	*13.9%*	*15.3%*	*15.7%*	*16.3%*	*16.7%*	*15.6%*
Internet	10	21	31	44	62	81	101	117	129	135	
YOY growth (%)		*88.9%*	*54.6%*	*45.9%*	*38.6%*	*31.1%*	*23.5%*	*16.1%*	*9.2%*	*5.8%*	*16.8%*
Magazines	7	9	10	11	11	13	13	13	12	13	
YOY growth (%)		*30.4%*	*6.8%*	*8.2%*	*3.9%*	*3.8%*	*3.3%*	*2.7%*	*1.6%*	*1.3%*	*2.5%*
Music	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
YOY growth (%)		*-1.4%*	*-3.5%*	*0.0%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*
Newspapers	65	85	117	128	136	143	149	155	161	169	
YOY growth (%)		*31.9%*	*36.5%*	*9.2%*	*6.2%*	*5.2%*	*4.4%*	*3.8%*	*4.2%*	*4.6%*	*4.5%*
Out-of-home	57	77	83	91	101	109	118	127	137	146	
YOY growth (%)		*34.5%*	*8.0%*	*8.3%*	*11.2%*	*8.8%*	*8.0%*	*7.6%*	*7.6%*	*6.7%*	*7.7%*
Radio	213	250	266	301	328	354	381	409	439	471	
YOY growth (%)		*17.2%*	*6.2%*	*13.4%*	*9.0%*	*7.8%*	*7.6%*	*7.2%*	*7.4%*	*7.3%*	*7.5%*
TV	148	168	230	257	306	353	407	463	528	591	
YOY growth (%)		*13.7%*	*36.3%*	*11.9%*	*19.2%*	*15.5%*	*15.0%*	*13.8%*	*14.0%*	*12.1%*	*14.1%*
Video games	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	
YOY growth (%)		–	–	–	*19.2%*	*16.1%*	*16.7%*	*14.3%*	*14.6%*	*14.5%*	*14.5%*
Total advertising	**503**	**612**	**736**	**831**	**942**	**1 050**	**1 164**	**1 278**	**1 398**	**1 516**	
YOY growth (%)		***21.6%***	***20.4%***	***12.9%***	***13.4%***	***11.5%***	***10.8%***	***9.7%***	***9.4%***	***8.4%***	***10.0%***

Sources: PwC, Ovum

Kenya's newspaper advertising market will continue to expand at a steady rate, in line with a rise in daily newspaper circulation units. Dominant media houses such as Nation Media Group (NMG) and Standard Group are adopting digital strategies as the market evolves, but digital ads will only represent a minor part of total newspaper revenue over the forecast period.

The forecast CAGR of 7.7% in Kenya's out-of-home advertising market is driven by several factors rooted in the well-performing economy, including increased urbanisation, more airport traffic and greater car ownership.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Internet

At a glance

Internet access

Internet access revenues are expected to more than double by 2019, widening the divide between consumer spend on Internet access and other media. The Internet access market in South Africa will rise rapidly from R32.5 billion in 2014 to R76.2 billion in 2019, far ahead of any other consumer spend category, making it the major contributor to South Africa's total entertainment and media revenues.

The mobile platform pulls ever further away. With fixed broadband take-up stymied by relatively poor coverage, mobile Internet access revenues in South Africa accounted for R28.3 billion of total Internet access revenue in 2014, and this lead over fixed broadband revenue will only continue to increase. By 2019, mobile Internet access revenues will reach R69.1 billion – 90.7% of total Internet access revenues. That means over nine out of every ten rand spent in that year will be via mobile.

The surge in take-up of mobile Internet access is mainly due to the increased affordability of smartphones and data plans. Smartphone connections in South Africa are forecast to more than double from 22.8 million in 2014 to 52.3 million in 2019.

Globally, mobile will generate more than six out of every ten dollars spent on Internet access in 2019. As in South Africa, 3G will drive global mobile Internet growth, despite the availability of 4G, as emerging markets migrate subscribers from 2G services.

Nigeria, Kenya and South Africa will continue to see very fast growth rates. South Africa's forecast growth rate of 18.6% CAGR in total Internet access revenue will only be beaten by Nigeria and Kenya, which will rise at a 21.2% and 20.4% CAGR respectively.

Internet advertising

Internet advertising is seeing very strong year-on-year growth… In 2014, Internet advertising in South Africa generated revenue of R2.1 billion, up more than 30% from the previous year. By 2019, the total Internet advertising revenue in South Africa will reach R5.5 billion, a forecast CAGR of 21.7%.

…but it has scope to still expand further. The Internet advertising market will grow by R3.4 billion in absolute terms, but even in 2019, Internet advertising will still constitute around only 10% of total South African advertising revenue.

Mobile's growth rates will lead the way. Mobile Internet advertising revenue will be the greatest driver of growth, at a CAGR of 33.4%, although paid search will also see significant growth. Display advertising was the second-largest component of Internet advertising in 2014 and maintains a strong 14.9% CAGR to 2019. Yet the rapid growth of mobile Internet advertising revenue means that it will overtake display in 2016.

Display advert

Display is the best of the rest. Display will account for just under one-fifth of the growth, while overall actual growth in classified and video will be negligible.

Internet advertising will only account for 10% of total advertising in South Africa, roughly the same revenue share as each of OOH and radio. This is a different story to the global picture, where Internet advertising is set to exceed TV advertising and become the largest single advertising category in 2019.

Measurement is moving from scale to time. This reflects one of the major challenges faced by the Internet advertising industry: effectively measuring users' engagement with advertisers' ads across different devices and platforms.

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 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 (OS). 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 smartphone connections in a territory. By extension, the remaining mobile phone connections are non-smartphones.

Tablets are defined as mobile computing devices with a screen size of between five 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 refer 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 OS ecosystems (e.g. Apple App Store and Google Play).

The data is based on ecosystem totals for all devices across all types of Internet-access networks – 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 (e.g. affiliates, rich media and email) are also included in this category, but video, search and classified advertising is 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 and 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.

South Africa

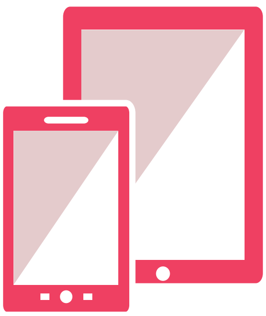
Combined Internet revenues to breach R80 billion

Revenues from Internet access and Internet advertising, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Fixed broadband access	2 768	3 297	3 593	3 845	4 243	4 772	5 388	5 991	6 562	7 100	10.8%
YOY growth (%)		*19.1%*	*9.0%*	*7.0%*	*10.3%*	*12.5%*	*12.9%*	*11.2%*	*9.5%*	*8.2%*	
Mobile Internet access	6 630	9 383	13 850	21 309	28 290	35 531	43 225	51 365	59 979	69 108	19.6%
YOY growth (%)		*41.5%*	*47.6%*	*53.9%*	*32.8%*	*25.6%*	*21.7%*	*18.8%*	*16.8%*	*15.2%*	
Total Internet access	**9 398**	**12 680**	**17 443**	**25 154**	**32 533**	**40 303**	**48 613**	**57 356**	**66 541**	**76 208**	**18.6%**
YOY growth (%)		***34.9%***	***37.6%***	***44.2%***	***29.3%***	***23.9%***	***20.6%***	***18.0%***	***16.0%***	***14.5%***	
Wired Internet advertising	552	749	993	1 277	1 608	1 968	2 336	2 741	3 173	3 606	17.5%
YOY growth (%)		*36.0%*	*32.5%*	*28.6%*	*25.9%*	*22.4%*	*18.7%*	*17.4%*	*15.7%*	*13.7%*	
Mobile Internet advertising	60	115	189	293	448	645	897	1 215	1 563	1 891	33.4%
YOY growth (%)		*91.3%*	*64.1%*	*55.3%*	*52.6%*	*44.0%*	*39.1%*	*35.4%*	*28.7%*	*21.0%*	
Total Internet advertising	**612**	**864**	**1 182**	**1 570**	**2 056**	**2 613**	**3 233**	**3 956**	**4 736**	**5 497**	**21.7%**
YOY growth (%)		***41.4%***	***36.7%***	***32.9%***	***30.9%***	***27.1%***	***23.7%***	***22.4%***	***19.7%***	***16.1%***	
Total Internet market	**10 010**	**13 544**	**18 625**	**26 724**	**34 589**	**42 916**	**51 846**	**61 312**	**71 277**	**81 705**	**18.8%**
YOY growth (%)		***35.3%***	***37.5%***	***43.5%***	***29.4%***	***24.1%***	***20.8%***	***18.3%***	***16.3%***	***14.6%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available information.
Sources: PwC, Ovum

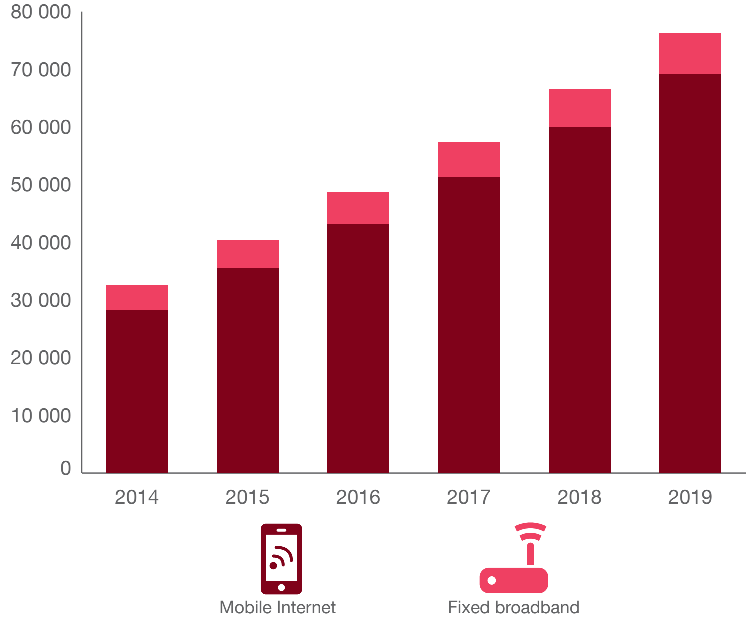
Mobile Internet access revenues are comfortably the majority of Internet access revenue, rising at a CAGR of 19.6% between 2014 and 2019 to reach a forecast R69.1 billion in 2019. Fixed broadband access revenues will increase at a CAGR of 10.8% over the same period to reach R7.1 billion in 2019.



Mobile Internet extends its dominance

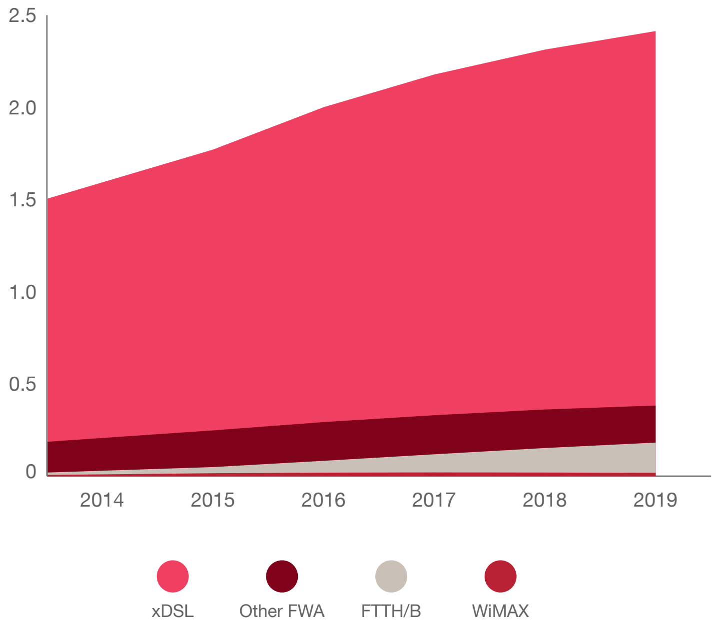
DSL will continue to dominate the fixed broadband market

Fig 1. Internet access revenue by type, 2014–2019 (R millions)



Sources: PwC, Ovum

Fig 2. Fixed broadband subscriptions forecast by technology, 2014–2019 (millions)



Sources: PwC, Ovum

In 2014 there were 1.5 million fixed broadband households, and 19.5 million mobile Internet subscribers. By 2019, an estimated 2.3 million households will subscribe to broadband, and mobile Internet subscribers are expected to rise to 38.0 million.

Incumbent Telkom SA is the largest fixed broadband provider, with 983 000 broadband subscriptions at the end of 2014, representing 65% of the country's fixed broadband market. All but 3 000 of these were based on DSL technology. Telkom dominates the DSL segment, which accounted for 1.3 million subscriptions at the end of 2014, or 88% of the fixed broadband market. Most of the incremental demand for residential fixed broadband connections will continue to be met by DSL in the period to 2019, with the number of DSL subscriptions forecast to grow to 2 million: 84% of the total at that time.

Fixed wireless broadband technologies represent the next-largest fixed broadband technology segment in South Africa. WiMAX will see the least growth among fixed broadband technologies and will remain the smallest fixed broadband technology by subscriptions at the end of 2019.

As at the end of 2014, there were only around 13 100 fibre-to-the-home (FTTH) or fibre-to-the-building (FTTB) subscriptions (collectively, FTTx) in South Africa: just under 1% of the fixed broadband market. Take-up of FTTx has been limited owing to the relatively high cost of services and the limited scale of deployments, restricted to high-end residential areas. However, as FTTx networks are rolled out to many more areas, subscriber adoption will begin to gather momentum, and by end-2019 we expect the number of FTTx subscriptions to rise to 164 000, or nearly 7% of the fixed broadband market.

Fibre-to-the-home connections will begin to gain momentum

Several operators began rolling out FTTx networks and services during the second half of 2014. The main actual and planned deployments are listed below.

There is a lot of activity in the FTTx sphere

Actual and planned FTTx deployments

Operator	Roll-out to date	Future roll-out plans	Business model	Monthly price plans
MTN	Launched commercial FTTH services in Monaghan Farm (north of Johannesburg) in October 2014.	Plans to roll out to all major cities: in March 2015, announced imminent launch in selected areas in Cape Town, Durban, Johannesburg, Midrand and Pretoria.	Exclusive network	At launch: from R794 for 20Gbps / 20Mb service, to R1 389 for 100Gbps / 100Mb.
Telkom	Launched FTTH in December 2014 in selected areas of the provinces of Gauteng, KwaZulu-Natal and Western Cape.	Claims to have rolled out FTTx to 215 000 homes and businesses by May 2015 (i.e. homes passed, not all connected).	Open access: wholesale and retail	At launch: ranging from R999 for 20Gbps / 50Mb service, to R1 799 for 100Gbps / 200Mb) in July 2015, cut to R699 per month for the 50Mb service to R1 599 per month for 200Gb.
Vodacom	In September 2014, rolled out FTTB to selected business parks in the province of Gauteng, and the cities of Cape Town and Durban. Partnered with Alcatel-Lucent to build FTTH network in January 2015.	Aims to connect 250 000 homes and businesses in major cities via FTTH and FTTB respectively by end 2017. Has agreed to acquire the smaller operator Neotel, which owns 22 000km of fibre, including metro networks in Cape Town, Durban and Johannesburg. The move was approved, with conditions, by regulator ICASA in July 2015.	Exclusive network	From R1 256.90 for 3Mbps / 5Gb service to R10 046 for 100Mbps / uncapped service (36-month contracts). In March 2015, issued trial prices of R799 per month for a 20Mbps service and R1 799 for 100Mbps.
Vumatel	Launched FTTH in the Johannesburg suburb of Parkhurst in October 2014. There were eleven confirmed fibrehoods by July 2015, and in August 2015, Vumatel had begun laying fibre in Saxonwold, Parkwood, Riviera and Killarney.	Reportedly aims to deploy to serve a further 100 000 homes by 2016 and approximately 200 000 homes in 100 locations nationwide by 2018. Has named 42 suburbs in which it will build an FTTH network.	Open access: wholesale only	Services range from 4Mbps to 1Gbps; prices dependent on service provider.
Dark Fibre Africa (DFA)	Metro fibre and back-haul networks in the cities of Cape Town, Durban, Johannesburg and Pretoria: 8 000km by beginning 2014. Was contracted to build FTTH networks in Johannesburg suburbs of Parkview and Greenside East in November 2014.	Not disclosed, although aerial fibre stated as preferred option rather than burying it.	Open access: wholesale only	From 10Mbps to 100Mbps; entry-level prices expected to be under R600.
Internet Solutions	Began rolling out FTTB to 50 business and retail sites in Gauteng at end-2014.	Planned to deploy FTTB to further locations in Cape Town and Durban by mid-2015.	Exclusive network	From 2Mbps at R749 to 100Mbps at R8 799.

Sources: PwC, Ovum

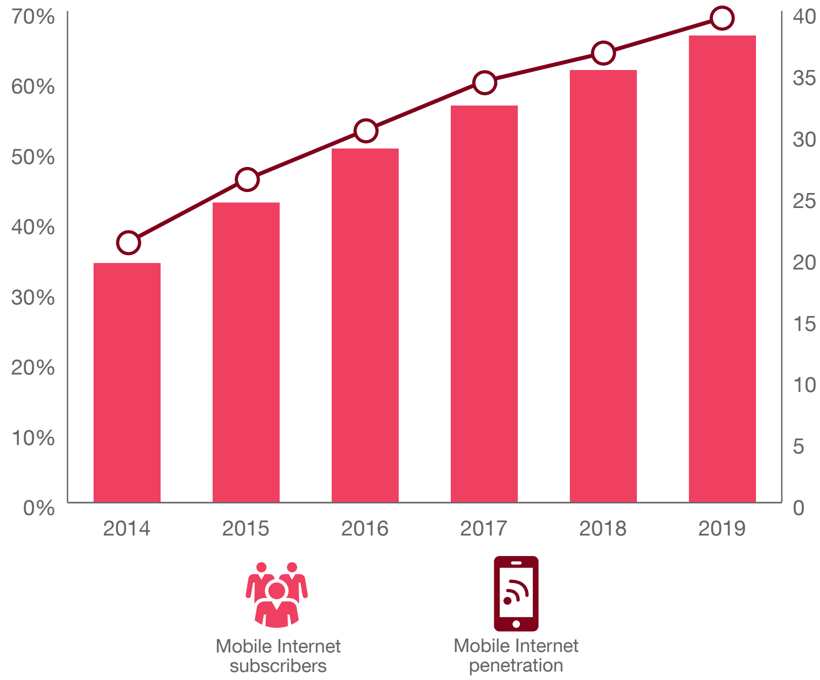
Mobile Internet penetration to near 70%

In terms of the overall consumer broadband market, FTTx will, however, remain a niche player in comparison with the mobile Internet market. For the mobile operators, FTTx is important mainly as a means to deliver converged service bundles – including content and value-added services alongside communications and Internet access – to high-value customers over both FTTx and 3G/4G. In addition – and crucially – it enables them to compete in the multi-play market against Telkom, which is in a strong position to add mobile broadband to its existing fixed-network proposition, given its ownership of most of the country's fixed access infrastructure. At the same time, delivering content and services to the home via fibre enables some of the increasingly high volume of data traffic to be offloaded on to the fixed network, thereby relieving mobile network congestion.

The main prize for the mobile operators is, however, leadership in the mobile broadband market. In this light, Vodacom's proposed acquisition of fibre-access operator Neotel is important; as much for the fact that Neotel is as yet the only holder of a licence to use part of the 800MHz digital-dividend spectrum (crucial for nationwide 4G mobile deployment) as for Neotel's strong fibre backbone.

The transaction received the necessary regulatory approval from the South African telecommunications regulator, ICASA and the Competition Commission of South Africa, but with some onerous commitments. ICASA will require 30% black economic empowerment (BEE) on Neotel's shares, meaning that 30% of Neotel's shares are to be held by 'persons from historically disadvantaged groups'.

Fig 3. Mobile Internet subscribers (millions) and penetration (%), 2014–2019



Sources: PwC, Ovum

In this case, Vodacom (which is buying 100% of Neotel) will have to dilute its equity within a 'reasonable period' determined by ICASA. The regulatory body may also require that 25% of Neotel's future wireless broadband offerings go to underserved areas. Other requirements include Vodacom not using Neotel's spectrum for commercial purposes for a period of two years, as well as a commitment to a R10 billion investment in fixed network, data and connectivity infrastructure. In addition, at least 50% of the amount committed to investment must go to enhancing fixed network services to homes and companies.

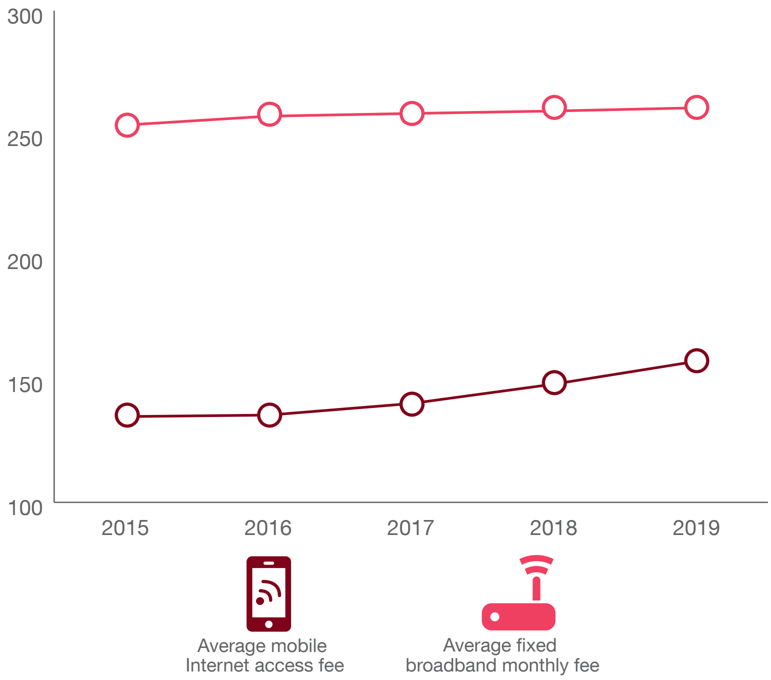
The acquisition of Neotel is part of a larger and growing trend of consolidation and collaboration in the South African telecommunications and information technology market. For example, in June 2015, FNB decided to partner with Cell C for the launching of its first mobile voice and data service, and Cell C's renegotiation of its roaming agreement with competitor Vodacom has the aim of expanding its 3G coverage.

Most people who access the Internet in South Africa will continue to do so using a mobile device, with mobile Internet penetration forecast to rise from 37% to almost 70% over the forecast period.

The huge popularity of mobile Internet access relative to fixed broadband is mainly attributable to the much greater affordability and accessibility of mobile services. Compared to the average monthly mobile Internet access fee of R136.8 in 2014, the average cost of a residential fixed broadband service was R248.2 per month; and this differential is not expected to narrow significantly by 2019.

Large fee differential between fixed broadband and mobile Internet

Fig 4. Average monthly fee for fixed broadband and mobile Internet access services, 2014–2019 (R)



Sources: PwC, Ovum

Mobile broadband networks are also often present in areas that fixed broadband networks do not reach. The mobile operators have been investing heavily in expanding the coverage of their 3G (HSPA) and 4G (LTE) networks and in upgrading their base stations so that they are LTE-enabled, even if LTE has not yet been launched in the areas concerned. Vodacom recently launched 2G, 3G and 4G cellular services at stations in the Gautrain public transport network with the aim to move services into the trains in the forthcoming months.

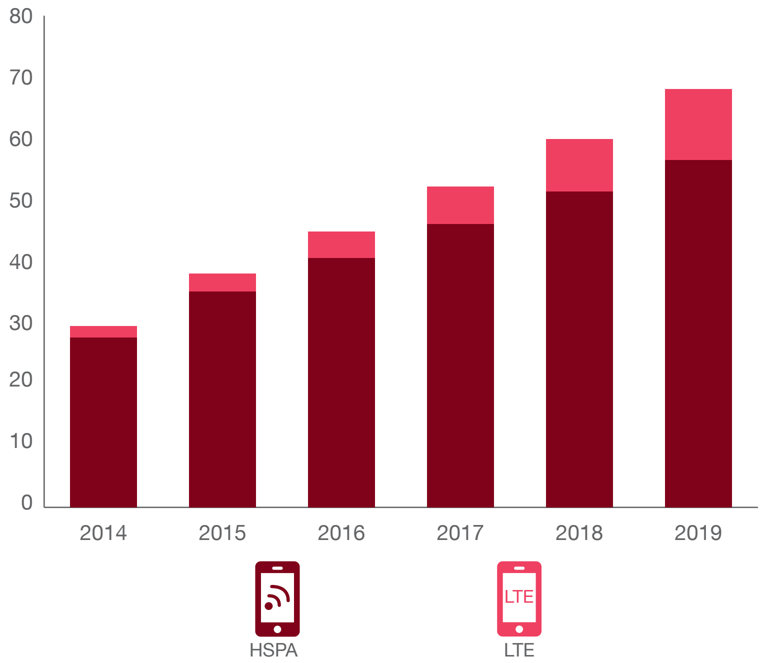
The deployment of LTE has been hampered by delays in migrating broadcast TV services from analogue to digital, freeing up spectrum in the 800MHz frequency range: the so-called 'digital dividend'. This spectrum is optimised for the diffusion of wireless signals over long distances and so is essential to support the roll-out of mobile broadband across less densely populated and rural areas. The digital switch-over was initially scheduled for 2013 but has been postponed more than once; and the government recently announced it would miss its target date of June 2015, with June 2016 announced as a new switchover date. In addition, South Africa has yet to auction any spectrum in the 2.6GHz band: a global standard for 4G services.

As a result of these delays, Vodacom and MTN launched LTE services using frequencies in their existing 3G 1800MHz spectrum, in October and December 2012 respectively. Telkom operates its LTE network – launched in April 2013 – in the 4G 2.3GHz band, which is better suited to more urban areas. Cell C, the fourth mobile operator, is expected to launch LTE by end-2015; while the smallest operator, Neotel, launched LTE in August 2013 and has been incrementally migrating its mobile broadband services over to LTE from the CDMA EV-DO wireless standard. Neotel is the only operator currently to hold a licence for part of the digital-dividend spectrum.

These delays mean that the operators have concentrated on building market share in the mobile broadband market via 3G/HSPA, with the expectation that users can subsequently be migrated to 4G services. Consequently, HSPA is expected to continue to dominate the mobile broadband market over the next few years. The number of subscriptions based on HSPA is forecast to overtake the number of GSM subscriptions by the end of 2016. By end-2019 there will be an estimated 56.5 million 3G subscriptions in South Africa, representing 61.9% of all mobile subscriptions in the country.

HSPA remains the largest player

Fig 5. Mobile broadband subscriptions forecast by technology, 2014–2019 (millions)



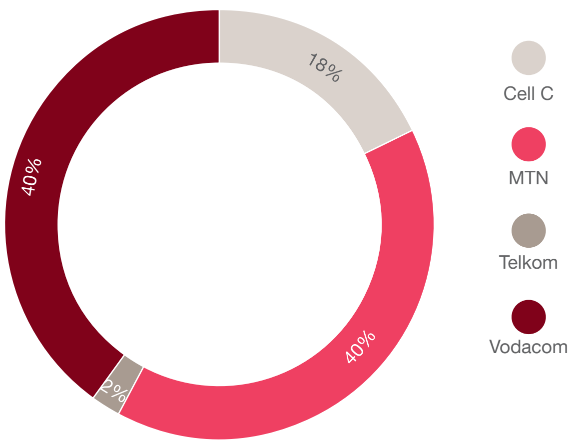
Sources: PwC, Ovum

MTN and Vodacom each held ***40%*** *of the mobile broadband market in 2014*

The delays in releasing more 4G spectrum mean that growth in the number of LTE subscriptions will be slower than initially forecast. However, as this spectrum is auctioned off and cheaper 4G devices become available, take-up is expected to gather momentum; by end-2019, the number of LTE subscriptions is forecast to reach 11.6 million, or 17.0% of the mobile market. Neotel is expected to have migrated its whole CDMA EV-DO subscriber base over to LTE by end-2015.

MTN and Vodacom accounted for an estimated 40% each of South Africa's mobile broadband subscriptions at the end of 2014. Cell C had 18% (up from only 8% one year earlier) and Telkom 2%.

Fig 6. Mobile broadband subscriptions market share by operator, end-2014 (%)



Note: Neotel 1xEV-DO subscriptions are excluded.
Sources: PwC, Ovum

Smartphone and tablet numbers to soar

Along with the relatively low cost of mobile Internet services – particularly prepaid – compared with fixed broadband, another major driver of mobile broadband adoption is the increasing availability of cheaper, more basic smartphones and tablets. One recent example is MTN's launch in April 2015 of the Alcatel One Touch Fire E smartphone that uses the Firefox operating system: a cheaper alternative to the Android OS. At launch, MTN offered this device bundled as part of a post-paid subscription charged at R89 per month, or R1 600 on a prepaid subscription. This is in addition to its own branded smartphone, Steppa 1, which MTN launched in January 2014 and which has become the second-biggest-selling smartphone in the country. MTN also cut the price of its low-cost Steppa 2 smartphone from R999 to R799.

Another example is Vodacom's launch in October 2014 of the 'Vodacom Smart Tab 3G': a 7-inch tablet running the Android 4.4 KitKat operating system. Prepaid users can buy the device for R999 and receive a monthly data allowance of 100MB for the first three months. The tablet is also available on a 24-month contract for R59 per month, inclusive of 1GB of data each month. The Smart Tab 3G was the second Vodacom-branded device to be launched in South Africa. In August 2014, the operator introduced an entry-level smartphone – the Vodacom Smart Kicka – and reportedly sold almost a quarter of a million units in the first two months after launch.

In addition to cost, the popularity of devices such as these is linked to their optimisation for local apps and content, particularly via indigenous language support: the Alcatel One Touch Fire E supports four out of South Africa's 11 official languages, while the Smart Tab is available in a Zulu-language version.

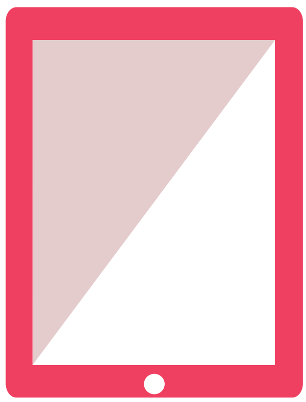
Smartphones will prove to be both market-making and market-changing. They will drive Internet access adoption by making services more affordable and useful to a wider section of the population than traditional PC-based ones. Their mobility, interfaces and app ecosystems will change how digital media services are structured, used and funded.

The smartphone is already the device through which most South Africans access the Internet, and growing smartphone take-up drives a virtuous circle whereby, as more and more people get online, opportunities are created for advertising, local app development, content distribution and e-commerce, which in turn drives further demand for smartphones and mobile broadband. Mobile IM (instant messaging) services such as WhatsApp, and mobile versions of social-networking services such as Facebook are enjoying huge popularity, in part also because they help reduce the cost of communications with friends and family.

There were 22.8 million smartphone connections in South Africa at the end of 2014, representing 31% of all mobile phone connections, and the number of smartphone connections is forecast to rise to 52.3 million by end-2019.

The number of active tablet devices will rise from 2.6 million at the end of 2014 to a projected 5.6 million at the end of 2019.

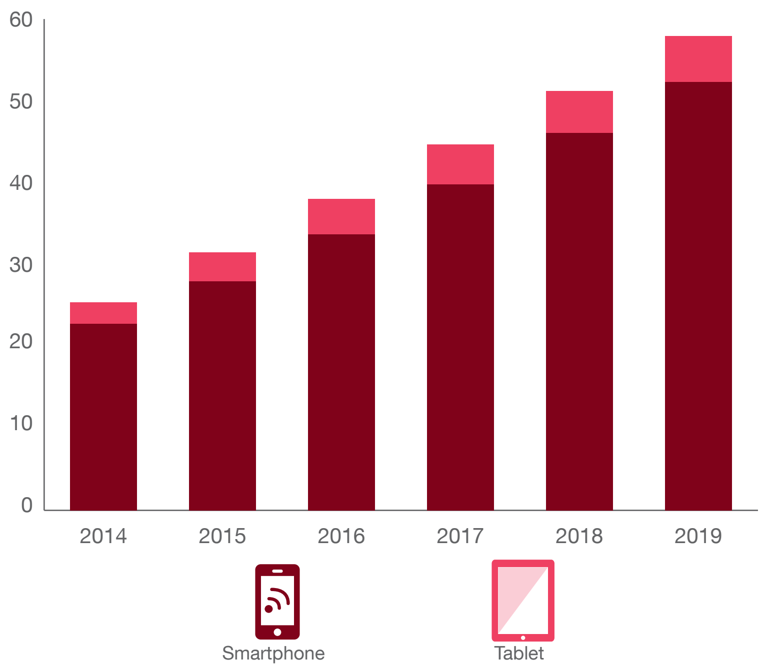
But this does not mean an end to the PC or laptop. Many consumers are buying new laptops as they realise that tablets lack the depth of functionality and processing power to handle all their needs. The growing availability of tablet/laptop hybrids with detachable keyboards and of smartphones with larger screens (as both laptops and smartphones compete for the middle ground that the tablet identified as a gap in the market) will also inhibit growth in tablet sales.



The number of active tablet devices will rise from 2.6 million at the end of 2014 to a projected 5.6 million at the end of 2019

A focus on converged services and infrastructure platforms

Fig 7. Smartphone and tablet connection forecasts, 2014–2019 (millions)



Sources: PwC, Ovum

Mobile Internet access services, together with sales of smartphones and tablets, are accounting for an ever greater proportion of operators' revenues. Overall, operators have struggled to grow their revenues in recent quarters, with voice revenues being hit particularly hard by the reductions in mobile termination rates (MTRs) imposed by the regulator. By contrast, revenues from data services and device sales continue to increase strongly. Indeed, Telkom reported that in the six months to September 2014, device sales accounted for around 43% of its mobile revenue of R1.4 billion, while data generated 30% of the total and voice services only 27%.

Operators' investments and strategies are accordingly focused on developing converged content and service offerings that maximise the demand for mobile broadband connectivity and devices. For example, in October 2014, Vodacom announced an exclusive partnership to offer access to the Deezer music-streaming service. At the time of writing, the service was priced at R59.99 on top of normal data charges. MTN has also partnered with Simfy to offer a streaming service.

Similarly, in January 2015, MTN launched a video-on-demand (VOD) service branded MTN FrontRow, offering unlimited access to a library of movies and TV series for R179 per month. A VOD/data bundle offering a 10GB data allowance was also offered for R499 per month.

There are no cable networks in South Africa, and next-generation access networks – including limited deployment of VDSL by Telkom alongside ADSL – currently lack sufficient scale to develop a competitive IPTV offering. So VOD, streaming and web-TV services represent the best opportunity for operators to compete against the country's well-established satellite TV players in the video content market. Operators' infrastructure investments are also focused on supporting the delivery of bandwidth-intensive services via both fixed and mobile access over integrated backhaul networks and service platforms. For example, in January 2015, Vodacom selected an Alcatel-Lucent gigabit passive optical networking (GPON) fibre access network solution, along with the Motive customer experience and performance management platform, designed to support both wireless and wireline services.

Similarly, Telkom is marketing its LTE services primarily as a means to deliver the same sort of content, data and entertainment services that are supported by its fixed-broadband access networks, such as video streaming, gaming and fast Internet access to multiple devices. Packages are bundled with sales of devices such as Xboxes, smart TVs, wireless routers and dongles.

Telkom has led the market in terms of the deployment of LTE-Advanced (LTE-A): an extension of LTE that uses bandwidth aggregation to significantly increase transmission speeds. In May 2015, Telkom announced it had extended the availability of its LTE-A services to a further 22 suburbs in the wealthier parts of Johannesburg, the Western Cape, KwaZulu-Natal and Pretoria, in addition to the seven suburbs where commercial LTE-A services were launched in December 2014. The operator claims this service supports maximum downlink speeds of 150Mbs. Vodacom has also trialled LTE-A, but has yet to launch it commercially.

A number of MVNOs have also made a significant impact in the market in recent times, including FNB Connect, me&you mobile, MRP Mobile ('Mr Price') and Virgin Mobile. Two new players are expected to enter the market in the second half of 2015: iSmart (already present in the mobile market as a reseller) and an unnamed player advertising under the slogan 'be unordinary'.

The competition in the market is continuing to increase, and Cell C's recent buyout promotion, where consumers received up to R10 000 for migrating their existing contract from competitors to Cell C, is a good example of the measures that operators are willing to go to in order to gain market share in this highly competitive market in which the mobile Internet providers operate.

Connecting South Africa / Connected cities

Another significant recent trend is the deployment of free public WiFi networks funded by various combinations of national and local government and non-profit organisations, in line with government broadband targets and digital-inclusion policy objectives. For example, a network in the city of Pretoria, deployed by satellite operator SES in partnership with the non-profit Project Isizwe, had reportedly garnered over 660 000 users at more than 575 sites by June 2015. In July 2015, the city increased network speeds to an average of 15Mbps from 7Mbps, comparing favourably with overall 3G speeds in South Africa of 9.65Mbps. The companies have now started to deploy a similar network in Lusikisiki and Mount Frere in the Eastern Cape.

A multi-operator public WiFi network in Cape Town had reportedly attracted more than 28 000 users by March 2015. It remains to be seen what impact the availability of free WiFi will have on mobile Internet take-up.

2 *new players are expected to enter the mobile market in the second half of 2015*

Internet advertising in South Africa will see annual growth of more than 20%

Internet advertising

Total Internet advertising revenues (R millions), 2010–2019

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Search	278	377	514	675	865	1 083	1 311	1 573	1 872	2 192	20.4%
YOY growth (%)		*35.9%*	*36.3%*	*31.2%*	*28.2%*	*25.1%*	*21.1%*	*20.0%*	*19.0%*	*17.1%*	
Display	183	276	367	472	590	714	836	962	1 080	1 181	14.9%
YOY growth (%)		*51.3%*	*32.7%*	*28.8%*	*24.9%*	*21.0%*	*17.1%*	*15.2%*	*12.3%*	*9.3%*	
Classified	91	96	112	129	147	164	181	197	211	222	8.7%
YOY growth (%)		*5.5%*	*16.9%*	*15.3%*	*13.7%*	*12.0%*	*10.3%*	*8.7%*	*7.0%*	*5.4%*	
Video	0	0	0	1	6	7	8	9	10	11	12.9%
YOY growth (%)		*18.8%*	*21.1%*	*67.4%*	*107.8%*	*75.0%*	*63.9%*	*45.3%*	*21.1%*	*21.2%*	
Total wired Internet advertising	**552**	**749**	**993**	**1 277**	**1 608**	**1 968**	**2 336**	**2 741**	**3 173**	**3 606**	**17.5%**
YOY growth (%)		***36.0%***	***32.5%***	***28.6%***	***25.9%***	***22.4%***	***18.7%***	***17.4%***	***15.7%***	***13.7%***	
Mobile Internet advertising	60	115	189	293	448	645	897	1 215	1 563	1 891	33.4%
YOY growth (%)		*91.3%*	*64.1%*	*55.3%*	*52.6%*	*44.0%*	*39.1%*	*35.4%*	*28.7%*	*21.0%*	
Total Internet advertising	**612**	**864**	**1 182**	**1 570**	**2 056**	**2 613**	**3 233**	**3 956**	**4 736**	**5 497**	**21.7%**
YOY growth (%)		***41.4%***	***36.7%***	***32.9%***	***30.9%***	***27.1%***	***23.7%***	***22.4%***	***19.7%***	***16.1%***	

Sources: PwC, Ovum

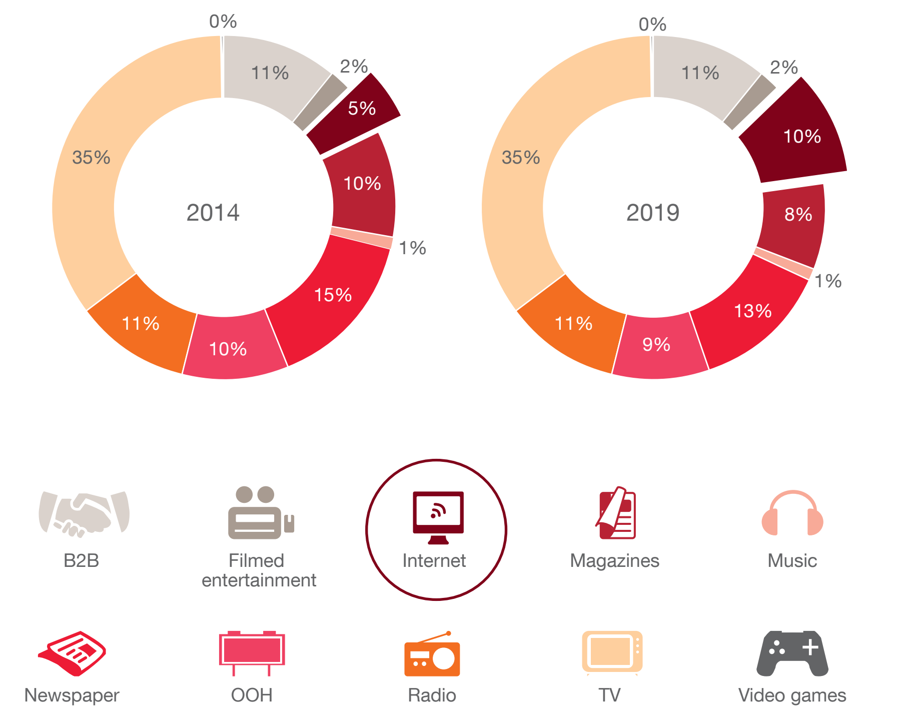
South Africa's Internet advertising market, small on a global scale but the largest market in Africa, was worth R2.1 billion in 2014, up more than 30% from 2013. Although the annual rate of growth is expected to slow down over the next five years, South Africa will be the fifth-fastest-growing Internet advertising market globally.

TV advertising currently holds a number of fairly well-entrenched advantages over Internet advertising – the relatively low cost of TV sets, meaning deep penetration and hence reach; the ease of broadcast; and the strength of the content that advertisements are paired with are all key. But these advantages are gradually being eroded as low-cost smartphones are gaining market penetration and mobile networks are improving. Globally, Internet advertising is set to exceed TV advertising and become the largest single advertising category in 2019. Internet advertising allows advertisers to accurately track and measure the benefits of campaigns to a much greater degree than with traditional media.

However, even with strong forecast growth, Internet advertising will account for only 10% of total advertising in South Africa, roughly the same revenue share as the OOH and radio sectors. TV and newspaper advertising will remain the two leading advertising formats over the period.

Internet advertising to rise rapidly, but remain behind TV, radio and newspapers

Fig 8. Advertising revenue by segment, 2014 vs 2019 (%)



Sources: PwC, Ovum

Around four in every ten rands spent on Internet advertising go to paid search, making it the most popular online advertising format in South Africa. Paid search revenue has more than tripled since 2010, when revenue stood at R278 million. Advertisers spent R865 million on paid search in 2014 and this revenue is expected to grow by a CAGR of 20.4% over the forecast period. Year-on-year growth reached its peak in 2012, but the market is still projected to show impressive annual growth rates between 26% and 17% over the forecast period, making it the fourth-fastest-growing paid search market globally.

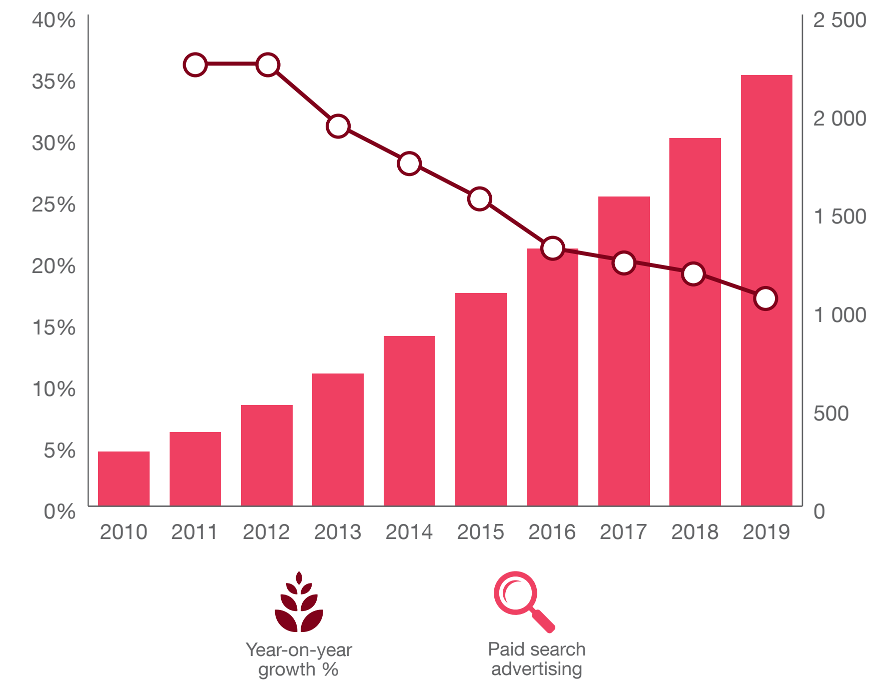
Paid search has traditionally had a dominant position in most mature Internet markets, but countries such as the US and the UK will see search's share of total revenue decline substantially over the next five years as more ad dollars are propelled into mobile and video advertising. This is not the case in the less developed South African market, though, where paid search revenue share will remain at around 40%.

The dominance of search seems well set at this point. Its usefulness to consumers and brands is well-established. Performance-based advertising like paid search is well understood by advertisers, and its value to their campaigns and businesses is clear.

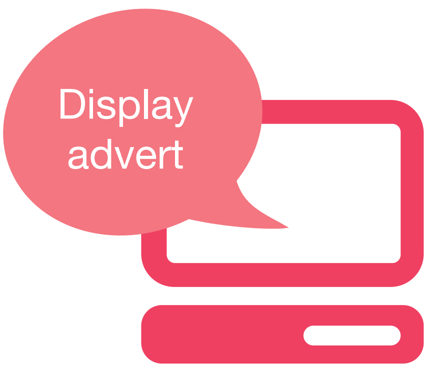
Search will remain the largest segment, though its share is decreasing

Paid search revenue will continue to grow, albeit at a slower rate

Fig 9. Paid search advertising revenue (R millions) and year-on-year growth (%), 2010–2019



Sources: PwC, Ovum



Display's share will reduce as mobile advertising grows

Desktop display advertising reached R590 million in 2014, up 24.9% from 2013. Display's revenue share has remained largely stable in South Africa since 2010 (around 30% of total Internet advertising), but this is set to decline over the forecast period as more ad spend is invested in mobile and search advertising. By 2019, display will account for about one-fifth of total online advertising. Advertisers are still investing in display formats, but increasingly on mobile devices rather than desktop display.

Nonetheless, display will still play an important role on the South African Internet advertising scene, and social media such as Facebook is driving such growth.

The five top visited websites, according to Effective Measure (in terms of South African visitors only), are:

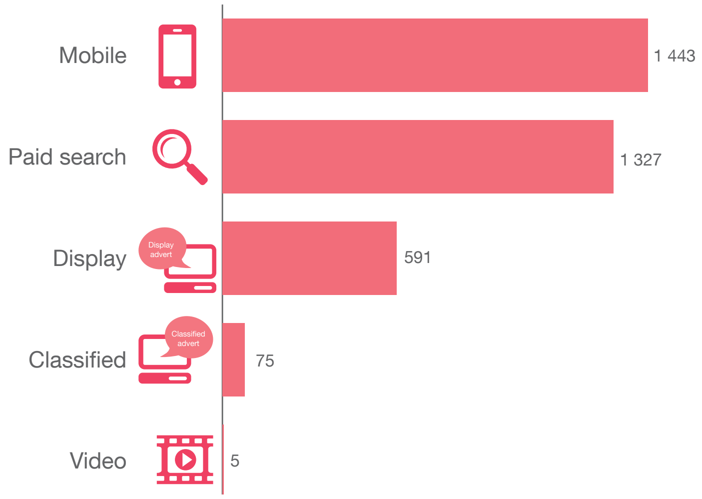
- news24.com,
- gumtree.co.za,
- timeslive.co.za,
- ewn.co.za and
- dstv.com.

Within online advertising, display advertising remained the second-most-popular advertising format in 2014 (after search). But traditional static banner ads are no longer the preferred format for advertisers: rich media Flash and animated images are the most popular forms of display ads, according to our research.

Video advertising is growing rapidly in many markets, and users seem to respond positively to moving images on their screen, but full video is dependent on high-quality connectivity, which is not widely available within South Africa. As a result, video advertising via fixed broadband access will see minimal growth in the local market, counter to trends we see in markets with higher levels of Internet connectivity. Yet, South Africans are eager to watch rich media content on smartphones, and mobile devices are increasingly being used to stream longer videos. From the advertiser's point of view this represents an exciting opportunity as it allows for targeting an audience and tracking viewing habits in a way not possible for TV. Nonetheless, creating successful video campaigns may be complex, especially across multiple devices.

Mobile advertising will be the biggest growth driver

Fig 10. Absolute Internet advertising revenue growth (R millions), split by sub-component, 2014–2019



Sources: PwC, Ovum

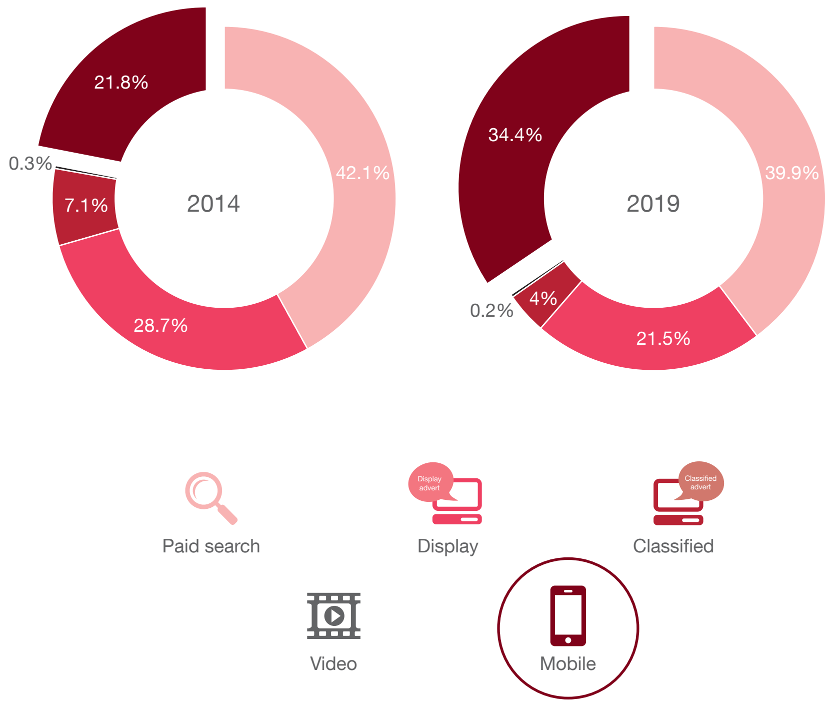
1/3

Mobile will generate more than one third of Internet advertising revenue by 2019

Mobile Internet advertising will see the sharpest rise (more than 12 percentage points) in revenue share of the total market between 2014 and 2019. Mobile will surpass display to become the second-largest sub-component in South Africa in 2016.

Mobile Internet advertising is beginning to represent a substantial revenue stream in South Africa, fuelled by the growing adoption of smartphones. By the end of 2014 there were 19.5 million mobile Internet subscribers in South Africa, and the wider availability of mobile data services and increasing number of connected devices will drive further adoption of mobile Internet and encourage advertisers to invest more in mobile campaigns.

Fig 11. Revenue share of total Internet advertising revenue, split by sub-component, 2014 vs 2019



Sources: PwC, Ovum

Social media and automated trading will impact the growing market

This rapid growth in mobile Internet access will continue to grow overall Internet advertising revenue, but presents challenges to advertisers. Internet users with fixed-line broadband are typically the higher-income users that advertisers want to target, while the value of mobile ad inventory is typically lower. But as advertising gets smarter both in the way it targets consumers and in developing creative ways to deliver messages on mobile devices, and as those devices become more powerful, we expect the value of mobile advertising inventory to increase, thus boosting overall revenue.

Advertisers need also to ensure that they are using the right formats, especially for mobile advertising. Recycling conventional desktop display ads is not a strategy with which to build revenue from mobile advertising. While classifieds currently perform relatively strongly on mobile, the sector overall will grow through the adoption and improvement of new ad formats that are optimised for mobile devices. This may increasingly involve the integration of location-based services and other technologies such as near-field communications (NFC) to create targeted sales messages for consumers on the move. The popularity of mobile payment services in South Africa also creates opportunities for direct sales for advertisers via mobile platforms, as utilised by Google's click-to-buy ads.

Social media has become an important advertising platform in South Africa. The sheer volume of inventory that social media, especially Facebook, creates has contributed to the depression of display ad prices and to lower click-through rates for online advertising. The opening of Facebook's first African office in Melrose Arch (South Africa) may push prices further down, with more local businesses and advertising agencies joining the platform as Facebook commits to enabling businesses to connect with people in the region.

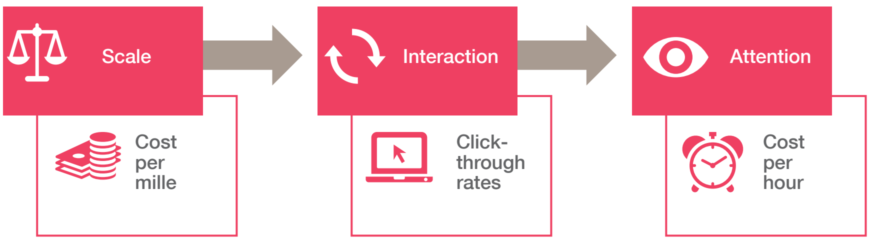
As buying becomes an increasingly automated process, with the adoption of programmatic trading and real-time bidding (RTB), it remains to be seen what impact this will have on pricing. In response to accusations that automated selling can lead to a reduction in the cost of inventory, we are seeing the rise of premium programmatic, where more valuable inventory is sold via this route rather than via a traditional sales team.

The most popular charging model for both online and mobile advertising in 2013 was cost per mille (CPM), which advertisers understand well, although new models are emerging that better reflect the way Internet ads are consumed. CPC (cost-per-click) has also proven popular with advertisers on mobile and online platforms, but more interactive ad formats should help improve the performance of display ads as both a branding medium and a direct-response medium. It is also likely to lead to a shift towards a cost-per-view model, or even a cost-per-hour model that global publishers such as the *Financial Times* and the *Guardian* have now introduced in an effort to better reflect the multi-platform consumption of their content by readers.

The adoption of new measurement metrics will transform Internet advertising

Measurement is moving from scale to time

Fig 12. The evolution of Internet advertising measurement



Sources: PwC, Ovum

One of the major challenges faced by the Internet advertising industry is effectively measuring users' engagement with ads across different devices and platforms. While targeting users of the first generation of Internet devices was relatively easy thanks to Web cookies, many new mobile devices do not feature cookie tracking, and the use of multiple devices by individual consumers further complicates the matter.

Historically, Internet ads have targeted consumers according to characteristics accumulated by the patterns of their Web browsing, stored in client-side cookie files. But as mobile adoption accelerates, the inability to track mobile consumption, in particular, becomes a potentially significant issue.

Leading Internet companies, including Apple, Facebook and Microsoft, as well as the pioneering publishers mentioned above have focused on 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 consumption diminishes. The companies that provide this measurement technology stand not only to unlock the potential of Internet advertising for advertisers and publishers, but also to position themselves strongly as key players in the emerging Internet advertising ecosystem.

The inability to track mobile consumption becomes a potentially significant issue

Nigeria

At a glance

The mobile elements of Internet access and advertising will continue to dominate revenue. Mobile Internet access will account for US$3.8 billion of a US$5.5 billion total Internet access market in 2019, while mobile Internet advertising revenue will represent more than 60% of total Internet advertising revenue in the same year.

Mobile Internet subscribers will rise more than fivefold by 2019. This increase, from 12.5 million in 2014 to 63.8 million by 2019, will drive a 21.2% CAGR in Internet access revenues overall.

The fixed broadband segment will continue to lag behind mobile Internet in terms of both subscribers and revenues. However, it delivers high average revenue per user owing to its appeal to higher-end business segments and residential clients.

3G build-up has become the focus. All four major operators provide HSPA networks, but their focus has been on gaining more 3G subscribers, with services targeting the lower end of the market.

The pieces are in place for Nigeria's Internet advertising market to grow rapidly. Sharp increases in mobile Internet subscriber numbers, wedded to a large, young population base, the adoption of e-commerce, and increased usage of social media, are the reasons behind the predicted 31.6% CAGR growth in Nigeria's total Internet advertising revenue.

Internet access revenue to exceed US$5 billion

Revenues from Internet access and Internet advertising, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Internet access	**543**	**754**	**1 075**	**1 585**	**2 098**	**2 733**	**3 356**	**4 038**	**4 729**	**5 481**	**21.2%**
Fixed	147	237	366	532	749	990	1 217	1 415	1 576	1 704	17.9%
Mobile	396	517	709	1 053	1 349	1 743	2 139	2 623	3 153	3 777	22.9%
YOY growth (%)		*62.7%*	*38.9%*	*42.5%*	*50.1%*	*35.2%*	*30.2%*	*25.2%*	*19.3%*	*14.4%*	
Internet advertising	**9**	**11**	**15**	**23**	**36**	**47**	**63**	**85**	**114**	**141**	**31.6%**
YOY growth (%)		***34.4%***	***37.5%***	***54.0%***	***47.8%***	***34.1%***	***32.6%***	***33.7%***	***34.5%***	***23.4%***	
Total Internet market	**552**	**765**	**1 090**	**1 608**	**2 134**	**2 780**	**3 419**	**4 122**	**4 843**	**5 622**	**21.4%**
YOY growth (%)		***38.8%***	***42.4%***	***47.5%***	***32.6%***	***30.3%***	***23.0%***	***20.6%***	***17.5%***	***16.1%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available information.
Sources: PwC, Ovum

Internet access

The Nigerian Internet access market generated US$2.1 billion in 2014 and will rise to US$5.5 billion in 2019, a CAGR of 21.2%. This represents the fastest rate of growth in Internet access revenue in any country worldwide over the forecast period.

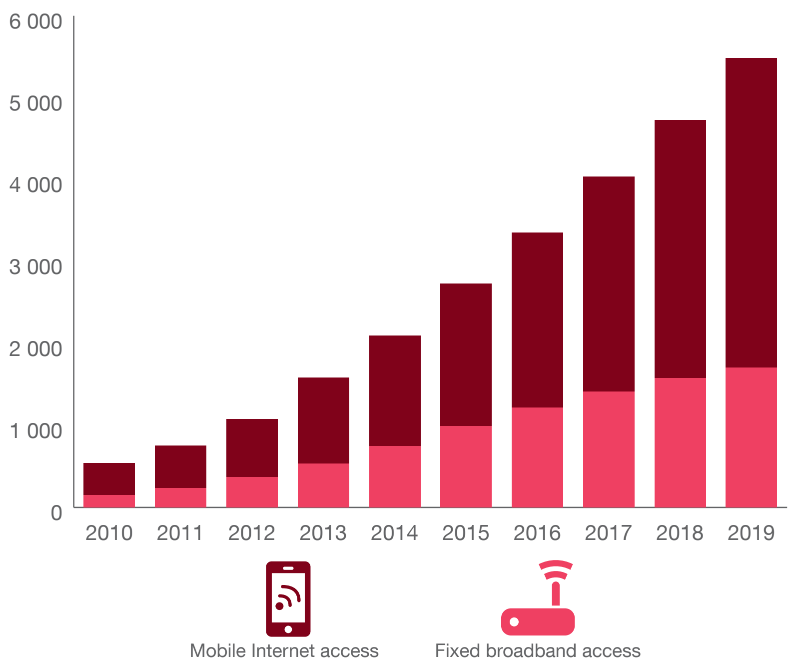
Mobile Internet access will account for around two-thirds of revenue throughout the forecast period. Furthermore, the ratio of mobile Internet subscribers to fixed broadband households will increase from over 8:1 to over 18:1 between 2014 and 2019. The much greater popularity of mobile Internet is linked to extensive 3G network coverage, more affordable tariffs and greater availability of cheaper smartphones and tablets.

Nevertheless, the appeal of fixed broadband to high-end residential and business segments will see its revenue grow to US$1.7 billion by 2019, at a CAGR of 17.9%. The number of fixed broadband households will increase from 1.5 million to 3.5 million over the same period.

Mobile Internet subscribers will rise from 12.5 million in 2014 to a forecast 63.8 million by 2019.

Mobile will pull further away

Fig 13. Internet access revenues by type, 2010–2019 (US$ millions)



Sources: PwC, Ovum

Operators focus on 3G build-up

The Nigerian market is dominated by wireless technologies due to problems with the quality and coverage of wired infrastructure, particularly in the last mile – that portion of the network that physically connects consumers.

WiMAX will remain the dominant technology for delivering fixed broadband services in Nigeria due to its lower capex requirement and faster network deployment. We expect around 79% of fixed broadband subscriptions to still be based on WiMAX by 2019.

Deployment and take-up of xDSL will accelerate in the next few years, mostly from operators MTN and Globacom, with around 12% of subscriptions expected to be based on this technology by 2019. FTTH/B is also gaining popularity among high-end customers, but will still account for only 5% of subscriptions by 2019.

In the fourth quarter of 2014, 98% of mobile Internet subscriptions were based on HSPA: a development of WCDMA, the 3G technology which evolved from GSM.

All four leading operators have deployed extensive HSPA networks. LTE has hitherto been provided only as a premium Internet access service by smaller ISPs, which have mostly migrated from WiMAX. A broader development of the LTE market has been hampered by delays in licensing appropriate spectrum. An auction of spectrum in the 2.6GHz range which was due to take place in May 2015 was postponed in March 2015. In addition, the 700MHz-to-800MHz spectrum freed up by the switch-over from analogue to digital TV has yet to be released.

In any case, operators are focusing on building up their 3G subscriber bases, with services targeted mainly at the lower end of the market and sold almost exclusively on a prepaid basis. Operators are also introducing low-cost own-branded smartphones, which have proved extremely popular and are contributing to the rapid take-up of mobile Internet access. By contrast, CDMA EV-DO is being phased out as a mobile Internet technology, with only two operators – Multi-Links and Visafone – remaining active in the market by end-2014.

With a growing demand from consumers and competition from operators, revenues from mobile Internet access are forecast to grow at a CAGR of 22.9% in the next five years to reach US$3.8 billion by 2019.

Revenues from mobile Internet access are forecast to grow at a CAGR of 22.9% in the next five years

Internet advertising in Nigeria will grow rapidly, but from a low base

Internet advertising

Total Internet advertising revenues (US$ millions), 2010–2019

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Search	5	7	9	12	16	17	19	22	24	27	11.9%
YOY growth (%)		*44.5%*	*37.1%*	*31.5%*	*28.6%*	*11.9%*	*11.9%*	*11.9%*	*11.9%*	*11.9%*	
Display	3	3	4	5	7	8	10	11	13	15	16.1%
YOY growth (%)		*22.6%*	*33.6%*	*31.4%*	*28.5%*	*16.1%*	*16.1%*	*16.1%*	*16.1%*	*16.1%*	
Classified	1	1	2	2	3	4	4	5	6	7	18.2%
YOY growth (%)		*13.8%*	*22.3%*	*33.6%*	*29.0%*	*25.0%*	*20.0%*	*16.7%*	*16.7%*	*13.0%*	
Video	0	0	0	0	0	0	1	1	1	2	31.8%
YOY growth (%)		-	-	*25.2%*	*24.6%*	*25.1%*	*25.0%*	*34.8%*	*37.5%*	*37.3%*	
Total wired Internet advertising	**9**	**11**	**15**	**19**	**26**	**29**	**34**	**39**	**44**	**51**	**14.3%**
YOY growth (%)		***36.0%***	***32.5%***	***28.6%***	***25.9%***	***22.4%***	***18.7%***	***17.4%***	***15.7%***	***13.7%***	
Mobile Internet advertising	0	0	0	4	10	18	29	46	70	90	56.2%
YOY growth (%)		*166.7%*	*105.0%*	*1097.6%*	*146.2%*	*86.2%*	*63.0%*	*56.4%*	*51.5%*	*29.5%*	
Total Internet advertising	**9**	**11**	**15**	**23**	**36**	**47**	**63**	**85**	**114**	**141**	**31.6%**
YOY growth (%)		***34.4%***	***37.5%***	***54.0%***	***47.8%***	***34.1%***	***32.6%***	***33.7%***	***34.5%***	***23.4%***	

Sources: PwC, Ovum

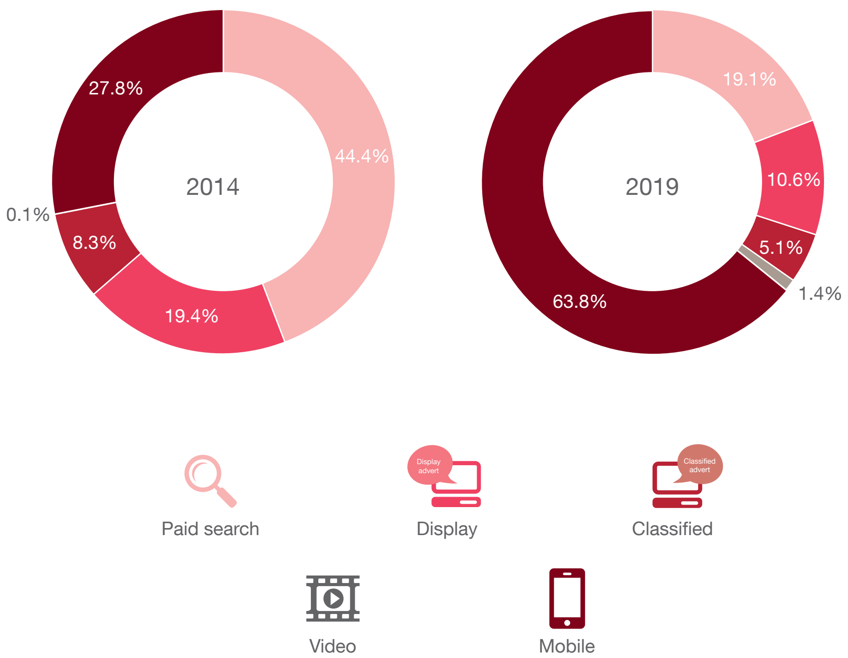
Although Nigeria is ranked highly on the list of top Internet users in the world, the country has one of the lowest figures for Internet advertising revenue per capita globally. However, the market is growing rapidly. Nigeria's Internet advertising market will almost quadruple, from US$36 million in 2014 to US$141 million in 2019. Albeit from a small base, this rise represents an impressive forecast CAGR of 31.6%. The market will benefit from Nigeria's relatively strong economic outlook in the forecast period, which will boost advertisers' budgets and consumer spending.

Paid search Internet advertising revenue has traditionally been the main Internet advertising sub-component in Nigeria. Paid search and display will continue to grow steadily over the forecast period, but mobile Internet advertising will be the main growth driver and is set to overtake paid search in 2015, and to account for more than 60% of total Internet advertising revenue in Nigeria by 2019.

Mobile Internet advertising is forecast to rise at a CAGR of 56.2%, reaching US$90 million in 2019. This will flourish over the forecast period as the number of Nigerians with mobile Internet subscriptions increases from 12.5 million in 2014 to 63.8 million (almost one-third of the population) in 2019.

A potential inhibitor of the future growth of Nigeria's Internet advertising market is the political instability affecting northern regions of the country. Essential network provision and maintenance is already becoming more difficult in these areas, which will inhibit the adoption of Internet access.

Fig 14. Revenue share of total Internet advertising revenue split by sub-component (%), 2014 vs 2019



Source: PwC, Ovum

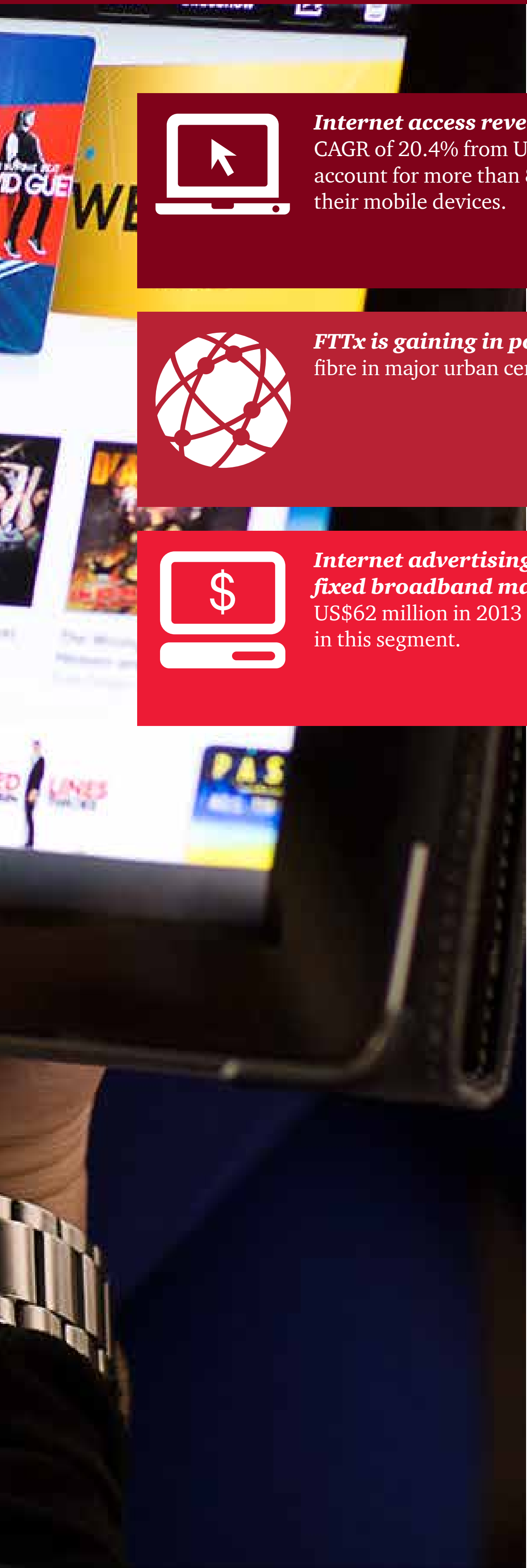
Other growth drivers in Nigeria include a large, young population base, the adoption of e-commerce and increased usage of social media. The financial services sector's spend on Internet advertising has been projected to rise in the coming years, in particular due to new banking regimes and rebranding exercises.

Major websites for Internet advertisers in Nigeria include LindaIkeji, Naij.com and Bella Naija.

Mobile will more than double its share of total Internet advertising revenue

Kenya


DANCE
DJ
HITS
Mixes, Compilations & More
Neon
Greatest Hits
(Deluxe Edition)
BODY MUSIC
KINGS OF LEON
Pre-Order New Album
JOHN ELLIS
BUSH TELEGRAPH
Music
Films
Top Charts
Genius
Purchased



At a glance

Internet access revenues will see a 20%-plus CAGR in Kenya. Total access revenues will rise at a CAGR of 20.4% from US$485 million in 2014 to US$1.2 billion in 2019. Mobile Internet access will continue to account for more than 80% of Internet access revenue, as the overwhelming majority of Kenyans go online via their mobile devices.

FTTx is gaining in popularity. Cable modem is being overtaken by FTTx, with many operators deploying fibre in major urban centres.

Internet advertising revenues will see a 16.8% CAGR, though a relatively underdeveloped fixed broadband market will hinder growth. Internet advertising revenues in Kenya will rise from US$62 million in 2013 to a forecast US$135 million in 2018. Mobile and search will see the sharpest growth in this segment.

More than US$800 million to be added between 2014 and 2019

Revenues from Internet access and Internet advertising, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***	***2019***	***2014-19***
Internet access	**102**	**169**	**277**	**427**	**485**	**616**	**757**	**907**	**1 061**	**1 228**	**20.4%**
Fixed	17	30	54	78	88	112	137	164	192	222	20.2%
Mobile	85	139	223	349	397	504	620	743	869	1 006	20.4%
YOY growth (%)		*65.1%*	*63.6%*	*54.3%*	*13.9%*	*26.9%*	*22.9%*	*19.9%*	*16.9%*	*15.8%*	
Internet advertising	**10**	**21**	**31**	**44**	**62**	**81**	**101**	**117**	**129**	**135**	**16.8%**
YOY growth (%)		*88.9%*	*54.6%*	*45.9%*	*38.6%*	*31.1%*	*23.5%*	*16.1%*	*9.2%*	*5.8%*	
Total Internet market	**112**	**190**	**308**	**471**	**547**	**697**	**858**	**1 024**	**1 190**	**1 363**	**20.0%**
YOY growth (%)		***67.3%***	***62.7%***	***53.4%***	***16.3%***	***27.3%***	***22.9%***	***19.4%***	***16.1%***	***14.7%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available information.
Sources: PwC, Ovum

Internet access

Internet access revenue in Kenya generated US$485 million in 2014, and this is forecast to rise to US$1.2 billion by 2019, a CAGR of 20.4%. This is the second-fastest rate of growth in Internet access revenues for any country worldwide during the period, after Nigeria.

The mobile platform dominated the Internet access market in 2014 – accounting for 82% of the market – and this share will continue over the forecast period.

According to the Communication Authority of Kenya, mobile data/Internet subscriptions had reached 14.7 million by the third quarter of 2014.

Fixed broadband subscriptions in Kenya totalled 148 000 in 2014 and grew by 15.6% year on year on the back of fibre network roll-outs. Historically, cable modem has been the dominant technology for fixed broadband services in the country. The service is provided mainly by Wananchi Group as part of a triple play.

However, cable modem is being overtaken by FTTx, as a number of operators are now deploying fibre in the main urban centres, including Jamii Telecom, Access Kenya, the incumbent Telkom Kenya (Orange), the leading mobile operator Safaricom and Wananchi itself. Telkom and Safaricom are also building out WiFi connectivity to urban areas around the country as part of a fixed-mobile convergence strategy, and as a means to offload data traffic from their 3G mobile networks. FTTx and wireless access services, including WiMAX, are expected to drive the ongoing growth in the fixed broadband segment through to 2019.

LTE

LTE service launch delayed

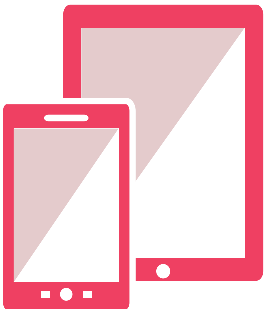
The dominance of mobile Internet is due to its greater affordability and more extensive coverage. Kenya's operators have focused on segmented prepaid data bundles targeted at different low-income groups, along with low-cost smartphones and, in the case of Safaricom, affordable loans to finance smartphone purchases. Operators are also continuing to invest substantially in building out their HSPA networks, which will form the basis of the provision of mobile Internet services to the vast majority of their customers for some time to come.

Safaricom continues to have the greatest share of mobile Internet

An LTE market has yet to take off. In December 2014, Safaricom launched an LTE-A service using parts of its existing 1800MHz and 2100MHz spectra. The service was available initially in the cities of Nairobi and Mombasa, and by March 2015 it had gained around 75 000 subscribers (compared with approximately 7.5 million 3G subscribers at the same time). According to Safaricom, total mobile data subscribers at the end of the first quarter of 2015 were 11.6 million.

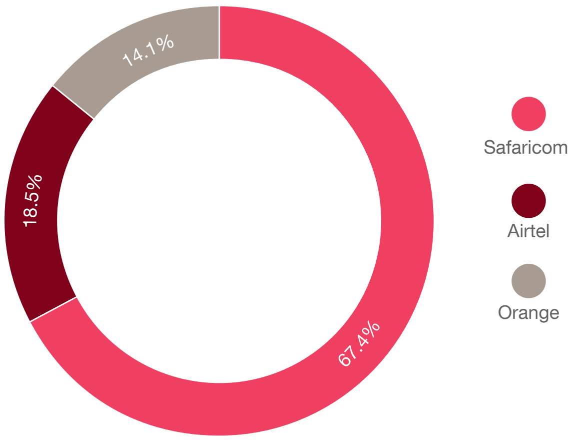
Also in December 2014, Safaricom paid the government KES7.29 billion for two blocks of 15MHz in the 'digital dividend' 800MHz band to support the roll-out of LTE across less densely populated regions. The acquired spectrum had previously been allocated to Essar Telecom Kenya, which was acquired by Safaricom in the same month. Safaricom had previously pulled out of a project to deploy a nationwide LTE network based on a public-private partnership model involving all of the private operators. One of the conditions for the newly acquired licence is that Safaricom is required to make 30% of its LTE spectrum available to other operators on a wholesale basis. No other 4G licence awards, in either the 800MHz or 2.6GHz ranges, have yet taken place. However, in April 2015 the two other mobile operators, Airtel and Orange, were authorised to conduct LTE pilots using parts of their existing spectrum allocations, which they may need to re-farm pending the regulator's elaboration of a new pricing model for subsequent spectrum sales.

Safaricom dominates the mobile Internet market and is expected to continue to do so throughout the forecast period.



By 2019, Kenya is forecast to have a mobile Internet subscriber penetration rate of 35.4%

Fig 15. Mobile broadband market share by operator (%), 2014



Sources: PwC, Ovum

Driven by mobile and search, Internet advertising revenue in Kenya will reach US$135 million by 2019

Internet advertising

Total Internet advertising revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data				CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Search	4	6	9	13	19	25	32	39	44	46	19.6%
YOY growth (%)		*52.8%*	*54.9%*	*47.9%*	*40.9%*	*33.9%*	*27.0%*	*20.0%*	*13.0%*	*6.1%*	
Display	2	4	5	7	9	11	13	14	15	15	11.5%
YOY growth (%)		*60.8%*	*40.2%*	*34.6%*	*28.9%*	*23.2%*	*17.5%*	*11.8%*	*6.1%*	*0.5%*	
Classified	1	2	3	3	4	5	6	6	7	7	9.3%
YOY growth(%)		*49.4%*	*56.0%*	*32.2%*	*26.3%*	*20.4%*	*14.5%*	*8.6%*	*3.6%*	*0.4%*	
Video	0	0	0	0	0	0	0	0	1	2	-
YOY growth (%)		-	-	-	-	-	-	-	*179.3%*	*117.0%*	
Total wired Internet advertising	**7**	**12**	**17**	**23**	**32**	**41**	**51**	**59**	**67**	**70**	**16.9%**
YOY growth (%)		***54.8%***	***50.2%***	***41.4%***	***35.3%***	***29.2%***	***22.9%***	***17.2%***	***11.2%***	***5.6%***	
Mobile Internet advertising	3	9	14	21	30	40	50	58	62	65	16.6%
YOY growth (%)		*161.9%*	*60.2%*	*51.2%*	*42.1%*	*33.1%*	*24.0%*	*15.0%*	*7.2%*	*6.0%*	
Total Internet advertising	**10**	**21**	**31**	**44**	**62**	**81**	**101**	**117**	**129**	**135**	**16.8%**
YOY growth (%)		***88.9%***	***54.6%***	***45.9%***	***38.6%***	***31.1%***	***23.5%***	***16.1%***	***9.2%***	***5.8%***	

Sources: PwC, Ovum

With a forecast CAGR of 16.8%, Kenya's Internet advertising revenue will more than double from just US$62 million in 2014 to US$135 million in 2019. The fact that only a small percentage of households have fixed broadband access has hindered the development of the market.

However, smartphone owners and mobile Internet subscribers will be the main growth drivers for Internet advertising over the forecast period. The market will also benefit from Kenya's wider economic performance, as the country is projected to have a nominal GDP growth of 12.0% between 2014 and 2019, above the regional average – a driver of both further advertising spend and domestic consumption.

Mobile advertising generated revenue of US$30 million in 2014, approximately half of total Internet advertising revenue. As with most countries in the Middle East and Africa region, mobile will remain the dominant advertising medium throughout the forecast period. Mobile's importance in Kenya's Internet advertising market is mainly due to the relatively low expense of owning a smartphone compared to a laptop or computer with fixed broadband connection. This is accentuated by the strength of mobile-based payment services, which further reinforce the central role of the mobile device in the Kenyan market.

In terms of wired Internet advertising, paid search generates the most revenue. As the wider Internet market matures and as more marketers promote their products and services online, paid search Internet advertising in Kenya will grow at a CAGR of 19.6%, with revenue increasing from US$19 million in 2014 to US$46 million in 2019.

The mobile Internet markets in Kenya and Nigeria are expected to remain extremely price-competitive over the next few years as operators chase market share among the mainly lower-income population segments that are yet to get online, with the overwhelming majority of services provided on a prepaid basis over 3G networks. As a result, mobile Internet ARPU in Kenya is expected to fall at a CAGR of 18.1% between 2014 and 2019, to US$5.11. In Nigeria, mobile Internet ARPU is projected to decline at a CAGR of 13.2% over the same period, to US$5.51. In South Africa, by contrast, mobile Internet ARPU will be more resilient owing to greater market maturity, higher average incomes and more widespread adoption of LTE. As a result, ARPU is expected to grow at a CAGR of 2.8% over the period, to US$14.52.

Paid search Internet advertising in Kenya will grow at a CAGR of 19.6%

Global trends in Internet

The following was extracted from PwC's *Global Entertainment & Media Outlook 2015–2019*

Revenues from Internet access and Internet advertising, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Fixed broadband access	168 894	180 614	191 271	202 080	212 626	222 239	231 212	239 485	247 302	254 798	3.7%
YOY growth (%)		*6.9%*	*5.9%*	*5.7%*	*5.2%*	*4.5%*	*4.0%*	*3.6%*	*3.3%*	*3.0%*	
Mobile Internet access	111 860	140 909	172 311	204 961	236 828	271 839	307 659	345 321	386 352	431 466	12.7%
YOY growth (%)		*26.0%*	*22.3%*	*18.9%*	*15.5%*	*14.8%*	*13.2%*	*12.2%*	*11.9%*	*11.7%*	
Total Internet access	**280 754**	**321 523**	**363 582**	**407 041**	**449 454**	**494 078**	**538 871**	**584 806**	**633 654**	**686 264**	**8.8%**
YOY growth (%)		***16.2%***	***14.5%***	***13.0%***	***11.2%***	***10.0%***	***9.5%***	***8.9%***	***8.4%***	***8.1%***	
Wired Internet advertising	66 501	80 006	90 711	101 849	112 798	125 189	138 254	151 375	164 125	175 988	9.3%
YOY growth (%)		*20.3%*	*13.4%*	*12.3%*	*10.8%*	*11.0%*	*10.4%*	*9.5%*	*8.4%*	*7.2%*	
Mobile Internet advertising	3 206	5 212	8 516	14 514	22 626	29 752	37 869	46 635	55 775	63 878	23.1%
YOY growth (%)		*62.6%*	*63.4%*	*70.4%*	*55.9%*	*31.5%*	*27.3%*	*23.1%*	*19.6%*	*14.5%*	
Total Internet advertising	**69 707**	**85 218**	**99 227**	**116 363**	**135 424**	**154 941**	**176 123**	**198 010**	**219 900**	**239 866**	**12.1%**
YOY growth (%)		***22.3%***	***16.4%***	***17.3%***	***16.4%***	***14.4%***	***13.7%***	***12.4%***	***11.1%***	***9.1%***	
Total Internet market	**350 460**	**406 741**	**462 809**	**523 404**	**584 878**	**649 019**	**714 994**	**782 816**	**853 554**	**926 130**	**9.6%**
YOY growth (%)		***16.1%***	***13.8%***	***13.1%***	***11.7%***	***11.0%***	***10.2%***	***9.5%***	***9.0%***	***8.5%***	

Sources: PwC, Ovum

Global Internet access trends

The divide between consumer spend on Internet access and other media will widen. Total Internet access revenue is set to continue its strong growth at an 8.8% CAGR from US$449.5 billion in 2014 to US$686.3 billion in 2019, far ahead of any other consumer revenue, as more consumers adopt the Internet as a way to access digital versions of new and existing media services for 'free' or at low prices.

By 2019, mobile Internet access revenue will account for more than 75% of the market in five territories. Mobile Internet access revenue will soar at a 12.7% CAGR from US$236.8 billion in 2014 to US$431.5 billion in 2019, accounting for close to two out of every three dollars spent on Internet access in that year. In 2019, Indonesia, Peru, Rest of MENA (Algeria, Bahrain, Jordan, Kuwait, Lebanon, Morocco, Oman and Qatar), Kenya and South Africa will see more than 75% of total Internet access revenue derived from mobile, with South Africa at an industry-leading 90.7%.

Internet revenues near US$1trn

One in four people will own a tablet by 2019, but PCs will remain relevant. Tablet ownership will rise at a CAGR of 28.2% from 420 million in 2014 to 1.46 billion in 2019, although the device's initial disruptive impact will be tempered by larger-screen smartphones and a return in the popularity of laptops.

Smartphone connections will double to account for over half of all mobile phone connections in 2019. As smartphones become cheaper, the number of smartphone connections will increase at a CAGR of 14.9% from 1.92 billion in 2014 to 3.85 billion in 2019, equal to 56.0% of all mobile phone connections, with these additional users driving growth.

Pakistan will see the fastest growth rates for mobile Internet access. Mobile Internet access revenue in Pakistan will increase at a CAGR of 35.2% from US$63 million in 2014 to US$282 million in 2019, as mobile Internet subscribers increase more than sixfold from 9.5 million to 59.3 million. Increasing mobile availability and lower-cost smartphones, as well as the launch of the country's first long-term evolution (LTE) services in September 2014, will drive growth.

China's Internet ecosystem will grow in both size and influence. China's massive base of fixed-broadband households and mobile Internet subscribers – amounting to 280.5 million and 962.7 million in 2019, respectively – will provide a platform for its home-grown companies to expand and succeed in media and technology markets worldwide.

Global Internet advertising trends

Internet advertising will become the largest advertising segment. Global total Internet advertising revenue is forecast to grow from US$135.4 billion in 2014 to US$239.9 billion in 2019, a CAGR over the period of 12.1%. As the segment captures an ever-larger portion of advertising budgets, it will exceed TV to become the largest single advertising category by 2019.

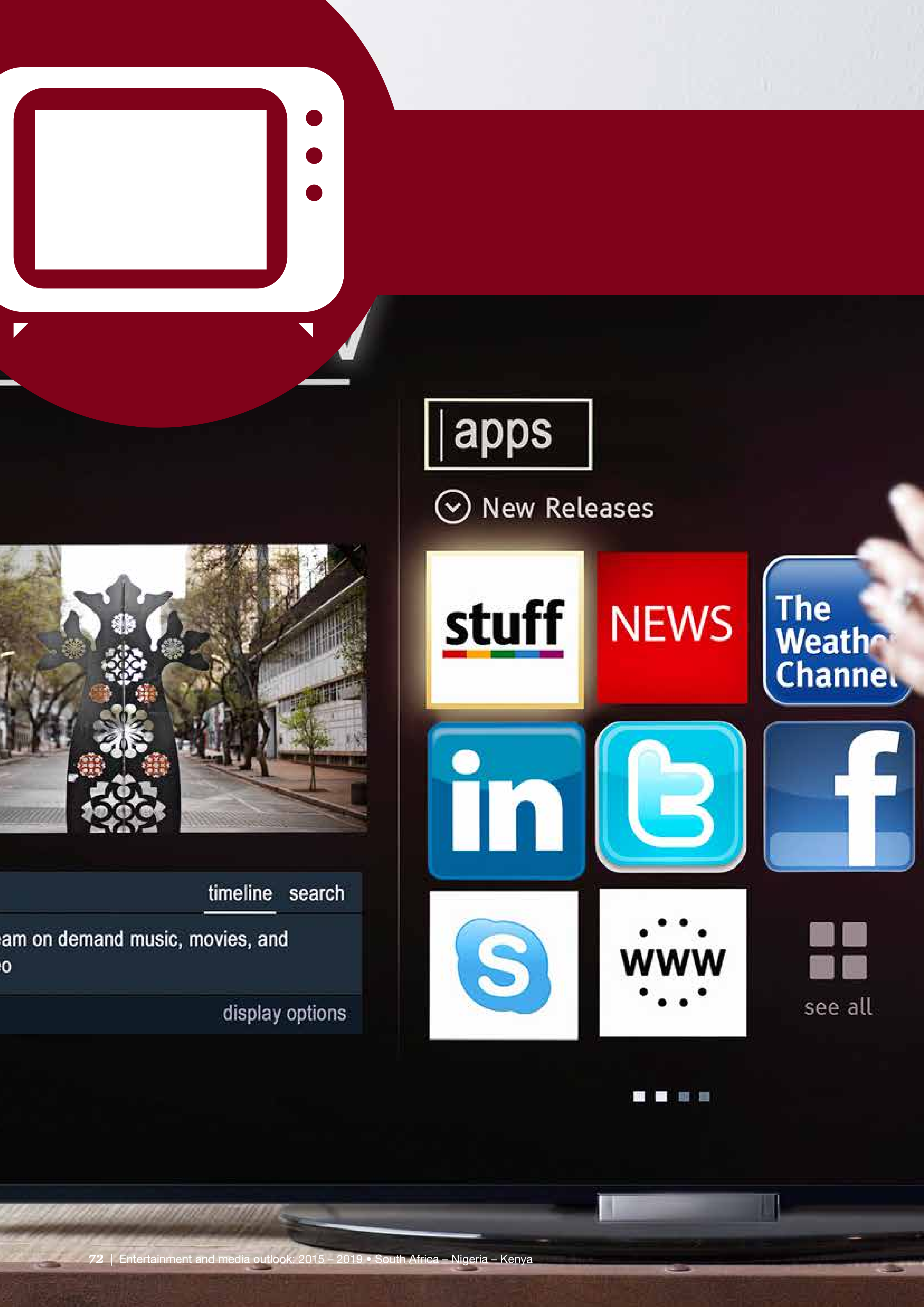
Mobile's growth means it will exceed display in 2018. Display Internet advertising revenue was the second-largest component of Internet advertising revenue in 2014 and will maintain a solid 7.9% CAGR to 2019. Yet the rapid growth of mobile Internet advertising revenue at a 23.1% CAGR means that it will overtake display by the end of the forecast period.

Search will remain the largest single contributor to Internet advertising. Paid search Internet advertising revenue is forecast to grow from US$53.1 billion in 2014 to US$85.4 billion in 2019. Search is an established and understood advertising medium that plays a central role in Internet advertising at each stage of the purchase cycle. It will therefore remain the largest constituent of Internet advertising, accounting for 35.6% of total Internet advertising revenue in 2019.

Video exhibits the fastest growth in wired Internet advertising. Although video Internet advertising revenue comprised only 4.7% of total Internet advertising revenue in 2014, it has been identified as a major potential source of growth for publishers and broadcasters alike due to the increased adoption of tablets and the rise of IP-delivered video services. Rising from US$6.3 billion in 2014 to US$15.4 billion in 2019 at a 19.5% CAGR, video Internet advertising's rate of growth will exceed all other sub-segments of wired Internet advertising revenue.

Internet advertising will increasingly become device-agnostic. Mobile Internet advertising revenue contributed 16.7% of total Internet advertising revenue in 2014, from less than 5% in 2010, but device categorisation is blurring at a rapid pace as smartphones and tablets increasingly converge in size, and wearable interfaces such as watches begin to make an impact. To navigate in this environment, advertisers should be asking what types of content generate the greatest consumer engagement rather than whether people are reading a website on a mobile device or not.

Measurement is getting better, but understanding how media is consumed will remain a significant challenge. Advertisers and publishers are now much better equipped to capture, store and process data that allows them to build a fuller picture of how consumers interact with Internet advertising across devices. Metrics are now being adopted by publishers and advertisers that better reflect the quality of impressions rather than their quantity. Yet despite this progress, effective measurement of media consumption, especially across multiple devices and platforms, will remain a significant challenge for the industry.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Television

At a glance

OTT services have grown substantially over the past year, but their impact has not yet been felt by pay-TV. Despite the perceived threat of over-the-top (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.

The South African TV sector is the largest TV market on the continent. The value of the TV sector in South Africa, comprising revenue from licence fees, pay-TV subscription fees and advertising, reached R32.4 billion in 2014, an increase of 7.6% from 2013. It is expected to reach R40.9 billion by 2019, representing a compound annual growth rate (CAGR) of 4.8% for the forecast period.

South Africa has one of the cheapest TV licence fees in the world. Licence fee revenues grew by 6.8% to reach R1 billion in 2014. Public licence fees formed a minority of the SABC's revenues in the past fiscal year, with much of its TV revenues coming from advertising, at around R3.6 billion in 2014. However, worldwide, the notion of public licence fees is under unprecedented pressure.

The SABC remains the country's most popular broadcaster. Audience loyalty remains strong, particularly for local dramas on SABC1, with 19 out of the 20 most watched programmes across all channels nationally being from SABC TV during 2013/2014.

2017

South Africa will not be fully migrated to DTT until at least 2017. The Department of Communications announced that more funds are required over the course of the next three years for digital migration to occur.

Over-the-top subscription video on demand (OTT-SVOD) has sprung into action in South Africa. Services such as Vidi (which has launched a smart TV application), MTN FrontRow and Naspers' ShowMax have all launched, with Netflix expected to launch in 2016.

The number of pay-TV households in Nigeria is expected to reach 3.2 million in 2019, compared to 1 million in 2010. Nigeria's ***million*** pay-TV subscribers will show a 6% CAGR over the forecast period, with growth driven mainly by pay-DTT. Pay-TV penetration is forecast to reach 25.3% in Nigeria by 2019, compared to 21.2% in 2014.

Problems hamper Nigeria's digital migration. The vast majority of households – over 80% – still rely on analogue terrestrial signals, despite DTT having been launched in 2007. This is because the digitisation process has been hampered by government and institutional inefficiencies.

The Kenyan pay-TV market had a subscriber penetration of just 11.9% in 2014. A rise in competition is expected to boost this figure up to 18.2% by 2019, with the number of pay-TV households forecast to roughly double to reach approximately 689 000 by the end of 2019, a CAGR of 13.7%.

Safaricom is increasing its lead in the Kenyan telecom and media market. Safaricom has launched a new set-top box, BigBox, and applied for a digital TV licence. Should the licence be approved, Safaricom will be at the forefront of providing not only broadband services but also TV services in the country. Safaricom is taking advantage of the convergence made possible by digital TV migration to deepen its presence in wireless Internet.

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 telecom 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 direct to home or satellite master antenna (DTHTV/SMATV) 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 core 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; it 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.

South Africa

Steady television growth of 4.8% CAGR in South Africa to 2019

TV revenues, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Pay-TV subscription	12 688	14 145	15 162	16 224	17 138	17 793	18 499	19 149	19 901	20 585	3.7%
YOY growth (%)		*11.5%*	*7.2%*	*7.0%*	*5.6%*	*3.8%*	*4.0%*	*3.5%*	*3.9%*	*3.4%*	
Public licence fees	868	872	893	936	1 000	1 002	1 028	1 055	1 082	1 108	2.1%
YOY growth (%)		*0.5%*	*2.4%*	*4.8%*	*6.8%*	*0.2%*	*2.7%*	*2.6%*	*2.5%*	*2.4%*	
End-user spending	**13 556**	**15 017**	**16 055**	**17 160**	**18 138**	**18 795**	**19 527**	**20 204**	**20 983**	**21 693**	**3.6%**
YOY growth (%)		***10.8%***	***6.9%***	***6.9%***	***5.7%***	***3.6%***	***3.9%***	***3.5%***	***3.9%***	***3.4%***	
% of total TV market	***57.2%***	***57.9%***	***57.1%***	***57.0%***	***56.0%***	***55.5%***	***54.8%***	***54.3%***	***53.6%***	***53.0%***	
Broadcast TV advertising	10 124	10 934	12 038	12 941	14 247	15 035	16 086	16 969	18 160	19 247	6.2%
YOY growth (%)		*8.0%*	*10.1%*	*7.5%*	*10.1%*	*5.5%*	*7.0%*	*5.5%*	*7.0%*	*6.0%*	
Online TV advertising	0	0	0	1	5	6	7	7	8	9	12.7%
YOY growth (%)		*60.2%*	*94.2%*	*145.2%*	*505.2%*	*16.5%*	*14.0%*	*12.3%*	*10.9%*	*10.0%*	
Total TV advertising	**10 124**	**10 934**	**12 038**	**12 942**	**14 252**	**15 041**	**16 093**	**16 976**	**18 168**	**19 256**	**6.2%**
YOY growth (%)		***8.0%***	***10.1%***	***7.5%***	***10.1%***	***5.5%***	***7.0%***	***5.5%***	***7.0%***	***6.0%***	
% of total TV market	***42.8%***	***42.1%***	***42.9%***	***43.0%***	***44.0%***	***44.5%***	***45.2%***	***45.7%***	***46.4%***	***47.0%***	
Total TV market	**23 680**	**25 951**	**28 093**	**30 102**	**32 390**	**33 836**	**35 620**	**37 180**	**39 151**	**40 949**	**4.8%**
YOY growth (%)		***9.6%***	***8.3%***	***7.1%***	***7.6%***	***4.5%***	***5.3%***	***4.4%***	***5.3%***	***4.6%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

Revenues set to pass R40 billion in 2019 as the TV business continues to grow

R40 billion

Despite the possible competition of OTT services delivered via the Internet and the changes in consumer behaviour (such as a movement to cheaper bespoke bouquets) 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 as revenues from pay-TV, public licence fees and advertising – is the largest such market on the continent. The country has seen growth rates slow down since 2010, however, with the value of the TV sector reaching R32.4 billion in 2014, an increase of 7.6% from 2013. It is expected to reach R40.9 billion by 2019, representing a CAGR of 4.8% for the forecast period.

Pay-TV revenue keeps its nose ahead of TV advertising

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.

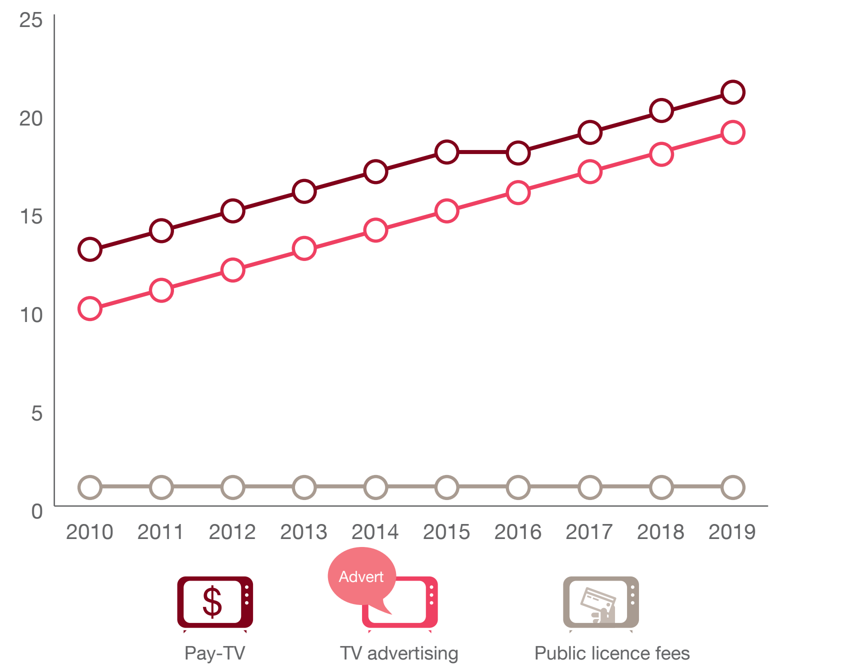
In any case, OTT services in South Africa remain nascent due to issues with broadband penetration – Discover Digital is one of the early movers in this market, offering OTT services as well as IPTV for ISPs, and providing its own OTT VOD service as well.

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 rollout 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 are added to the incumbent's historic strength in content investment and trustworthy delivery platforms, their service proposition becomes a great deal more attractive.

Fig 1. TV revenue by component, 2010–2019 (R billions)



Sources: PwC, Ovum

South Africa has one of the cheapest TV licence fees in the world

The SABC is the country's public broadcaster, and all TV set users are required to pay a public licence fee. Public licence fees formed a minority of the SABC's revenues in the past fiscal year, with much of its TV revenues coming from advertising, at around R3.6 billion in 2014. Licence fee revenues rose by 6.8% to reach R1.0 billion in 2014. South Africa has one of the cheapest TV licence fees in the world. Yet the SABC estimates that only around 30% of South Africa's TV-owning households are paying their licence fees.

Worldwide, the notion of public licence fees is under unprecedented pressure

In June 2013, the Minister of Communications approved a 6% TV licence increase for the SABC. The annual licence fee for a domestic, business, dealer and lessor licence increased from R250 to R265. Concessionary TV licences for those over the age of 70 years and for receivers of social grants from the State increased from R70 to R74 per annum. The SABC says a revenue increase of R17.2 million was achieved through this. According to them, the additional revenue will be spent on digitisation, which will in turn boost its number of channels.

The rate of growth in licence fee revenues will slow to a CAGR of 2.1% over the forecast period. Licence fee revenues will reach R1.1 billion in 2019.

Globally several factors, including government austerity measures and the growth of OTT video, are challenging the very premise of mandatory fees for traditional broadcasting. While there have always been several differing approaches to collecting such revenues, there is now a radical rethink under way over their use, with some countries already changing their approach and others actively considering doing so.

The trend is driven by two main factors: the increased viewing of TV and video content, both broadcast and on-demand, using Internet-connected devices; and a noticeable political move away from using a pure annual licence fee towards other models – mainly because, in an age of austerity, public TV spending represents a relatively soft target for cuts.

Worldwide to date, public broadcasters have typically been funded through one of three models: a compulsory licence fee for TV households with no supplementary advertising revenue, such as in the UK; a compulsory licence fee for TV households, supplemented with advertising revenue, as used in France; or an all-encompassing mandatory fee for all households, as is the case in Germany.

All three of these countries have wrestled with the dilemma of whether a TV licence fee should apply to households that do not have a TV set but, for example, use another device to watch catch-up TV programming from traditional broadcasters. Germany initially addressed this through a two-tier licensing system, with homes with TV sets paying a higher fee. But in January 2013 it thought again, imposing a flat fee system applicable to all households. In the UK, the government agreed to close a loophole regarding catch-up TV in July 2015.

The German approach of a non-device-specific charge represents one direction for the sector to go in, although other more innovative approaches are also being implemented. In Finland, for example, a public service broadcasting tax is applied at a rate of 0.68% of an individual's earned/capital income. In Hungary the traditional licence fee system has been abolished for private citizens, with the public broadcaster being funded from a combination of state budget, advertising revenue and a licence fee imposed on businesses and other commercial properties.

In 2015, Israel cancelled its unpopular television fee, with only the radio licence fee remaining. In a world still affected by austerity and in the process of altering its viewing habits, other countries may yet elect to follow suit.

The SABC remains the country's most popular broadcaster

The SABC remains the country's most popular broadcaster, with its SABC 1 channel averaging 29.7 million viewers per week in the year to June 2014. Audience loyalty remains strong, particularly for local dramas on SABC1, with 19 out of the 20 most watched programmes across all channels nationally being from SABC TV.

Soaps and dramas top the rankings

Top 20 programmes, average audience shares, 2013/2014

Programme	Genre	Audience share (%)
Generations (SABC1)	Soaps	65.4
Generations (SABC2)	Soaps	59.4
Muvhango	Drama	54.2
Streets of Mangaung	Drama	51.1
Big Mommas: Like Father Like Son (e.tv)	Movies	50.9
Ngempela	Drama	49.3
Amaza	Drama	47.8
Skeem Saam	Drama	46.3
InterSEXions	Drama	43.9
Society (SABC2)	Drama	43.3
Society (SABC1)	Drama	42.5
Hola Mpinji	Education	42.4
Loxion Lyric	Drama	42.0
Soul City	Drama	41.6
Shakespeare in Mzansi	Drama	41.3
Untold Stories: Love Stories in a Time of HIV and Aids	Drama	41.3
Tempy Pushas	Drama	40.8
Entabeni	Drama	40.8
Ugugu no Andile	Drama	40.3
After Nine	Drama	40.2

Sources: PwC, Ovum, TAMS 2013/14, Top 20 Programmes Across Channels

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

The 2010 FIFA World Cup helped to boost the number of pay-TV households in South Africa, which increased from 3.5 million in 2010 to 5.1 million in 2014. A CAGR of 7.4% will mean subscribing households will grow to 7.2 million over the forecast period, reflecting an increasing demand for quality premium services. Pay-TV revenues in 2019 are projected to be R20.6 billion.

Whereas TV revenues are forecast to increase at a CAGR of 4.8%, TV ARPU will decrease as a result of more affordable services emerging in an increasingly competitive multichannel market, and also partly due to the adoption of entry-level basic packages offered to entice new households to the market. For example, the lower-priced "Access" bouquet offered by MultiChoice resonated with customers in its first six months of launch in 2014, delivering strong growth for the company. ARPU will decline from R290 in 2014 to R244 in 2019.

Satellite TV continues to occupy the lion's share of the pay-TV market, with a market share of 99.1% in 2014. This is due to drop to 81.9% by the end of the forecast period, mainly as a result of the emergence of pay-DTT but also because of a slowly developing IPTV market. Cable is virtually non-existent at consumer level in South Africa due to a lack of legacy cable infrastructure. By 2019, there will be an estimated 5.9 million satellite households, 1.2 million on DTT and 103 000 subscribing to IPTV services.

In July 2015, South Africa-based direct-to-home (DTH) service MultiChoice reported that the number of South African subscribers had reached 5.4 million, up from 5.2 million in September 2014. MultiChoice also dominates pay-TV subscriptions across the African continent, mostly operated on a franchise basis. In June 2015, the DTH subscriber base across the continent was reported to be almost 8 million, with 727 000 net additions.

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

Pay-TV households (millions), ARPU (R) and revenues, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2015-19
Pay-TV households (millions)	3.5	4.0	4.5	4.8	5.1	5.5	5.9	6.3	6.8	7.2	7.4%
YOY growth (%)	*26.5%*	*16.1%*	*11.4%*	*6.9%*	*5.3%*	*8.2%*	*7.7%*	*6.9%*	*8.5%*	*5.7%*	
Subscription TV ARPU (R)	340	314	297	291	290	282	271	262	253	244	-3.4%
YOY growth (%)	*1.5%*	*-7.6%*	*-5.6%*	*-1.9%*	*-0.4%*	*-2.8%*	*-3.7%*	*-3.5%*	*-3.5%*	*-3.4%*	
Pay-TV revenues (R millions)	12 688	14 145	15 162	16 224	17 138	17 793	18 499	19 149	19 901	20 585	3.7%
YOY growth (%)	*14.9%*	*11.5%*	*7.2%*	*7.0%*	*5.6%*	*3.8%*	*4.0%*	*3.5%*	*3.9%*	*3.4%*	

Sources: PwC, Ovum

TV advertising in South Africa generated net revenues of R14.3 billion in 2014, and a CAGR of 6.2% will see revenues reach an estimated R19.3 billion in 2019. During 2010, year-on-year growth in TV advertising revenues jumped nearly 30% due to the World Cup, although it has since been between 8% and 10%. In comparison, CAGR in the EMEA region to 2019 will be at 2.7%.

Online TV advertising revenues are in their infancy, rising from R1 million in 2013 to R5 million in 2014. This is expected to grow to R9 million by 2019, representing less than 0.1% of total advertising revenue share and a CAGR of 12.7%. This will be because online TV is starting up from a low base and will remain constrained due to the lack of infrastructure and the low levels of fixed broadband penetration in the country.

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.

Online TV advertising will remain constrained due to the lack of infrastructure and the low levels of fixed broadband penetration

Advertisers are still keen on return on investment, and at present there is simply not enough information for them to allocate a significant portion of their budget to online TV advertising. Solutions need to be identified to effectively assess uptake on the online TV domain, in order to bring a change in the ratio of ad spend allocated to Internet-based consumption of TV and video. This will improve, in part as usage patterns and audience-measurement capabilities evolve.

But this issue is not limited to online TV advertising; robust information on audience engagement is vital for all TV advertisers. In a March 2015 update, the Broadcast Research Council revealed how it had expanded its panel and installed new meter technology which could measure time-shifted viewing and TV devices outside of broadcast content, in keeping with the new TV landscape.

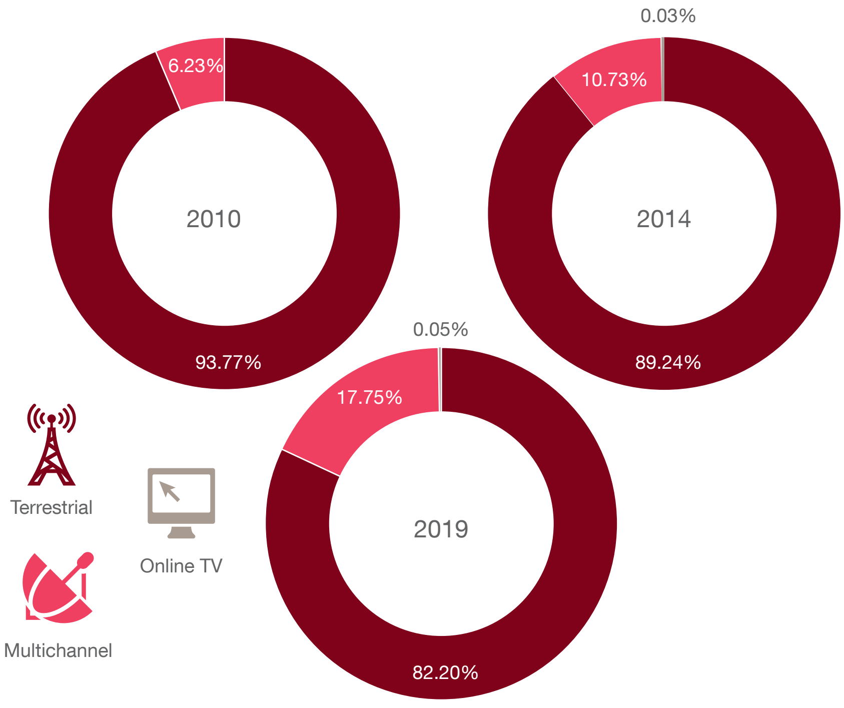
Broadcast TV advertising growth will account for the vast majority of revenue gains, thanks to growing audiences for terrestrial TV and a strong rise in multichannel TV advertising revenues. Multichannel services accounted for 10.7% of TV advertising revenues in 2014 at R1.5 billion, and this will grow to R3.4 billion over the forecast period, representing a 17.8% market share.

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.

Broadcast TV advertising revenues will grow at a CAGR of 6.2% in the next five years

Looking ahead, various opportunities are 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. In addition, as smart TV lags behind in Africa in comparison to the rest of the world, there will be more opportunities for mobile to occupy smart TV services, in which South Africa can adopt a leadership position. Illegal downloads continue to represent a potential threat to the market, of course. This is being addressed from both sides: some ISPs are beginning to slow down particular traffic, for example excessive traffic from BitTorrent. Additionally, as at least some of the illegal downloading stems from a consumer desire to gain instant access to the latest programmes and films, windowing times in general have shrunk. For example, MultiChoice offers "M-Net Express From the US", where certain shows are available within 24 hours of being aired in the US.

Fig 2. Advertising share split by platform, 2010–2019 (%)



Sources: PwC, Ovum

TV advertising revenues, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2015-19
Broadcast TV advertising	10 124	10 934	12 038	12 941	14 247	15 035	16 086	16 969	18 160	19 247	6.2%
YOY growth (%)		*8.0%*	*10.1%*	*7.5%*	*10.1%*	*5.5%*	*7.0%*	*5.5%*	*7.0%*	*6.0%*	
Online TV advertising	0	0	0	1	5	6	7	7	8	9	12.7%
YOY growth (%)		*60.2%*	*94.2%*	*145.2%*	*505.2%*	*16.5%*	*14.0%*	*12.3%*	*10.9%*	*10.0%*	
Total	**10 124**	**10 934**	**12 039**	**12 942**	**14 252**	**15 041**	**16 093**	**16 977**	**18 169**	**19 256**	**6.2%**
YOY growth (%)		***8.0%***	***10.1%***	***7.5%***	***10.1%***	***5.5%***	***7.0%***	***5.5%***	***7.0%***	***6.0%***	

Sources: PwC, Ovum

Terrestrial's dominance will recede towards 2019

Worldwide, TV and video consumption patterns are changing

The SABC is South Africa's most popular broadcaster, with SABC1 reaching over 90% of the population. Fifty per cent of the SABC's income comes from advertising revenues.

The public is demanding high-quality original programming, available in a flexible, on-demand manner across numerous devices to satisfy the growing phenomenon of binge viewing, and OTT services offer the best outlet for this type of consumption.

The rise of broadband has enabled OTT SVOD to develop and scale relatively successfully in the US, largely because of the inability of the traditional TV industry to satisfy new audience desires. These include online-accessible VOD catalogues; catch-up TV within a seven-day window from first broadcast; binge-viewing capability through access to box-sets; broad device compatibility; value-for-money perception; and shorter commitment periods. The big drawback for OTT services, however, remains that much of its content is library-based, meaning it is less attractive to those market segments interested in current programme series.

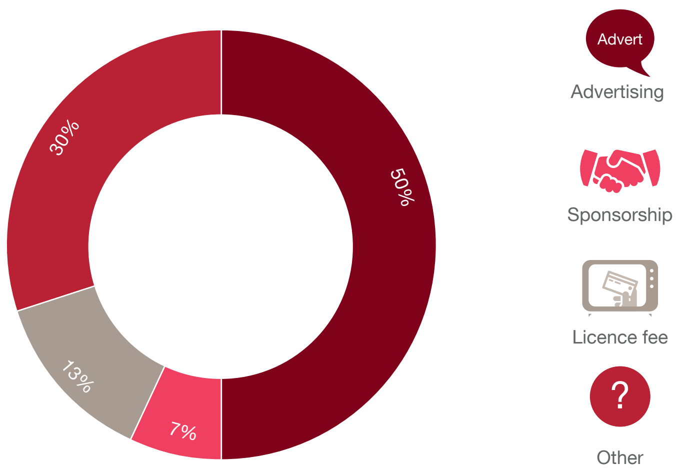
The concept of binge viewing has been present since the ability to record content opened up the possibility of multi-episode viewing, but it has been cemented and exploited by OTT VOD. Reacting against the traditional "drip-fed" scheduled approach by broadcasters of popular series, an increasing number of viewers are simply waiting for whole series to be made available so they can watch all episodes in one go, or in large chunks, in one sitting. The broadcast networks have consciously developed the idea of cliff-hangers within TV series to generate week-to-week suspense and compel viewers to return. But some modern viewers are turning against this concept, too impatient to wait a week for the pay-off. In addition, with much of linear broadcast interspersed with, and interrupted by, advertisements, this is another factor driving the public to advertisement-free VOD options.

The likes of Netflix, Amazon Prime and Hulu have become synonymous with binge viewing, pioneering the practice of making an entire series of original content available in one go so that subscribers can watch it at any time, and with no expiration date.

When combined with original programming, the binge-viewing model is already disrupting how traditional TV distributes and monetises its content. Along with the relatively lower prices of Netflix, the biggest risk for traditional TV companies is that the strong appeal of SVOD's binge-viewing capability will lead people to drop their linear TV, DVD and transactional video on demand (TVOD) usage in favour of such services, thereby strengthening their hand in rights negotiations and in the general pay-video market. At present this is likely in only very limited circumstances, but with ShowMax recently launching and Netflix due in South Africa in 2016, the likes of the SABC must be fully aware of how consumers in many markets are embracing these new consumption patterns.

Advertising still accounts for most of SABC's revenues

Fig 3. SABC, revenues by source, 2014 (%)



Source: SABC

DTT delays continue

The SABC's TV advertising revenues of R3.6 billion in 2014 were up from R3.3 billion in 2013. Total income was up from R6.7 billion to R7.2 billion, with a sizeable R1.6 billion attributable to its 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 achieved year-on-year revenue growth of 8% through classical advertising and sponsorship, and that, allied to tighter credit management, ensured an improvement in its working capital. It said its revenue performance was in spite of the increasingly fragmented audiences and the competitive South African media landscape in which it operates.

Newest entrant Openview is gaining ground at the expense of StarSat. Openview is still a lower-segment product with 20 free-to-air channels. In the fourth quarter of 2014, Openview ran a promotion discounting the price of its decoder from R1 400 to R499. In the last available update of subscriber numbers in July 2014, OpenView stated that more than 37 000 households had its decoders.

Although it gained a licence in 2007, reports emerged in June 2015 that Walking on Water TV (WowTV) was preparing to come to market. The channel, which won a licence on the basis of having a Christian focus, will offer bouquets ranging from R50 per month to R250 per month.

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 (STBs) lapsed. STBs 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 and 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 17 June 2015. In March 2015, it was announced that this deadline would be missed, although South Africa's Communications Minister stated that there would be no "black-out" for viewers after this date. In July 2015, all Southern Africa Development Community countries, including South Africa, committed to migrating to digital broadcasting by June 2016.

Due to the delays in launching DTT, many households have acquired satellite services to access digital channels. In addition to MultiChoice's pay-TV service, free-to-air satellite services from Freevision and OpenView HD launched in 2013 and have made some inroads. The terrestrial sector has subsequently declined in size, although once launched, DTT is expected to grow quickly.

In January 2015, USAASA (Universal Service & Access Agency of South Africa), the government agency for bridging South Africa's digital divide, reported that the contract to provide STBs, DTH dishes and antennas for digital migration attracted only 17 bidding companies, after around 150 companies initially expressed interest. This number was most likely due to the uncertainty surrounding the digitisation project in South Africa.

In June 2015, e.tv lost a high court application to include encryption in the set-top boxes provided at a subsidised rate to South Africa's poorer households. e.tv had argued that the measure would prevent piracy, but it was opposed by MultiChoice and the SABC.

In October 2014, South Africa's National Treasury said that R620 million would be used to support the digitisation programme. Of this, R551 million was allocated to the Universal Services and Access Fund to cover the costs of the broadcast digital migration project, while the rest was allocated to state-owned broadcasting signal distributor Sentech. However, South African Department of Communications (DoC) Minister, Faith Muthambi revealed soon after that the department would require more funding to prepare for digital migration. The DoC further added that the expenditure for migrating to digital would increase from R8 billion in 2014–2015 to R9.9 billion in 2017–2018. The implication of this is that full migration will only be achieved by 2017 at the earliest. This was confirmed by the DoC when they stated that the deployment of STBs would take between 18 and 24 months. The DoC stated it had set aside R22 million for a digital migration awareness campaign, set to run between May and June 2015.

OTT-SVOD has sparked into action in South Africa

The DoC also said it anticipated that the SABC's revenues would increase by 3.5% over the medium term to reach R7.9 billion as a result of digital migration. The SABC said its plans were to launch an initial set of five digital TV channels. The SABC's initial DTT offering will consist of SABC1, SABC2, SABC3 and SABC News, and the repeat channel SABC Encore. The SABC intends launching a total of 18 digital TV channels on its roster.

In order to fast-track migration and assist less well-off sections of the population, the South African government said it would provide free STBs to over five million households. Priority would be given to rural areas and those households living near the border areas.

As the penetration of multichannel TV rises, digital multichannel advertising is growing faster than terrestrial advertising, albeit from a far lower base. In addition, 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 do not decide to do without a pay-TV subscription.

OTT video (video content delivered via the Internet without being managed, which may result in buffering) has been gaining ground in South Africa over the past year with a few launches, and talk of Netflix launching before the end of 2016. Broadband penetration and download speeds have acted as inhibitors, although both are slowly improving. Telkom's new LTE service, for example, offers up to 90Mbps download speed, while it has also partnered with DStv to offer Explora decoders to those customers taking out contracts on a 10Mbps (or faster) line. Whereas this is positive news for consumers, the players standing to lose from this are the established pay-TV operators: MultiChoice primarily, but also StarSat.

Over the forecast period, the impact of OTT services is expected to be small but noticeable. By 2019, 21.3% of households will have fixed broadband access, with access spreading out from the major urban areas into suburban and rural ones. This dynamic means South Africa will be a market in which OTT content, broadcast television (albeit with less revenues) and TV advertising will all be flourishing as it marches on towards maturity.

In September 2014, Times Media Group launched VIDI, South Africa's first online streaming service, for a monthly subscription fee of R149, as well as online rental.

Over the forecast period, the impact of OTT services is expected to be small but noticeable

Offerings include all seasons of *Breaking Bad*, *Grey's Anatomy*, *Cougar Town*, *Brothers and Sisters*, *Missing*, *Friends* and *Lost*. Movies include *Twelve Years a Slave*, *American Hustle*, *Gravity*, *Need For Speed*, *300: Rise of an Empire*, and *The Lego Movie*. Crucially, in January 2015, VIDI signed deals with the SABC and other local producers to stream local drama like *High Rollers*, *My Perfect Family*, *African Sky Stories,* and movies such as *Liefling*, *Jimmy in Pienk*, *Semi-Soet* and *Between Friends*. In February 2015, Vidi also launched an offer whereby subscribers were offered free ADSL data when they watched videos on the service. Furthermore, in August 2015, Vidi launched a smart TV app supporting select Samsung TV models, while also enabling payment for Vidi services from a mobile phone account. Being the first to market, VIDI has a distinct advantage over its rivals.

Just after VIDI launched, Altech launched its Node 1TB STB. Requests for shows and movies are sent over the Internet, but the actual shows themselves are delivered over a satellite connection. The Node has a one-off purchase fee of R1 999 with installation, and a monthly subscription fee of R299. The Node does not consume data as it is not bandwidth-dependent. Altech argued this is a better model than delivering content over the Internet, as the fixed-line broadband network remains poorly developed and it is expensive for many segments of the population to gain access to online streaming services. Many movies would already be sitting on the STB until decrypted after a user transaction, hence the 1TB of storage space. Altech secured a range of content, including deals with four of the six major Hollywood studios — MGM, Disney, Universal and Sony. However, in July 2015, citing poor uptake, Altech stated that it was in discussion with a third party who was interested in acquiring Node from them.

Biggest advantage for pay-TV broadcasters is live events and sports

In October 2014, MTN announced a partnership with South African digital media group Discover Digital to launch its new VOD. Subsequently, in March, MTN South Africa launched an SVOD service called MTN FrontRow, giving users access to thousands of movies and TV series for a monthly fee of R179. MTN FrontRow Services include MTN FrontRow Club and MTN FrontRow Premiere. MTN FrontRow Club initially gave access to an extensive catalogue of entertainment for R179 a month, excluding data bundles, but in August 2015, cut its price to R119 per month. MTN FrontRow Premiere is an add-on service to FrontRow Club, allowing users to rent movies from R15 from its catalogue, and R27 for the latest releases. Customers who subscribe to MTN FrontRow Club can view content via their desktop browsers, Android devices and iOS devices. Content includes *Breaking Bad*, *Black Sails*, *How To Train Your Dragon 2* and *Guardians of the Galaxy*.

Further adding to the competition, in August 2015 Naspers launched ShowMax, an SVOD service charging R99 per month for the premium service, and offering a basic service showing older series for free. Up to five devices can be registered to a ShowMax account, which offers all five seasons of Game of Thrones, and also promises platform exclusives. It claims to have more than 19 000 TV shows available, and around 400 movies at launch date.

In January 2015, Netflix confirmed it would be launching globally by 2016, with South Africa included. In fact, it is likely that South Africa will be one of the first African markets to host Netflix, given its closer cultural and language ties with the Western world. At the present time, just as in many other non-Netflix markets, the global SVOD giant is accessible via illegal virtual private networks (VPNs) for those who have the broadband speeds to stream its HD content.

Netflix's launch in South Africa carries concerns for MultiChoice's DStv satellite service and pay-TV broadcaster M-Net, who for the past several years have been negotiating to secure exclusive rights to top American TV shows, as well as Hollywood studios and other international distributors. With the launch of Netflix, popular shows that are currently broadcast by the pay-TV operators to which Netflix has first rights will potentially disappear totally, as Netflix takes back its programmes. This can potentially have a long-lasting negative effect on the pay-TV sector in the country.

Comparing the aforementioned services is difficult due to their nebulous nature. But it is safe to say that Netflix (US version) dwarfs the content offered on any of the recently launched VOD platforms in South Africa, even ShowMax. Whereas Netflix South Africa – when it launches – will not be anywhere near the grand scale of its US counterpart, rivals will most certainly have a task on their hands to compete.

Amid competition between the OTT players, the pay-TV companies have been trying to position themselves to take a slice out of the OTT pie themselves. In March 2013, MultiChoice made BoxOffice, its online movie rental 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. The company's top-of-the-line Explora decoder was cut from R2 499 to R1 999 in May 2014.

Following VIDI's launch announcement, MultiChoice said it had plans to launch its own VOD service. By then, DStv was already offering DStv Catch Up for its Premium bouquet subscribers, and online movie rental service BoxOffice was available to everyone in South Africa.

For pay-TV operators, it is important that they provide such flexible multiscreen initiatives of their own in order to retain existing customers and see off the challenge from OTT services. Live streaming apps such as Periscope and Meerkat pose a further challenge, with the complex issue of performance rights far from resolved. Bundling and attractive content propositions will reduce the effect of cord-cutting and cord-shaving on their businesses. And as always, the biggest advantage for pay-TV broadcasters is live events and sports.

Nigeria

Nigeria’s TV market revenue will see a 5.9% CAGR in the next five years

TV revenues (US$ millions) and pay-TV households (millions), 2010–2019

	Historical data					Forecast data					CAGR %
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Pay-TV subscription	391	373	395	444	492	530	560	586	612	638	5.3%
YOY growth (%)		*-4.5%*	*5.7%*	*12.4%*	*10.9%*	*7.8%*	*5.6%*	*4.6%*	*4.4%*	*4.2%*	
% of total TV market	62.4%	57.7%	58.2%	59.5%	59.8%	60.3%	60.2%	59.8%	58.7%	58.1%	
TV advertising	235	274	284	301	331	350	370	394	431	459	6.8%
YOY growth (%)		*16.2%*	*3.8%*	*6.2%*	*9.8%*	*5.8%*	*5.7%*	*6.7%*	*9.2%*	*6.6%*	
% of total TV market	37.6%	42.3%	41.8%	40.5%	40.2%	39.7%	39.8%	40.2%	41.3%	41.9%	
Total TV market	**626**	**647**	**679**	**745**	**823**	**880**	**930**	**980**	**1 043**	**1 097**	**5.9%**
YOY growth (%)		***3.3%***	***4.9%***	***9.8%***	***10.4%***	***7.0%***	***5.6%***	***5.4%***	***6.3%***	***5.2%***	
Pay-TV households (millions)	1.0	1.3	1.8	2.2	2.4	2.5	2.7	2.9	3.0	3.2	6.0%
YOY growth (%)		*25.1%*	*40.9%*	*17.4%*	*9.8%*	*6.8%*	*6.3%*	*5.9%*	*5.9%*	*5.3%*	
Average monthly spending (US$)	34	26	21	18	18	18	18	18	17	17	-1.1%
YOY growth (%)		*-22.6%*	*-21.1%*	*-11.6%*	*-2.1%*	*-0.4%*	*-0.9%*	*-1.4%*	*-1.4%*	*-1.3%*	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

TV subscription revenue in Nigeria, which hit US$492 million in 2014, will rise further to an estimated US$638 million in 2019, at a CAGR of 5.3%. Television subscriptions, advertising and licence fees are collectively expected to grow steadily to reach $1 billion by 2018.

Nigeria had a subscription TV penetration of 21.2% in 2014, and this is forecast to grow to 25.3% by 2019. Subscription revenues reached US$492 million in 2014 and are expected to pass US$500 million in 2015. Although cable and IPTV services are currently extremely limited, strong IPTV take-up is expected to increase Africa’s paid subscription base by 482% to 1.57 million subscribers by 2018, and Nigeria is forecast to have about 675 000 IPTV subscribers by 2018. This tremendous growth is partly attributed to the deployment of fibre-to-the-home (FTTH) by companies like IPNX, which intends to have access to two million homes by 2017.

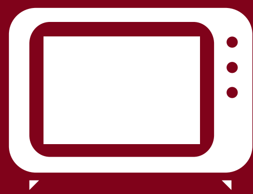
The satellite sector is still growing, although pay-DTT became the leading platform in 2012. DTT is targeted at the lower segments, whereas satellite offers a wider range of channels and content.

South Africa-based satellite operator MultiChoice is Nigeria’s main subscription TV provider, following the closure of its main competitor HiTV in November 2011. MultiChoice was estimated to have 900 000 subscribers to its DStv satellite service in Nigeria by the end of 2013, and a further 400 000 subscribing to its GOtv pay-DTT platform. It retains key content rights, including South African, Spanish and English Premier League football as well as channels from international providers such as the BBC and Sony Pictures Television.

Leading DTT operator StarTimes, a Chinese venture backed by the Nigerian government, is estimated to have two million subscribers, whereas former market leader MultiChoice is estimated to have had over 1.2 million subscribers as at March 2015.

At 2014, Nigeria has over 12 million households with televisions, 20% of which are pay-TV subscribers. The number of pay-TV households in Nigeria is expected to triple between 2010 and 2019, reaching 3.2 million. CAGR in the forecast period is 6.0%, with growth driven mainly by pay-DTT. Pay-TV penetration is forecast to reach 25.3% by 2019. This increasing penetration will translate into a CAGR for subscription revenue of 5.3%, forecast at US$638 million in 2019 and representing close to 60% of total TV market revenues.

The number of pay-TV households in Nigeria is expected to reach 3.2 million in 2019, compared to 1 million in 2010



A noticeable trend has been the consistent decline of average monthly spending, from US$34 in 2010 to almost half of that at US$18 in 2014. This decline is attributed to the number of new entrants to the pay-TV market taking up entry-level basic packages, while increasing competition in the market is also driving down prices and squeezing margins. The National Broadcasting Commission (NBC) of Nigeria has been granting local community broadcast licences for rural TV development across the country, giving residents access to basic packages. StarTimes Nigeria launched a budget digital television package, dubbed Nova, for a fee of NGN17 daily and NGN500 monthly, aimed to attract more subscribers prior to the transition to digital broadcasting. This contraction will grind to a virtual halt over the forecast period, with an average CAGR of -1.1% and monthly spend reaching only US$17 in 2019.

As a means of improving the service to subscribers, ONTV MAX, a new Nigerian free-to-air TV station, will be joining other Nigerian free-to-air channels on DStv such as NTA 1, Channels TV, Africa Independent Television (AIT), etc. Also, StarTimes recently expanded its partnership with SES to offer picture quality and more channels to DTH customers across Africa. The vast majority of households – over 80% – still rely on analogue terrestrial signals, despite DTT having launched in 2007. The digitisation process has been hampered by inefficiencies, jeopardising Nigeria's chances of meeting its switchover deadline. Whereas the budget was approved in 2007, it has been revealed that the NBC has not received any funding to implement its digitisation programme. The digitisation target was set for mid-2015.

Forcing a switchover means over 80% of households would be left without a TV signal, as well as creating signal interference with neighbouring countries – an issue that has not yet been resolved.

Amid the crisis, signal distributor company Pinnacle Communications Limited filed a US$60 million lawsuit against the NBC over an alleged breach of contract for having issued licences to two other signal distribution companies.

In other developments, the Nigerian government launched an NGN2 billion (US$12 million) Innovation Distribution Fund (IDF) to improve its audio-visual content network, and to tackle piracy in the film industry. The project, dubbed ACT-Nollywood, is intended to improve the quality of distribution options through strategic co-financing of new channels and supporting the expansion of available ones. This will aim to tackle the country's poor system of TV content distribution, and reduce piracy in the industry.

The ACT says its funds can be applied for by Nigerian filmmakers (in Nigeria and the diaspora) and by Nigeria-based production companies for projects to be executed in Nigeria. International co-productions are encouraged by the ACT.

Also, during the first quarter of this year (2015), DStv cut the prices of their decoders and dishes. For the period, the combination (decoder and dish) sold for NGN11 000 (approx. US$55). Recently, a Federal High Court struck down a suit that sought to reverse the 20% increment on MultiChoice subscription rates which took effect from 1 April 2015. The court also refused to implement an order to compel the NBC to regulate the activities of MultiChoice Nigeria Limited (operator of DStv).

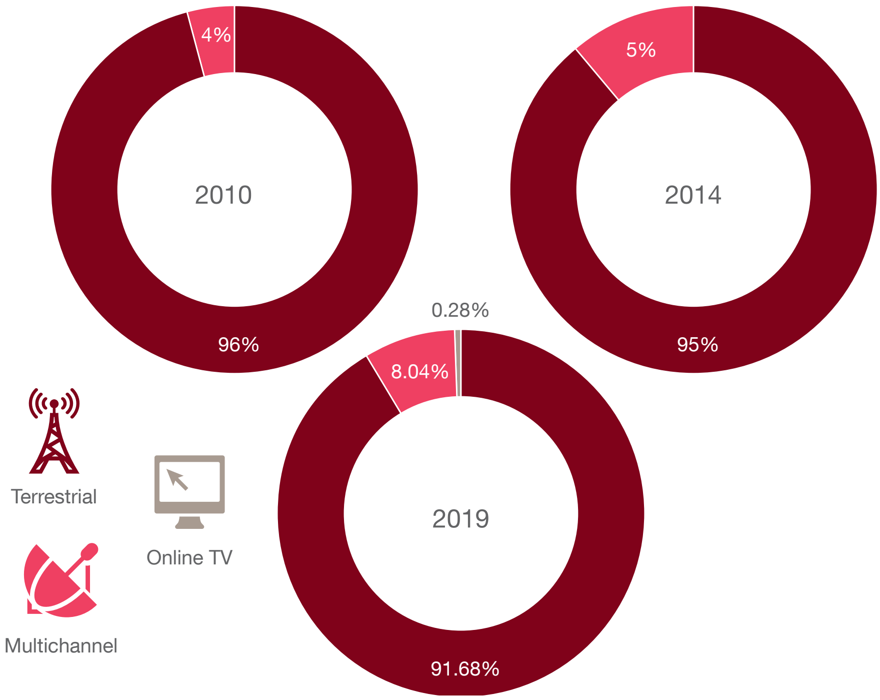
Illegal rebroadcasting is a problem and in order to combat this, the Nigerian Copyright Commission (NCC) has taken action against persons accused of broadcast piracy or illegal distribution through the country's courts.

Multichannel ad revenues will eat into terrestrial

TV advertising

The past decade has seen significant growth in all types of advertising in Nigeria, fuelled by the emergence of a middle class with higher disposable income for branded goods. Nigeria saw TV advertising revenues grow at a CAGR of 9.8% to reach US$331 million in 2014. With a CAGR of 6.8% over the forecast period, revenues are forecast to grow to US$459 million in 2019.

Fig 4. Advertising share split by platform, 2010–2019 (%)



Sources: PwC, Ovum

In 2014, broadcast TV accounted for 100% of all ad revenues in Nigeria. This share will diminish slightly as online TV launches in the coming years, to 99.7% in 2019. Online TV advertising will remain negligible over the forecast period.

Although the pay-TV sector is continuing to expand as new entrants drive down prices, multichannel TV advertising revenue will reach just US$37 million in 2019. This leaves terrestrial TV advertising revenue dominating the market at US$421 million, 91.7% of the total in that year.

The advertising market is primarily focused around urban areas, with Lagos alone consistently accounting for around 60% of the total advertising market. The biggest advertisers in Nigeria are telecom firms, which accounted for 9% of the total TV advertising in 2013 (MTN leading with 4% of total expenditure in 2013, followed by Etisalat with 3%), while the banking and beverage industry players have also significantly increased their expenditure over recent years.

The high mobile Internet adoption has led to the likes of pay-TV provider StarTimes making some of its content available via mobile phones. As mobile Internet adoption will continue to grow more rapidly in Nigeria, as elsewhere in sub-Saharan Africa, there will be an increasing opportunity to advertise to TV audiences via mobile devices. Mobile Internet subscribers are forecasted to surge from 7.7 million in 2013 to 50.4 million in 2018.

The proliferation of more advanced TV services such as multiscreen and video on demand (VOD) is proving to be a lucrative business within the country. Currently, the main VOD players in Nigeria are MultiChoice (via BoxOffice), iROKO, wura.tv, Afrinolly and mobile app-based Aflix. iROKOTv – one of the pioneers within the industry – provides access to Nigerian and Western entertainment locally and to the diaspora. These operators offer services within Nigeria and other African countries; they have also been known to partner with telecom providers offering their services to telecom subscribers. Although the potential abounds and significant progress will be made, these businesses will continue to be limited by low fixed broadband penetration, which is projected to be around 14%.

The main opportunities will stem from multichannel as advertisers move away from the formerly dominant terrestrial platform to target viewers on multichannel screens. 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. However, despite the influence of MultiChoice and the growth of the pay-TV market, advertising revenues will remain primarily focused on the terrestrial market.

Kenya

Kenyan pay-TV market to rise at a 13.6% CAGR

TV revenues (US$ millions) and pay-TV households (millions), 2010–2019

	Historical data					Forecast data					CAGR %
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2015-19**
Pay-TV subscription	34	43	52	62	76	93	108	120	132	144	13.6%
YOY growth (%)		*25.7%*	*19.3%*	*20.3%*	*22.3%*	*21.6%*	*16.6%*	*11.4%*	*9.5%*	*9.1%*	
% of total TV market	18.9%	20.5%	18.4%	19.5%	19.9%	20.7%	21.0%	20.6%	20.0%	19.5%	
TV advertising	148	168	230	257	306	353	407	463	528	591	14.1%
YOY growth (%)		*13.7%*	*36.3%*	*11.9%*	*19.2%*	*15.5%*	*15.0%*	*13.8%*	*14.0%*	*12.1%*	
% of total TV market	81.1%	79.5%	81.6%	80.5%	80.1%	79.3%	79.0%	79.4%	80.0%	80.5%	
Total TV market	**182**	**211**	**282**	**319**	**382**	**446**	**515**	**583**	**660**	**735**	**14.0%**
YOY growth (%)		***16.0%***	***32.8%***	***13.5%***	***19.8%***	***16.7%***	***15.4%***	***13.3%***	***13.1%***	***11.5%***	
Pay-TV households (millions)	0.1	0.2	0.2	0.3	0.4	0.4	0.5	0.6	0.6	0.7	13.7%
YOY growth (%)		*42.2%*	*27.5%*	*26.3%*	*23.9%*	*20.4%*	*15.1%*	*11.1%*	*11.3%*	*10.8%*	
Average monthly spending (US$)	26	23	21	20	19	19	19	19	19	18	-1.1%
YOY growth (%)		*-12.0%*	*-10.7%*	*-5.2%*	*-2.1%*	*-0.3%*	*-0.8%*	*-1.4%*	*-1.5%*	*-1.7%*	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

Despite growth to around 363 000 households, the Kenyan pay-TV market had a subscriber penetration of just 11.9% in 2014. A rise in competition is expected to boost the figure up to 18.2% by 2019, with the number of pay-TV households forecast to roughly double, to reach approximately 689 000 by the end of 2019, a CAGR of 13.7%.

As with many African markets, satellite TV remains the leading pay-TV platform, although Kenya does have sizeable cable and pay-DTT sectors. The cable sector will struggle for growth though, slipping from second position to third as it is surpassed by digitised terrestrial homes. The focus of growth will be satellite TV, while pay-DTT services offer a viable alternative to cable and satellite and are expected to be adopted by over 100 000 households by 2016, serving just under 200 000 households by 2019.

Subscription revenues totalled US$76 million in 2014 and will reach an estimated US$144 million in 2019, a CAGR of 13.6%. With no public licence fee, these revenues provide all the income outside of advertising.

Similar to South Africa and Nigeria, Kenya has seen a steady decline in the average monthly pay-TV spend, falling to US$26 in 2010 and to US$19 in 2014. At a CAGR of -1.1%, this decline will slow down to reach US$18 by 2019 as the process of the adoption of basic and cheap pay-TV packages matures in Kenya.

Subscriber growth will be driven by the likes of Wananchi's Zuku TV, which operates on a cable network. It had 67 000 subscribers as of end-2014. Zuku TV offers 105 channels, including African content. In the satellite sector, MultiChoice's Kenyan subscriber base has enjoyed increases since seeing off competition from GTV in 2009. By end-2014, MultiChoice was reported to have 205 000 satellite subscribers. Its pay-DTT platform GOtv reached a figure of 58 000, up from just 33 000 in 2013.

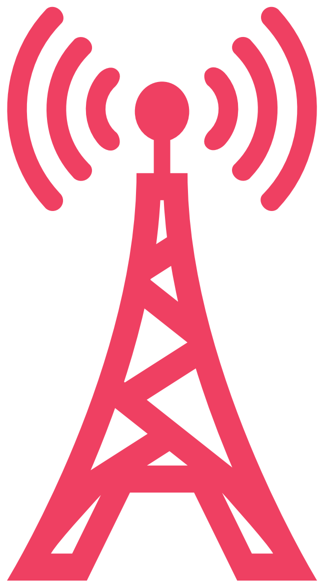
Kenya began its digital switchover (DSO) process at the end of 2014. Prior to this, under 15% of households were digital. It has been forcefully switching over to digital in some areas, leading to mass TV blackouts. This has resulted in further delays, culminating in court action against the government's forced digitisation policies that resulted in a ruling for both analogue and digital to be broadcast concurrently for the foreseeable future. The many low-income households means the majority of viewers rely on terrestrial signals, and complaints were made when full analogue switch-off was pushed through in February 2015. These remain largely analogue due to a lack of funds leading to repeated delays in digital transition. The cost of digital STBs has also been criticised, with some suggesting that only a short supply has been released to artificially hike up prices. However, in May 2014, MultiChoice cut the price of its DStv HD decoder from KES4 800 to KES2 499. DTT has good long-term prospects of driving down prices for consumers in Kenya.

Safaricom has been seeking to launch a new STB, BigBox, for access to television and video content via the Internet. The decoder also serves as a 4G Wi-Fi hotspot and can connect up to ten users, support HDTV and deliver 59 TV and radio channels. BigBox also offers a one-off fee option of KES9 999, allowing access to free-to-air channels, up to 6GB in data for a month and free YouTube access. The company aims to reach the estimated 2.4 million households out of 3.2 million that have access to digital TV but are not using an STB.

To add to this, Safaricom also officially applied for a digital TV licence. Telco-led TV is a first for Kenya (besides the Wananchi Group). Should the licence be approved, Safaricom will be at the forefront of providing not only broadband services, but also TV services in the country. The concept of a one-stop shop is relatively new in Kenya. For TV and broadband to be provided by one company may appeal to a large segments of the population.

Safaricom is taking advantage of the convergence made possible by digital TV migration to deepen its presence in wireless Internet.

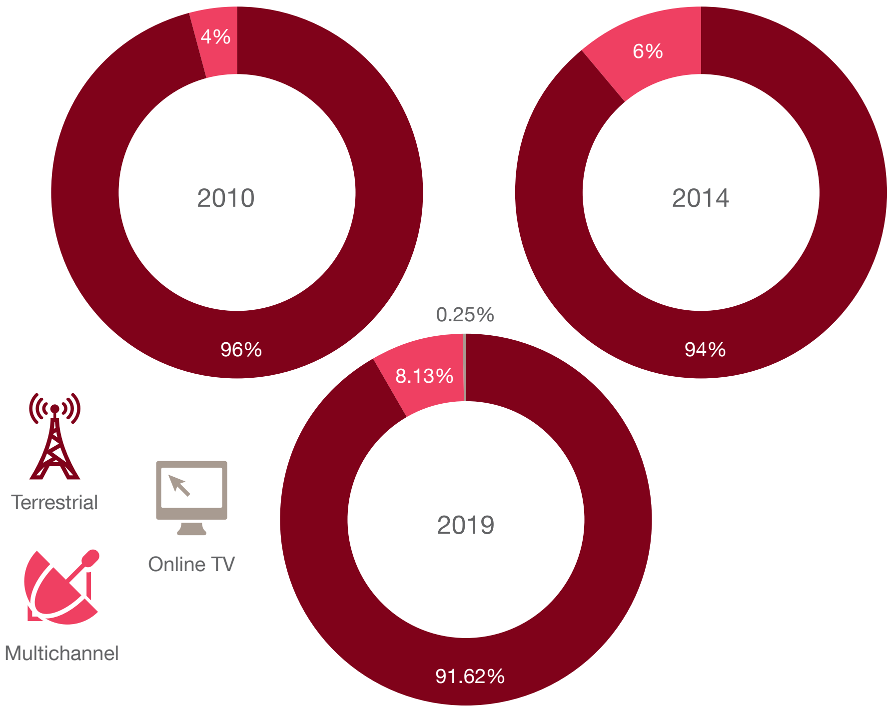
Terrestrial will still account for more than 90% of advertising revenues in 2019



Terrestial TV advertising revenue accounts for the bulk of total TV advertising revenue

TV advertising

Fig 5. Advertising share split by platform, 2010–2019 (%)



Sources: PwC, Ovum

Kenya saw TV advertising revenues of US$306 million in 2014. With a CAGR of 14.1% over the forecast period, revenues will grow to US$591 million in 2019.

In 2014, as with Nigeria, broadcast TV accounted for 100% of all ad spend in Kenya. The launch of online TV will have an impact in the coming years, but it will be marginal, with broadcast TV still accounting for 99.8% in 2019. Advanced TV services will continue to be limited by low broadband penetration. By 2019, fixed broadband penetration is projected to be just 2.4%.

Mobile Internet adoption will continue to grow more rapidly, and the likes of Safaricom have responded by making some of their content available via mobile phones, in collaboration with DStv Mobile. Penetration of mobile subscriptions in Kenya by 2019 will reach 78%. Wananchi's Zuku has plans to launch VOD services later this year through its already-deployed decoders.

Terrestrial TV advertising revenue accounts for the bulk of total TV advertising revenue. The state-run Kenya Broadcasting Corporation (KBC) is funded from advertising revenue as well as a government-provided budget. Multichannel TV advertising revenue will reach US$48 million by 2019, but terrestrial TV advertising revenue will still dominate at this time, taking 91.6% of total TV advertising revenue at US$542 million. 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.

Kenya has very high advertising agency commission rates: a TV ad in Kenya reportedly costs more than twice the Nigerian price for the same airtime. The advertising skill-set in Kenya is perceived to be slightly higher than in Nigeria, thanks to better exposure to global trends, technology and training. Commissions are expected to reduce as the market matures, encouraging further spend. As part of this growth trend, the wider advertising industry is set to expand, with more agencies launching. Regulation may be introduced to ensure that, while the Kenyan market grows rapidly, it does not become as fragmented as other African markets have.

Kenya has very high advertising agency commission rates: a TV ad in Kenya reportedly costs more than twice the Nigerian price for the same airtime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Global trends in television

The following is extracted from *PwC Global Entertainment and Media Outlook 2015–2019*

TV revenues, 2010–2019 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2015-19
Pay-TV subscription	166 806	177 303	186 185	194 489	205 003	213 332	221 549	229 474	236 846	243 804	3.5%
YOY growth (%)		*6.3%*	*5.0%*	*4.5%*	*5.4%*	*4.1%*	*3.9%*	*3.6%*	*3.2%*	*2.9%*	
Public licence fees	32 909	33 244	33 476	34 164	34 757	34 696	34 967	35 232	35 495	36 000	0.7%
YOY growth (%)		*1.0%*	*0.7%*	*2.1%*	*1.7%*	*-0.2%*	*0.8%*	*0.8%*	*0.7%*	*1.4%*	
End-user spending	**199 715**	**210 547**	**219 661**	**228 653**	**239 760**	**248 028**	**256 516**	**264 706**	**272 341**	**279 804**	**3.1%**
YOY growth (%)		***5.4%***	***4.3%***	***4.1%***	***4.9%***	***3.4%***	***3.4%***	***3.2%***	***2.9%***	***2.7%***	
% of total TV market	**58.5%**	**58.8%**	**58.7%**	**59.1%**	**58.9%**	**59.0%**	**58.5%**	**58.4%**	**58.0%**	**57.8%**	
Broadcast TV advertising	139 740	145 078	151 626	154 254	162 382	166 604	175 011	179 878	187 555	192 421	3.5%
YOY growth (%)		*3.8%*	*4.5%*	*1.7%*	*5.3%*	*2.6%*	*5.0%*	*2.8%*	*4.3%*	*2.6%*	
Online TV advertising	1 711	2 212	2 852	3 658	4 718	5 889	7 162	8 458	9 971	11 647	19.8%
YOY growth (%)		*29.3%*	*29.0%*	*28.2%*	*29.0%*	*24.8%*	*21.6%*	*18.1%*	*17.9%*	*16.8%*	
Total TV advertising	**141 451**	**147 290**	**154 478**	**157 912**	**167 100**	**172 493**	**182 173**	**188 336**	**197 526**	**204 068**	**4.1%**
YOY growth (%)		***4.1%***	***4.9%***	***2.2%***	***5.8%***	***3.2%***	***5.6%***	***3.4%***	***4.9%***	***3.3%***	
% of total TV market	**41.5%**	**41.2%**	**41.3%**	**40.9%**	**41.1%**	**41.0%**	**41.5%**	**41.6%**	**42.0%**	**42.2%**	
Total TV market	**341 166**	**357 837**	**374 139**	**386 565**	**406 860**	**420 521**	**438 689**	**453 042**	**469 867**	**483 872**	**3.5%**
YOY growth (%)		***4.9%***	***4.6%***	***3.3%***	***5.3%***	***3.4%***	***4.3%***	***3.3%***	***3.7%***	***3.0%***	

Sources: PwC, Ovum

Global TV subscription revenue is forecast to reach US$243.8 billion in 2019, rising at a 3.5% CAGR. But this masks the fact that increases are slowing in markets like the US, Canada and France, even if potential remains in countries outside Western Europe and North America.

As many new content outlets become available, TV subscription revenue is seeing reduced growth rates in each year of the forecast period. The forecast average annual growth will drop to 3.4% in 2015, compared to 5.3% between 2010 and 2014, with six territories experiencing negative CAGRs in the next five years.

The TV subscription industry needs to react to changing conditions in terms of its pricing structure and the way its most attractive content is bundled.

By 2019, North America and Western Europe combined will have added more than 300 million tablets and more than 250 million smartphones. This, allied to wider LTE deployment, will make video distribution cheaper for operators, meaning they are more likely to support OTT delivery and provide larger data allowances for customers.

Five territories will enjoy double-digit growth in terms of subscription TV households to 2019: Greece, Saudi Arabia, Kenya, Indonesia and Thailand. While Greece and Saudi Arabia are developed markets beginning from relatively low bases, it is the latter three countries that best demonstrate the continued prestige attached to subscription TV in developing markets. Kenya, Indonesia and Thailand will see subscription TV household CAGRs of 13.6%, 12.1% and 12.2%, respectively, from 2014 to 2019.

The public is demanding high-quality original programming, available in a flexible, on-demand manner across numerous devices to satisfy the growing phenomenon of "binge viewing", and OTT services offer the best outlet for this type of consumption. The move towards such services helps to explain why North American subscription TV penetration will fall from 79.8% in 2012 to 78.1% in 2016.

Public TV licence fee revenue is forecast to grow at just a 0.7% CAGR to 2019, well below the 3.5% CAGR of TV subscription revenue. Several factors, including government austerity measures and the growth of OTT video, are challenging the very premise of mandatory fees for traditional broadcasting.

Global total TV advertising revenue will rise at a 4.1% CAGR to US$204.1 billion in 2019. Global multichannel and terrestrial advertising revenue will increase at 5.1% CAGR and 2.8% CAGR, respectively, although global online TV advertising revenue will see a 19.8% CAGR.

Global total broadcast TV advertising revenue, consisting of multichannel and terrestrial TV advertising revenue, accounted for 97.2% of global total TV advertising revenue in 2014. But as viewing continues to move away from traditional networks towards digital alternatives, so advertisers will consider changing where they allocate their expenditure to reach desired demographic segments. Global total broadcast TV advertising revenue will make up a reduced 94.3% of global total TV advertising revenue by 2019.

Beyond the migration of advertising spend from "traditional" to digital platforms, there is also more of a shift from ad-supported to subscription-based consumption. Such trends contribute to North America's forecast CAGR of 2.4% for total broadcast TV advertising revenue, while in markets such as Egypt and Kenya, where OTT has gained less purchase, this phenomenon is not present, so the CAGR is much higher at 14.7% and 14.1% respectively.

The US is at the forefront of innovating TV advertising strategies and, consequently, TV advertising revenue. Terrestrial TV advertising revenue will remain responsible for more than three-fifths of US total broadcast TV advertising revenue over the forecast period, but its share of total TV advertising revenue will diminish as online establishes a strong foothold.

The highest forecast total TV advertising revenue growth rates are all for developing countries – Egypt, Kenya, Peru and Indonesia will all enjoy CAGRs of more than 10%. By contrast, every market in Western Europe and North America has a forecast CAGR below 5%.

Brazil and China's explosive growth will consolidate their position as the third- and fourth-largest markets for total TV advertising revenue, respectively, while India will jump from the 12th-largest to the seventh-largest market from 2014 to 2019.

Global TV market to approach US$500 billion by 2019

Filmed entertainment

At a glance

Filmed entertainment revenues are on a steady upward curve. Total filmed entertainment revenue in South Africa will reach an estimated R3.9 billion in 2019, up from R3.0 billion in 2014, a CAGR of 5.6%.

Electronic home video is booming. Electronic home video revenues in 2019 are expected to be almost three times higher than those in 2014, with revenues forecast to amount to R1.0 billion in 2019, overtaking physical home video revenues and box office revenues in that year to become the top contributor to filmed entertainment revenue.

It is business-as-usual for the box office. Box office figures are showing steady growth and will be worth a forecast R972 million in 2019, increasing from R839 million in 2014, a CAGR of 3.0%.

Physical home video is showing resilience. As in most territories globally, physical home video in South Africa is in long-term decline, but the rate of the decline is slower than initially expected. Physical home video revenues will still be worth R1.0 billion in 2019, a relatively modest decrease from the 2014 figure of R1.1 billion, a CAGR of -1.9%.

Local production has received a boost. In September 2014, the Department of Trade and Industry launched an incentive programme to support black filmmakers, while also announcing a trade mission to Hollywood to 'showcase' South Africa's film industry.

Nigeria's thriving cinema industry will boost revenue. Nigeria's box office revenue will account for approximately 70% of total filmed entertainment revenue in 2019 as cinema building continues. The growth will boost total filmed entertainment revenue to a forecast US$295 million by 2019, a 10.1% CAGR rise from 2014.

Kenya will see relatively low growth to 2019. Kenya's total filmed entertainment revenue will rise at a 3.4% CAGR to 2019, helped by the beginnings of development in electronic home video revenue.

Definitions

A – Z

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 releases. 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).

South Africa

Electronic home video take-up drives filmed entertainment revenues to 5.6% CAGR

Filmed entertainment revenues, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Electronic home video	**0**	**172**	**240**	**317**	**394**	**477**	**575**	**698**	**872**	**1 047**	**21.6%**
OTT/streaming	0	0	0	8	16	31	60	114	220	326	82.2%
Through-TV subscription	0	172	240	309	378	446	515	584	652	721	13.8%
Physical home video	**1 239**	**1 106**	**1 114**	**1 120**	**1 119**	**1 099**	**1 079**	**1 059**	**1 037**	**1 016**	**-1.9%**
Rentals	267	278	289	299	310	310	307	302	294	286	-1.6%
Sell-through	972	828	825	821	809	789	772	757	743	730	-2.0%
Box office	**693**	**750**	**765**	**793**	**839**	**913**	**901**	**920**	**943**	**972**	**3.0%**
Advertising	**355**	**511**	**552**	**594**	**639**	**684**	**732**	**781**	**832**	**884**	**6.7%**
Total	**2 287**	**2 539**	**2 671**	**2 824**	**2 991**	**3 173**	**3 287**	**3 458**	**3 684**	**3 919**	**5.6%**
YOY growth (%)		***11.0%***	***5.2%***	***5.8%***	***5.9%***	***6.1%***	***3.6%***	***5.2%***	***6.6%***	***6.3%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum, Aquidneck Consulting, Ster Kinekor Entertainment

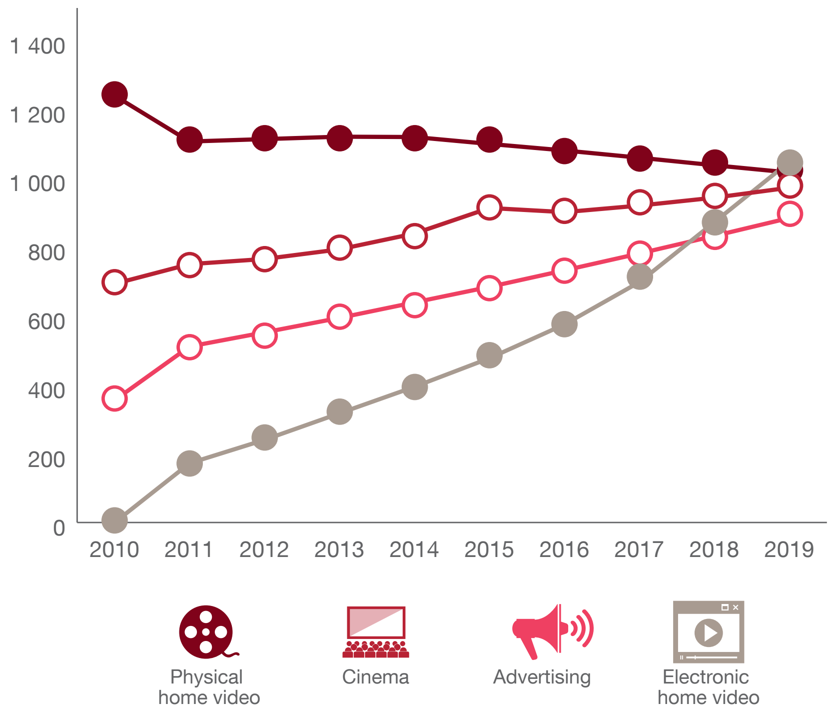
The filmed entertainment market in South Africa will continue to see steady growth at a 5.6% CAGR to 2019. This is in spite of initial concerns that piracy and digital transformation would have a devastating effect on the industry. The industry generated revenue of R3.0 billion in 2014, which is expected to increase to R3.9 billion in 2019.

Electronic home video to show remarkable growth

The largest influence on the growth in the filmed entertainment industry is electronic home video revenue, which is expected to increase at a rapid rate. By the end of the forecast period, electronic home video revenue will reach R1.0 billion – outstripping both box office and physical home video revenues and representing the most significant component of filmed entertainment revenues at 27% of overall revenues (compared to 25% for box office, 26% for physical home video and 22% for cinema advertising).

Electronic home video to become the largest sub-segment

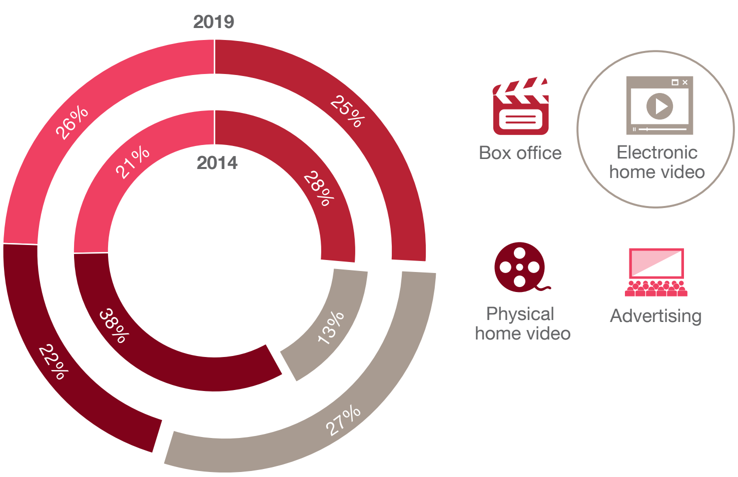
Fig 1. Filmed entertainment revenues by segment, 2010-2019 (R millions)



Source: PwC, Ovum

Electronic home video will exceed physical home video by 2019

Fig 2. Filmed entertainment revenues by segment, 2014 vs 2019 (%)

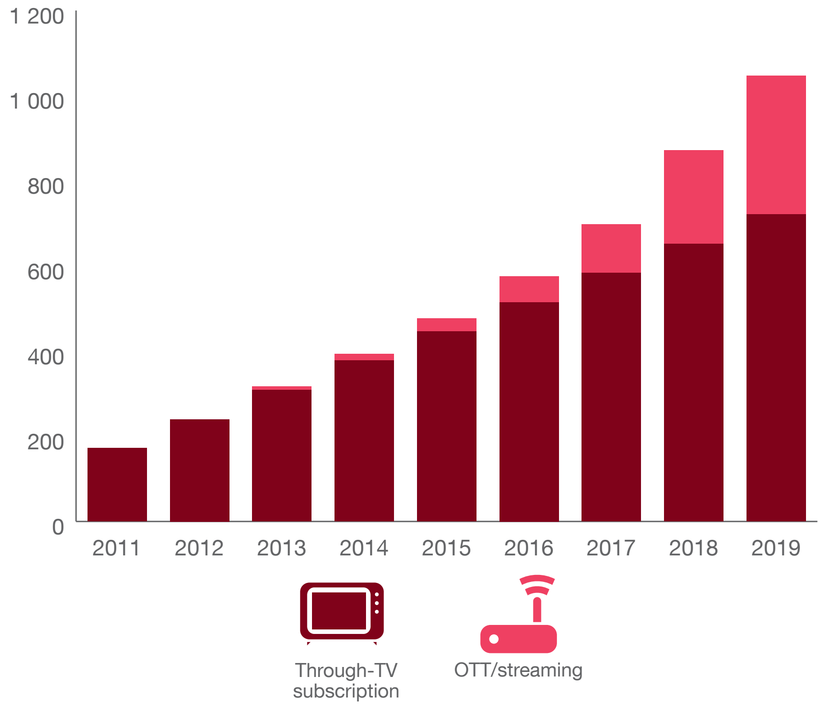


Source: PwC, Ovum

This will lead to electronic home video surpassing the falling physical home video segment in 2019, and indeed the box office segment in that year. By 2019, 69% of electronic home revenue will come through TV subscription, with 31% deriving from OTT/streaming.

Through-TV subscription leads the way, but OTT is on the charge

Fig 3. Electronic home video revenues by type, 2010-2019 (R millions)



Source: PwC, Ovum

MTN, Times Media and Naspers offer video-on-demand (VOD) services in South Africa, with FrontRow, Vidi and most recently ShowMax offering streaming services. Altech launched its Node service shortly after Vidi, but in July 2015 Altech stated that the service was up for sale. Meanwhile, US on-demand streaming giant Netflix has confirmed plans to launch in the territory by the end of 2016 at the latest. This will have the effect of boosting growth in OTT/streaming in particular. MTN's ability to provide 20GB of free data with its service could provide an advantage over its competitors, especially considering the limited broadband availability in some areas of the country. FrontRow gives access to all customers, regardless of their network.

The reasons for the upswing in electronic home video are self-evident. With pay-TV revenues rising, a growth in the middle classes, a strong advertising base and improving technological infrastructure, the television content business in Africa as a whole in 2015 is said to be worth close to US$1 billion in annual revenues, twice as much as three years ago, and South Africa is driving revenues.

MultiChoice, the country's largest pay-TV operator, announced plans in late 2014 to launch a host of new online services for its DStv Explora set-top box. Subscribers to the DStv Premium package can now connect their DStv Explora set-top box to the Internet through either an ADSL connection or an optional DStv Wi-Fi connector.

This allows subscribers to set decoder recordings remotely at any time through their smartphones, tablets and PCs. Currently, the service offers a limited number of movies and series that consumers can download. DStv Premium costs R699 per month.

MTN, meanwhile, is the country's first telecommunications company in South Africa to promote VOD over a mobile network (Telkom does this over xDSL and LTE-A). This trend is expected to grow as data connectivity improves. In January 2015, MTN launched a VOD service branded MTN FrontRow. As part of a one-month introductory offer, the service costs R179 for unlimited access to a library of thousands of movies and TV series. After the one-month introductory period, the service will cost R199 per month. MTN FrontRow Premiere also offers a rental service from R15 per film. Finally, MTN also promotes a VOD/data bundle whereby subscribers get a 10GB data allowance. The bundle is charged at R399 for the first month and R499 per month thereafter.

Reflecting the huge growth in OTT television and VOD, the OTT Television and Video On-Demand Summit took place in May 2015 to bring together the key players. The aim of this conference was to ponder the 'entire OTT ecosystem', including financial modeling, security and the second screen.

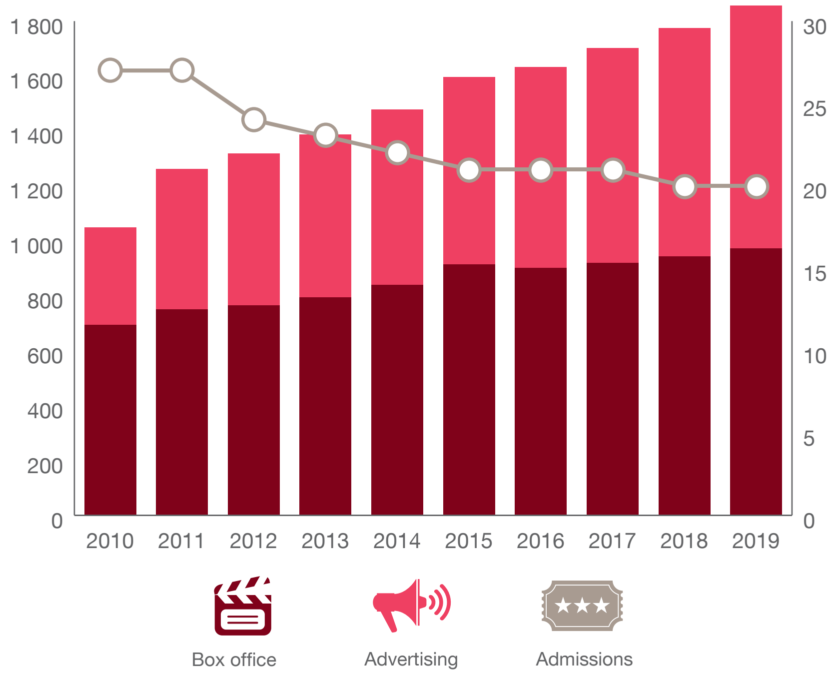
There have been complaints from viewers about a poor streaming experience due to connectivity issues, but broadcasters are responding by seeking to improve their online platforms.

Physical home video continues its slow decline

Physical home video is showing greater resilience in South Africa than in many other territories, even if it is in decline. The largest such decline will be in the more lucrative sell-through market, spurred primarily by the reduction in bricks-and-mortar shops selling DVDs and the ever-present problem of piracy, but this will be reasonably gradual. Sell-through revenues will decrease to R730 million in 2019, down from R809 million in 2014, a CAGR of -2.0%.

The filmed entertainment market is boosted by the increasing popularity of IMAX and 3D

Fig 4. Cinema revenues (R millions) and admissions (millions), 2010-2019



Source: PwC, Ovum, Ster Kinekor

Total cinema revenue, comprising box office revenue and cinema advertising, will rise from R1.5 billion in 2014 to an estimated R1.9 billion in 2019.

In the box office segment, one notable success story has been big-screen format IMAX, working with local partner Ster Kinekor. Three new IMAX screens have been opened in the last 18 months (2013–2015), in Durban, Pretoria and Cape Town. Another two were due to open around the middle of 2015, in Krugersdorp and Port Elizabeth, and one more in the fourth quarter in Johannesburg.

IMAX previously made an appearance in South Africa, only for the two remaining sites to close in 2010, with take-up at that time insufficient to sustain business.

Another development is the imminent arrival of '4DX' cinemas, after an agreement was reached between Nu Metro and CJ 4DPlex. The cinemas, which use synchronised effects such as vibration, wind and lightning to enhance the viewing experience, will be installed in selected Nu Metro theatres before the end of the year, beginning with the V&A Waterfront in Cape Town and The Pavilion in Durban.

Upward path to continue in cinema sector

In spite of ticket prices costing as much as R110 each (as opposed to around R40 for a traditional cinema ticket), the three new IMAX complexes have been experiencing big success. Films like *Fast And Furious 7* and *The Hobbit: Battle of the Five Armies* have seen strong results. *Fast and Furious 7*, for instance, generated R2.7 million in its opening week on IMAX. This represented 6% of the overall revenues on the film, but came from only 2% of the screens. This run continued and *Fast and Furious 7* has now surpassed the record held by Avatar to become the highest-grossing film in South African history. *Interstellar* was showing on only two IMAX screens but still accounted for close to 25% of the overall South African box office revenues on the film (which opened in around 90 locations) due to the fact that the large majority of the film was shot with IMAX cameras.

'We don't set ticket prices. Our exhibition partners do. They take great care to ensure the public can afford it. When you're offering a premium moviegoing experience on a consistent basis, the public have shown they are willing to pay for that. Ster Kinekor has done a terrific job not only in establishing the theatres but in marketing them,' explains Andrew Cripps, IMAX's President of Europe, Middle East and Africa (EMEA).

IMAX is now looking to expand yet further, both in South Africa and across the region. *'We would like to think the success in South Africa means that the exhibitors in the area will notice and copy the model,'* Cripps said.

Along with IMAX, the number of 3D films released in the territory is also increasing. In total, 39 3D films were released in 2014, up from 33 in 2013, and these accounted for 31% of total box office gross.

Ster Kinekor has 63 cinema complexes in South Africa, while Nu Metro is the next largest chain, accounting for approximately a third of the cinema market with 17 complexes. Ster Kinekor has differentiated itself with its Cine Prestige concept, dubbed the 'business class' of cinemas, focusing on the quality of the cinematic experience. Three further sites were rolled out in 2014.

Ticket prices in South Africa are moving up. By 2019, the average ticket price will be R48.8, up from R38.0 in 2014, a CAGR of 5.1%. This is a fraction of ticket prices in the US and Western Europe, where a cinema ticket can cost around R100. The rises will help box office revenues to increase year-on-year, since admissions have been in decline.

A persistent comment is that audiences in the townships don't have access to cinemas (with many cinemas being located in upmarket shopping malls, although others have pointed out that the likes of Maponya Mall, Parrow and Promenade are within reach), and couldn't afford the admission price even if they did. Distributors and exhibitors have tried to address this problem by reducing ticket prices in less affluent areas. The ReaGile Foundation announced plans in 2014 to build 1 300 cinemas in townships.

Alongside apps enabling customers to book tickets, QR codes can now be used to go to Ster Kinekor cinemas, removing the need for paper tickets entirely.

Box office revenues overall are increasing steadily at a CAGR of 3.0% to reach R972 million by the end of the forecast period. A noticeable spike in year-on-year growth is anticipated in 2015, however, as the cinema industry reports record revenues. Cinema advertising revenue is also rising at a CAGR of 6.7% and will be worth an estimated R884 million in 2019.

Ticket prices to rise over forecast period

Local market share is dipping

One concern is the current low market share of local films. In 2014, local movies accounted for only 6% of overall box office revenues. This is largely due to the fact that there was no Leon Schuster production in 2014 (*Schucks! Your Country Needs You* was his last film, released in December 2013).

The 2014 South African box office charts were dominated by big-budget Hollywood movies, led by *Transformers: Age of Extinction* and *The Hobbit: The Battle Of The Five Armies,* both of which grossed well over R20 million at the box office. Globally, the top five films were *Transformers*, *The Hobbit, Guardians of the Galaxy*, *Maleficent* and *The Hunger Games: Mockingjay – Part 1*, with *Transformers* grossing more than US$1 billion, driven partly by a surge in Chinese cinema audience growth.

US fare dominates the top ten

Top ten films released in South Africa, 2014

Title	Distributor	Country of origin	Box office gross*
Transformers: Age of Extinction	UIP	USA	R27.0 million
The Hobbit: The Battle of the Five Armies	Times Media	NZ/USA	R25.2 million
How to train your Dragon 2	Times Media	USA	R23.3 million
Amazing Spider-Man 2: Rise of Electro	Ster Kinekor	USA	R21.8 million
Rio 2	Times Media	USA	R21.2 million
Hunger Games: Mockingjay – Part 1	Times Media	USA	R18.8 million
Big Hero 6	Ster Kinekor	USA	R17.8 million
X-Men: Days of Future Past	Times Media	UK/USA	R17.5 million
22 Jump Street	Ster Kinekor	USA	R17.4 million
Step Up: All in One	Times Media	USA	R16.7 million

Source: Ster Kinekor, Box Office Mojo
*Box office gross = Cumulative gross up to 1 February 2015

According to mid-year data released by the National Film and Video Foundation (NFVF), locally made movies had generated R33 million in revenue at South African cinemas in the first half of 2014, a 43% increase on the R23 million generated by home-grown productions in the first half of 2013.

The second half of the year was less positive and the only local movie to make it into the top 30 at the box office was the adventure romcom *Pad Na Jou Hart*, which grossed R11.6 million for distributors Ster Kinekor. The second highest-grossing local film was *Leading Lady*, which reached R7.6 million, with the third most successful local movie, *Faan se Trein*, earning R7.2 million.

Revenues generated from foreign films experienced growth of 6%, while South African films' revenue dropped by 44% in 2014. Of the 228 films released at the South African box office in 2014, only 24 were South African. Afrikaans-language films performed well, however, accounting for 66% of local box office revenues.

Co-productions and the 'multiplier effect'

Some South African films received acclaim internationally. *Musiek vir die Agtergrond* was selected for the 2014 Mumbai Festival, the first Afrikaans-language film to achieve such a distinction. It also secured US distribution through D Street Releasing.

Computer-animated 3D South African-produced animated feature *Khumba* did very well in China, where it was released under the title *Zebra Story* and grossed over R65 million. The film, about a half-striped zebra shunned by the rest of the herd, was the second feature produced by new Cape Town animation specialists Triggerfish, dubbed by the media as the 'Pixar of South Africa'.

Francois Verster's documentary film *The Dream of Shahrazad* screened at the London Human Rights Festival, while another film that garnered attention abroad was Ian Gabriel's crime thriller *Four Corners*, which screened at prominent festivals in the US, Italy and Canada, as well as at African cinema's most important event, FESPACO (the Pan African Festival of Cinema and Television of Ouagadougou), held every second year in Burkina Faso. *Four Corners* was also selected as the country's candidate for the foreign-language Oscar.

Also screening extensively on the festival circuit was crime thriller *Cold Harbour*. Furthermore, in early 2015, Neill Blomkamp's Sony-backed, South African-made *Chappie* topped the US box office.

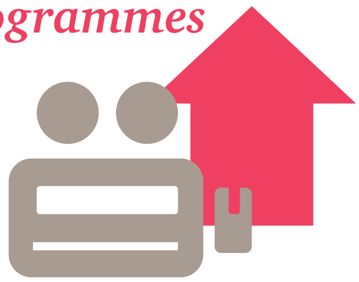
The NFVF's recently commissioned research into South African audiences and their attitude toward local films suggested that locally made movies did not present a 'true reflection' of their lives.

South Africa has several co-production treaties, including with Canada (1997), Italy (2003), Germany (2004), the UK (2007) and France (2010), as well as New Zealand, Ireland and Australia. However, 2014 saw a decrease in the number of co-productions, down to seven (as opposed to 16 in 2011 and eight in 2013). Zama Mkosi, NFVF CEO, has predicted co-production numbers will rise again as the country forges new treaties with, for example, Brazil and Nigeria.

In recent years, the treaty with Germany has been the most productive. Recent co-productions between South Africa and Germany include *Unfriend, Super Dad, Truth and Consequences* and *Johanna and the Bush Pilot*.

In order to boost co-production further, the NFVF has recommended that South Africa should 'set aside a budget for co-production projects' alongside the existing soft money incentives for incoming filmmaking. The country is lagging behind competitors which have funds for supporting co-production. For example, according to data from Screen Australia cited by the NFVF in its annual co-production report, the UK's co-production budget, when tax incentives are taken into account, is US$484 million and that of Canada is US$510 million.

Local production boost from incentive programmes



In South Africa, as elsewhere, film production is held up to government as an activity with a 'multiplier effect'. It encourages inward investment, creates employment and has a positive impact on the service industries. Revenues flow down to other sectors. For example, tourism and transport received a R13 million and R7 million boost, respectively, from film-related activities during 2014.

The Department of Trade and Industry (the DTI), which administers the country's film incentives, has been taking steps to boost local production. For example, in September 2014, the Minister of Trade and Industry, Dr Rob Davies, launched the R1 million threshold 'South African Emerging Black Filmmakers Incentive Programme'.

The objective of the incentive programme is to support emerging black filmmakers with 'an intention to nurture and grow them to take up big productions and thus contribute towards employment creation'. The incentive provides financial assistance to qualifying applicants in the form of a rebate of up to 50% of the first R6 million of qualifying South African production expenditure (QSAPE) and 25% thereafter. It became effective in September 2014 and will be administered until 31 March 2017. The Minister also announced plans for a trade mission to Hollywood to 'showcase' what the South African film industry can offer.

Meanwhile, the soft Rand is an attraction to inward investment. Leading completion guarantor Film Finances has set up offices and will be offering advances to producers.

Connected devices open up new video opportunities – and challenges

Films shot in South Africa in 2013/2014 included Marvel's blockbuster *Avengers: Age Of Ultron*, the new *Mad Max* movie, Adam Sandler's movie *Blended*, and *The Giver*, starring Meryl Streep.

The state-of-the-art Cape Town Film Studios, a modern facility with excellent sound stages, continues to attract international productions, most notably Starz's *Treasure Island*-inspired TV series *Black Sails* and Gavin Hood's drone-based thriller *Eye In The Sky*, starring Helen Mirren and Aaron Paul.

There is evidence that South Africa is managing to communicate its potential attractions to the international film business. This was underlined when the BBC carried a special report in the spring of 2014 looking at the success of Cape Town Film Studios in attracting clients such as Twentieth Century Fox, Paramount, Universal and Warner Bros.

Following on from *A Long Walk to Freedom, Invictus* and others, another new drama on the life of Nelson Mandela is being planned. In early 2015, it was announced that Kevin Hooks was to direct BET Network's six-part miniseries *Madiba*, based on optioned books by Mandela.

Globally, the proliferation of connected devices such as smartphones among consumers will create both significant new opportunities and considerable challenges for companies creating and distributing filmed entertainment content.

As it becomes progressively easier to watch filmed entertainment on tablets and smartphones, the move away from physical home video will gather pace. The massive increase in the number of video-capable devices consumers will have access to is creating new opportunities to deliver premium video content not just to TVs or desktop PCs, but to smaller mobile devices too.

Tablets tend to provide a relatively high-quality viewing experience that allows consumers to enjoy the kinds of premium movie and made-for-TV content that currently dominate electronic home video. In many markets, tablets are complementary to the main household TV as a secondary viewing screen, and thus provide a flexible way to access multi-platform video services from both broadcasters and aggregators.

But the rapid growth of both mobile Internet access and smartphones presents a different challenge. In many countries, the audience able to access video via mobile Internet will exceed the number of consumers able or willing to subscribe to pay-TV services. And when a consumer's primary screen for video content is a mobile device, there will be a levelling effect in terms of what constitutes 'premium video'.

The differences between a US$100 million Hollywood movie, a US$1 million episode of a TV drama, a US$100 000 local drama and a US$100 video from a vlogger on YouTube are very apparent on a large screen, whether in a cinema or on a large high-definition TV. But where the default screen is five inches wide, the rules will change.

Premium video (filmed entertainment content made for cinema or TV release) will be a crucial part of connected consumers' lives, but in those markets where mobile dominates, it will be competing with cheap short-form video content from multichannel networks (MCNs), live video streams and local content (such as Nollywood movies in Africa), as well as all the other distractions a connected device can offer. In such scenarios, 'lean-forward' video content – typically shorter in duration, usually free – is likely to dominate, since small screens are less optimised for the kind of immersive 'lean-back' experiences offered by traditional movies. Monetising short-form video content on mobile devices is much harder than selling consumers access to premium video content in a cinema or on a TV.

Thus, while serving a growing mobile audience presents a great new opportunity for content companies, maintaining the premium value and appeal of expensive long-form video content in this competitive landscape will be a significant challenge.

Nigeria

Revenue pushes US$300 million in Nigeria in 2019

Filmed entertainment revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2018**	**2014-19**
Electronic home video	**10**	**8**	**9**	**12**	**14**	**16**	**18**	**21**	**24**	**26**	**13.4%**
OTT/streaming	-	-	-	*	*	*	*	1	2	3	93.7%
Through-TV subscription	10	8	9	12	14	16	18	20	22	23	11.2%
Physical home video	**72**	**70**	**68**	**67**	**65**	**64**	**63**	**62**	**61**	**60**	**-1.5%**
Rentals	5	5	5	5	5	5	5	5	5	5	1.3%
Sell-through	67	65	63	62	60	59	58	57	56	55	-1.8%
Box office	**56**	**83**	**88**	**95**	**103**	**113**	**126**	**145**	**171**	**207**	**15.1%**
Advertising	**1**	**1**	**1**	**1**	**1**	**1**	**2**	**2**	**2**	**2**	**13.1%**
Total	**139**	**162**	**166**	**175**	**183**	**194**	**209**	**230**	**258**	**295**	**10.1%**
YOY growth (%)		***17.0%***	***3.1%***	***4.7%***	***4.7%***	***5.9%***	***7.5%***	***9.8%***	***12.4%***	***15.0%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

Nigeria's renowned Nollywood film industry is second only to Bollywood in scale and the largest film industry in Africa.

On average, producing a movie in Nigeria costs US$25 000–US$70 000, compared with over US$150 million for a major Hollywood film. The majority of Nollywood films are not intended for theatre sale and tend to be of much lower quality than foreign movies.

Nevertheless, movies can be produced within a month and are generally profitable within two to three weeks of release.

The steadily growing Nigerian filmed entertainment sector will be worth a forecast US$295 million by 2019, up from US$183 million in 2014, rising at a CAGR of 10.1%. This growth will be led by box office revenue, which comprised 56% of total filmed entertainment revenue in 2014 and will rise rapidly to account for 70% of the market in 2019.

The country's box office is expected to perform well as cinemas are built and upgraded. Box office revenue will reach US$207 million in 2019, up from US$103 million in 2014, a CAGR of 15.1%.

In 2014, a number of Nollywood movies performed well at the box office. For instance, *30 Days in Atlanta* – a Nollywood movie which featured Hollywood actors – was the highest-grossing film in the domestic box office at almost US$800 000.

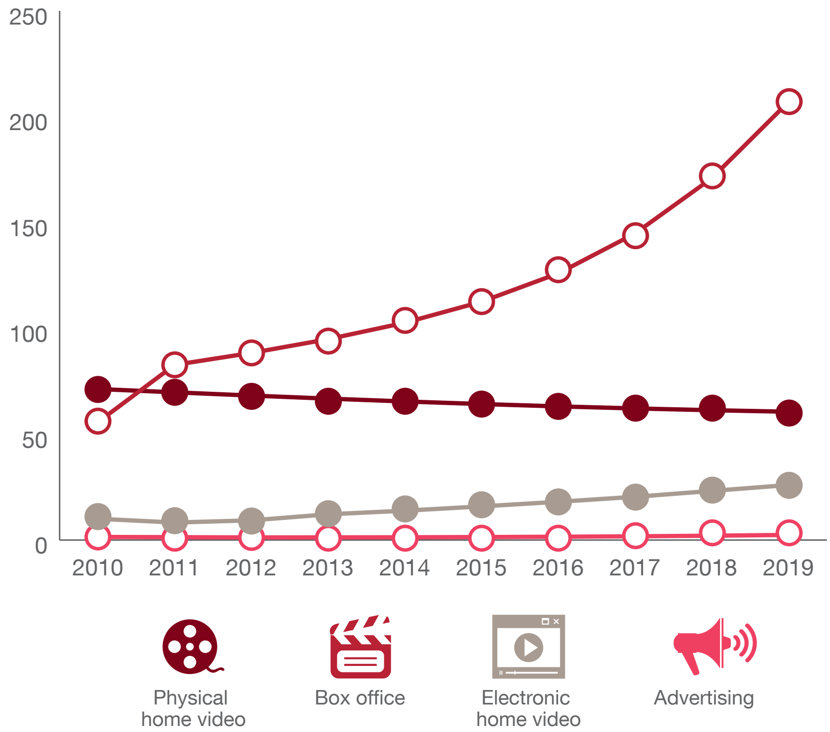
The launch of the first Africa Magic channel on Digital Satellite Television (DSTv) in 2003 and the opening of Silverbird Cinemas in 2004 went a long way towards improving the distribution channels and revenue streams available for filmmakers. However, Nigeria is still currently under-screened, given the local level of demand. By the end of 2014, there were under 25 cinemas for a country of over 180 million people.

New cinema players such as Filmhouse have opened new cinemas in Lagos and are expected to expand outside Nigeria's main commercial centre, driving growth. In 2014, the National Film and Video Censors Board (NFCVB) had licensed up to 80 fee-paying cinemas in the country, and DSTv has eight Africa Magic fee-paying channels broadcasting Nigerian films in the languages of 53 countries.

However, Nollywood faces a period of uncertainty following the election of Muhammadu Buhari in early 2015. Government grants for Nigerian films were a feature of predecessor Goodluck Jonathan's presidency, with US$100 million-plus funds for filmmaking announced in November 2010 and March 2013. The continuation of such funds is unclear under the incoming administration.

Box office to enhance dominance over forecast period

Fig 5. Filmed entertainment by segment, 2010-2019 (US$ millions)



Source: PwC, Ovum

Nigeria benefits from a relatively good digital infrastructure. It has become one of the most prolific movie producers with an average of about 50 movies produced every week, and a number of movie producers opt to distribute their content through digital channels. iROKOtv, the world's largest online distributor of licensed Nollywood films, raised US$8 million over two funding rounds in 2012, and earned over US$5 million from its video streaming services last year. Since then, other VOD companies such as iBAKAtv and Afrinolly have sprung up.

Youtube is also a major distribution channel for movie producers, who are seeing their revenues from physical home video being eroded due to piracy and shifting consumer patterns. Limited broadband access remains an inhibitor, however.

The movie distribution system in Nigeria is currently being restructured to expand viewership, track sales, ensure increased revenue to legitimate channels and undermine pirates. Under the new structure, Nollywood movies will first be seen at the cinemas, then streamed online and consequently shown on in-flight TV, before going on DVD and finally to terrestrial TV. The traditional model was producing DVDs directly.

In the last quarter of 2014, the National Broadcasting Commission (NBC) announced its impending partnership with the International Market of Communications Programmes (MIPCOM), which it stated would revolutionise the entertainment and broadcast environment in Nigeria.

In the last two decades, locally produced and physically marketed movies (home videos) have taken prominence over foreign ones as the Nigerian audience opt for low-budget movies which follow traditional storytelling patterns and current societal realities. In recent times, however, the increase in channels for viewing these movies has reduced the demand for physical home videos.

Despite a gradual decline, physical home video will remain an important part of total filmed entertainment revenue. One clear problem, though, is that an estimated 90% of the DVDs in circulation in Nigeria are illegal copies, with new releases enjoying just a two-week window before pirated versions flood the market. The incoming administration has announced a clampdown on corruption, which may improve the situation.

Total physical home video revenue will fall from US$65 million in 2014 to US$60 million in 2019, a CAGR of -1.5%. Predictably, sell-through will provide the bulk of the revenue, accounting for 92% of physical home video revenues in 2019.

Total electronic home video revenue will rise to an estimated US$26 million in 2019, up from US$14 million in 2014 – a CAGR of 13.4%. VOD services are becoming easier to access. In late 2014, mobile online video streaming app Alix.TV launched a VOD service in Nigeria, Ghana and Kenya, offering premium Hollywood content. DStv BoxOffice also launched in Nigeria in 2014, with movies available at N400 each.

Kenya

Kenya sees slow but steady growth

Filmed entertainment revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Electronic home video	**0.2**	**0.4**	**0.4**	**0.5**	**0.7**	**0.8**	**1.0**	**1.3**	**2.6**	**3.8**	**41.3%**
OTT/streaming	-	-	-	-	-	*	0.1	0.3	1.4	2.5	-
Through-TV subscription	0.2	0.4	0.4	0.5	0.7	0.8	0.9	1.0	1.2	1.3	13.8%
Physical home video	**32.3**	**32.0**	**31.8**	**31.5**	**31.3**	**31.2**	**31.0**	**31.0**	**31.1**	**31.2**	**-0.1%**
Rentals	2.2	2.3	2.4	2.4	2.5	2.6	2.6	2.7	2.8	2.9	2.8%
Sell-through	30.1	29.7	29.4	29.1	28.8	28.6	28.4	28.3	28.3	28.3	-0.4%
Box office	**2.5**	**3.7**	**3.9**	**4.1**	**4.4**	**4.7**	**5.1**	**5.7**	**6.4**	**7.3**	**10.8%**
Advertising	**1.1**	**1.0**	**0.7**	**0.8**	**0.9**	**1.0**	**1.2**	**1.4**	**1.6**	**1.9**	**15.6%**
Total	**36.1**	**37.1**	**36.8**	**36.9**	**37.3**	**37.7**	**38.3**	**39.4**	**41.7**	**44.2**	**3.4%**
YOY growth (%)		*2.7%*	*-0.8%*	*0.5%*	*0.8%*	*1.2%*	*1.7%*	*2.8%*	*5.5%*	*5.9%*	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

Valued at US$37 million in 2014, Kenya's filmed entertainment market has remained largely unchanged since 2010, when it stood at US$36 million. The market saw two consecutive years of limited growth in 2013 and 2014, after a small contraction in 2012. Kenya's filmed entertainment sector will, however, grow more strongly over the forecast period, benefitting from a promising macroeconomic outlook. By 2019 the market will be worth US$44 million, a forecast CAGR of 3.4%.

Physical home video the top performer

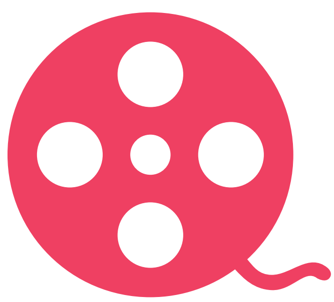
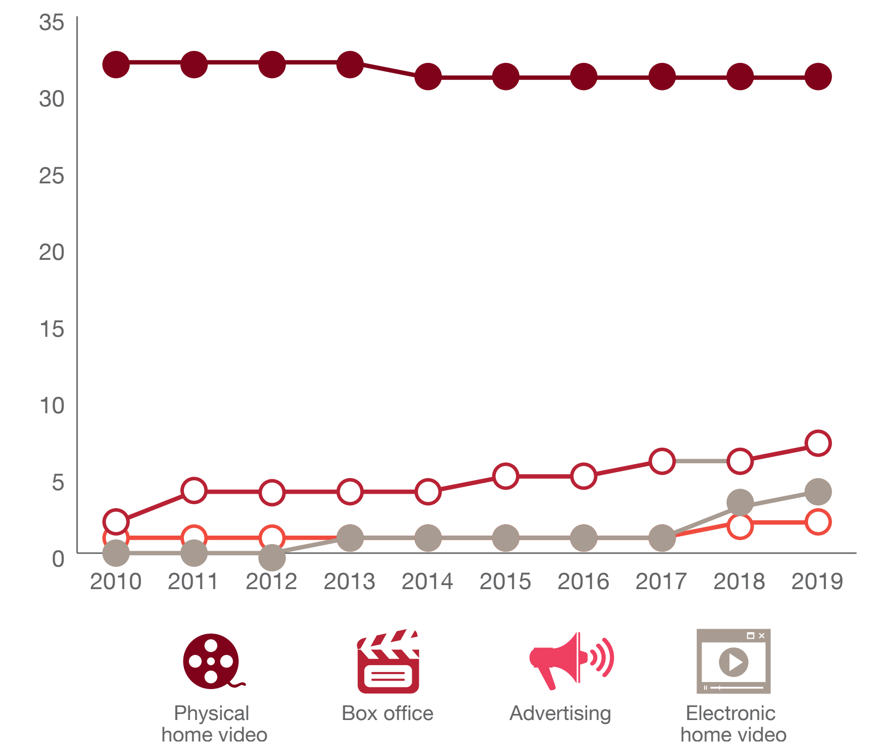


Fig 6. Filmed entertainment revenues, 2010-2019 (US$ millions)



Source: PwC, Ovum

With an 84% revenue share in 2014, physical home video is the largest component of Kenya's filmed entertainment industry. Of each dollar spent on physical home video, approximately 90 cents go to sell-through, and the remainder to rentals. Sell-through revenue stood at US$29 million in 2014 but has declined slowly since 2011, when it stood at US$30 million. This trend is expected to continue throughout the forecast period.

The availability of pirated film content is, and will continue to be, an inhibitor for growth in physical home video revenue. Still, an overwhelming majority of Kenyans prefer to watch filmed entertainment in-house or at cheap local video shacks (often displaying pirated content), instead of going to the cinema because of its relative expense. This is reflected in Kenya's low box office revenue share of just 12% in 2014, compared to 26% in South Africa and 56% in Nigeria in the same year.

Several cinema operators, including Kenya Cinema group (owned by Fox Entertainment Group) and Nu Metro, have either left the Kenyan market or closed down unprofitable theatres in the last five years due to sluggish demand. However, remaining cinema operators such as Fox Theatres and Planet Media (a multimedia arm of Nakumatt Holding) are trying to attract customers by investing heavily in new digital cinema systems with superior image and sound quality. Planet Media was the first in Kenya to introduce the new 4K 3D and high frame rate (HFR) capabilities running on Dolby screen servers.

Box office revenue will grow by a CAGR of 10.8% between 2014 and 2019, albeit from a small base. Having more money to spend on entertainment, the growing middle class in Kenya will potentially boost future box office revenues. However, higher living standards also intensify cinema's competitive environment. Better TVs and video-playing equipment will make home watching ever more attractive. Increased access to Internet provides consumers with an even greater pool of free content, as well as access to multiple other mediums of entertainment such as online gaming, social media, free on-demand TV and music services.

Sharp growth in the previously negligible electronic home video market (comprising OTT/streaming and through-TV subscription revenue) is another reason why physical home video revenue is declining. Total electronic home video revenue will account for almost 10% of Kenya's filmed entertainment sector in 2019. By then, more than one in three Kenyans will access the Internet via a mobile device. Within electronic home video, OTT/streaming revenue will be the main growth driver, surpassing the previously dominant video-through-TV subscription revenue in 2018. This growth will also be boosted by the Kenyan launch of DStv BoxOffice in 2015.

Total electronic home video revenue will account for almost 10% of Kenya's filmed entertainment sector in 2019

Global trends in filmed entertainment

The following was extracted from PwC's *Global Entertainment and Media Outlook 2015–2019*

Filmed entertainment set for 4.1% CAGR growth

Filmed entertainment revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Electronic home video	**7 418**	**9 227**	**11 007**	**13 063**	**15 279**	**17 567**	**19 994**	**22 778**	**26 149**	**30 293**	**14.7%**
OTT/wtreaming	3 170	4 200	5 299	6 616	8 053	9 575	11 236	13 246	15 832	19 187	19.0%
Through-TV subscription	4 248	5 027	5 708	6 447	7 226	7 992	8 758	9 532	10 317	11 106	9.0%
Physical home video	**42 342**	**39 872**	**36 528**	**32 923**	**30 776**	**28 909**	**27 206**	**25 577**	**24 146**	**22 813**	**-5.8%**
Rentals	12 678	11 748	9 913	7 643	6 884	6 328	5 840	5 358	4 997	4 656	-7.5%
Sell-through	29 664	28 124	26 615	25 280	23 892	22 581	21 366	20 219	19 149	18 157	-5.3%
Box office	**31 549**	**32 098**	**33 869**	**35 259**	**36 703**	**39 126**	**41 278**	**43 546**	**45 929**	**48 446**	**5.7%**
Advertising	**2 218**	**2 323**	**2 453**	**2 555**	**2 640**	**2 742**	**2 838**	**2 919**	**2 994**	**3 068**	**3.0%**
Total	**83 527**	**83 520**	**83 857**	**83 800**	**85 398**	**88 344**	**91 316**	**94 820**	**99 218**	**104 620**	**4.1%**
YOY growth (%)		***0.0%***	***0.4%***	***-0.1%***	***1.9%***	***3.4%***	***3.4%***	***3.8%***	***4.6%***	***5.4%***	

Source: PwC, Ovum

Global total filmed entertainment revenue will rise at a 4.1% CAGR to 2019, reaching US$104.6 billion. Particularly strong growth will be seen in China (14.5% CAGR) and in Latin America, thanks to a 6.1% CAGR in Brazil and a 11.5% CAGR in Argentina, but even global leader the US, with 33.0% of the total market in 2014, will see above-average growth of 4.6% CAGR.

Global box office revenue will rise at a CAGR of 5.7% to US$48.4 billion in 2019, from US$36.7 billion in 2014. But one trend noticeable everywhere from China to Western Europe is the significance of local films in boosting country box office revenue, and while Hollywood still dominates, local films will increasingly make an impact.

China's box office revenue is forecast to rise at a 15.5% CAGR, its growth outstripping that of every other market surveyed. China's box office revenue will thus move from US$4.3 billion in 2014 to US$8.9 billion in 2019 as its cinema-building boom continues and rising disposable incomes make the cinema more affordable.

Global total physical home video revenue will decline from US$30.8 billion in 2014 to US$22.8 billion in 2019 at a -5.8% CAGR. With 52 of 54 territories recording a decline, the factors contributing to this – including the reduction in bricks-and-mortar video stores and the rise of electronic alternatives – only look set to strengthen.

Global electronic home video revenue is set to rise from US$15.3 billion in 2014 to US$30.3 billion in 2019. Total electronic home video OTT/streaming revenue in particular is seeing a CAGR of 19.0% as online video and streaming services are beginning to attain a significant foothold in many markets.

Smartphone connections are forecast to rise from 1.92 billion in 2014 to 3.85 billion in 2019. The proliferation of such connected devices among consumers will create both significant new opportunities and considerable challenges for companies creating and distributing filmed entertainment content.

Video games

At a glance

Video games will grow healthily through to 2019. The video game market as a whole in South Africa was worth R2.6 billion in 2014, up from R1.6 billion in 2010, and is forecast to grow by a CAGR of 6.6% to reach R3.6 billion in 2019.

The single biggest shift in total video game revenue will come from social/casual gaming, which will overtake traditional video game revenues by 2015, one of nine territories globally where this is expected to happen. Social/casual gaming revenues increased from R608 million in 2010 to R1.3 billion in 2014 and are expected to grow at a strong CAGR of 8.9% over the forecast period to reach approximately R1.9 billion by 2019.

Traditional gaming continues to grow. The traditional game market (consoles and PCs) will grow at a CAGR of 3.9% and will be worth R1.6 billion by 2019.

New revenue models will continue to gain traction. Microtransactions are continuing to change and challenge traditional charging models and are expected to gain traction in the traditional gaming segment as well.

South Africa, however, will benefit less than other markets from the switch to digital game distribution – just 23% of console revenues will be driven by digital platforms (including online or microtransactions) by 2019. This is largely due to the currently underdeveloped status of broadband infrastructure, and a portion of this digital money is instead flowing into South Africa's social/casual market.

US$177 million

By 2019, the Nigerian video game market will be worth US$177 million. Total video game revenue in Nigeria was US$91 million in 2014, up from US$44 million in 2010, and is forecast to grow at a CAGR of 14.3% to reach US$177 million in 2019. Nigeria's social/casual market will dominate total video game revenue in the country, suiting the games infrastructure available over the forecast period.

14.5% CAGR

Kenya will see a fast rise of 14.5% CAGR in total video game revenue, from a low base, with Nairobi acting as a focal point for gaming.

Definitions

This segment comprises consumer spending on video game software and services (not hardware or devices) across both traditional and social/casual gaming, as well as revenue from advertising via video games. All sub-categories are exclusive of each other.

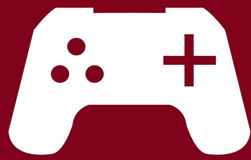
Traditional gaming revenues comprise proceeds associated with playing games on PCs and games consoles (both TV-connected and portable). This includes physical (disc-based) game sales by retailers (both bricks-and-mortar and online retailers), digital game sales (including Steam, Good Old Games and Origin for PCs, and the PlayStation Network Store, Xbox Live Store and Nintendo eShop for consoles), and additional downloadable content (DLC) and subscription services.

Online/microtransaction revenue also includes spending associated with free-to-play massively multiplayer online games (MMOs), but does not include spending on social and casual browser-based games, which are included in the social/casual gaming component.

Social/casual gaming revenues include consumer spending on and in app-based games on tablets and mobile phones, and browser games aimed at a casual audience. This includes revenues associated with the purchase of social and casual game apps, subscription services for social and casual games, and the purchase of virtual items within social and casual games. It also includes revenues associated with 'hardcore' mobile games.

Video game advertising revenue includes only static advertising in video games. It does not include dynamic advertising inserted into or displayed alongside the game in an app or browser during play, which would be counted in display Internet advertising revenue.

South Africa



Video game market, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Traditional	**967**	**1 042**	**1 075**	**1 223**	**1 314**	**1 376**	**1 418**	**1 474**	**1 527**	**1 596**	**3.9%**
Console	**641**	**673**	**668**	**752**	**785**	**799**	**817**	**836**	**850**	**865**	**2.0%**
Physical	633	658	640	701	702	693	687	682	674	669	-1.0%
Digital	5	9	17	31	43	57	73	88	101	112	21.0%
Online/microtransactions	3	6	11	20	40	49	57	66	75	84	16.1%
PC	**326**	**368**	**407**	**471**	**529**	**577**	**601**	**637**	**677**	**731**	**6.6%**
Physical	271	281	274	268	258	248	238	228	218	216	-3.5%
Digital	0	0	19	55	90	100	109	119	128	138	8.8%
Online/microtransactions	55	87	114	148	181	229	254	291	331	377	15.8%
Social/casual	**608**	**747**	**929**	**1 109**	**1 267**	**1 403**	**1 528**	**1 662**	**1 810**	**1 937**	**8.9%**
App-based	483	615	796	963	1107	1244	1369	1503	1651	1779	9.9%
Browser-based	125	132	133	146	160	159	159	159	159	158	-0.1%
Advertising	**17**	**21**	**25**	**33**	**38**	**44**	**51**	**58**	**67**	**77**	**15.0%**
Total	**1 592**	**1 810**	**2 029**	**2 365**	**2 619**	**2 823**	**2 997**	**3 194**	**3 404**	**3 610**	**6.6%**
YOY growth (%)		***13.6%***	***12.1%***	***16.6%***	***10.7%***	***7.8%***	***6.2%***	***6.6%***	***6.6%***	***6.0%***	

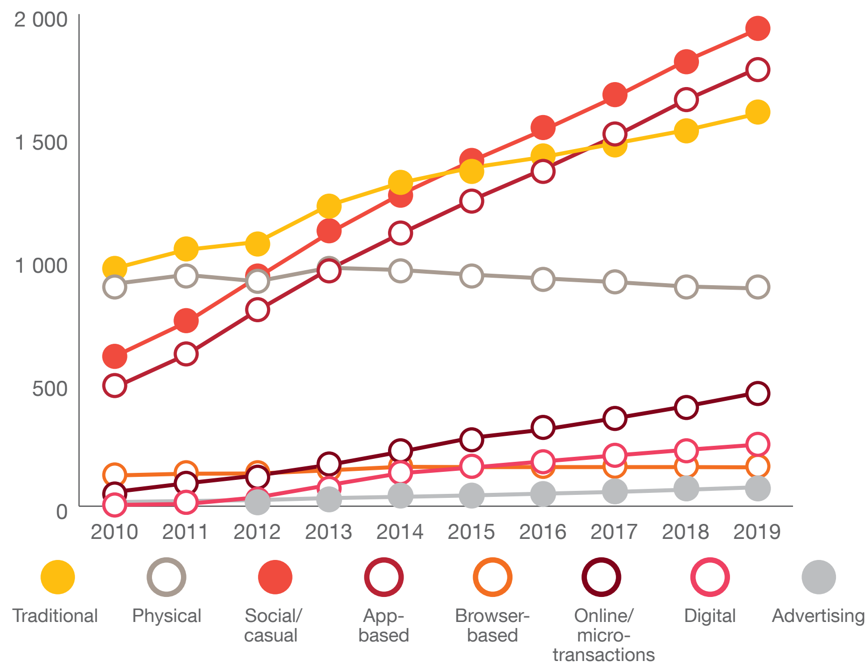
Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

The market for video games in South Africa grew 10.7% year-on-year to reach R2.6 billion in 2014. Total video game revenue is now forecast to rise at a 6.6% CAGR to reach R3.6 billion in 2019.

By 2019, the South African video game market will be worth R3.6 billion

While traditional revenues continue to grow, in 2015 social/casual revenues will take over

Fig 1. Video game market by category, 2010–2019 (R millions)



Source: PwC, Ovum

Consoles

The prediction of a decline in game consoles prior to the release of the Xbox One and PlayStation 4 seems to have been premature – globally, consoles are selling as well as always, and all three platform holders have succeeded in keeping two generations of console on sale at the same time. This helps markets with a less developed tradition of console gaming get on board, as prices for the older consoles and titles are lower, even if the high costs of manufacturing consoles means prices can only reduce so much.

However, console games in South Africa are still expensive, with titles costing more than in markets such as the US or UK relative to levels of disposal income, restricting the growth of the market. Console game revenue hit R785 million in 2014, up from R641 million in 2010, but a modest CAGR of 1.0% is predicted over the forecast period.

Titles like *FIFA 15, Grand Theft Auto V* and *Call of Duty: Advanced Warfare* dominate sales, much like in other countries, across multiple consoles – reinforcing the economics of big global game console franchises for firms like EA, Take-Two Interactive and Activision Blizzard respectively. FIFA's yearly updates and *Call of Duty*'s similarly regular output ensure they claim a high spot in the rankings every year.

The global performance of Microsoft and Sony has surprised many who felt that the time of powerful gaming boxes had passed; but these consoles demonstrate that consumers still feel there is no substitute for a games console when it comes to a premium gaming experience. It is still debatable whether there will be another generation of home consoles beyond today's devices – connectivity, streaming and other more powerful home devices would hint at this being the last generation, but consoles have resisted obsolescence before.

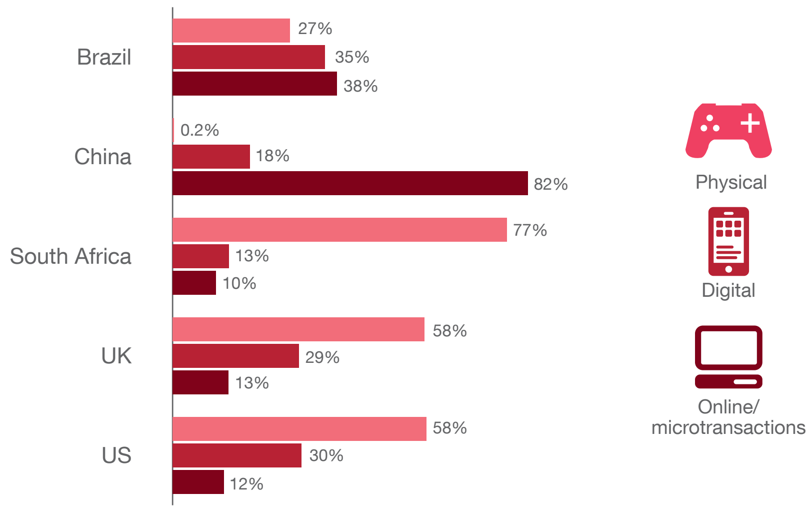
Providing promising signs for content creators, by 2019, 23% of console revenues will be driven by either digital downloads or online/microtransactions. Without mastering, distribution or retail costs to worry about, games should in most cases be more profitable when sold through a digital channel – assuming a similar price point. Another benefit is that because digital distribution is typically tied to a single user account or console, it reduces piracy opportunities, such as they exist, while simultaneously opening up more opportunities for add-in downloadable content (DLC) once consumers have become used to transacting digitally.

South Africa's digital console revenues are lower than those of other markets

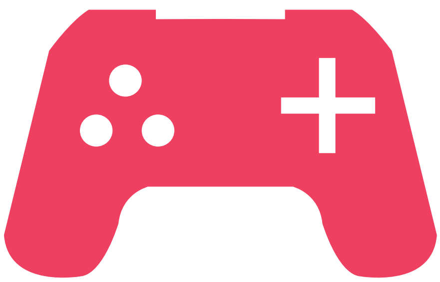
Console games have not experienced the benefit of microtransactions to the same extent as other segments in the gaming industry, such as social/casual gaming. As traditional revenue models continue to be challenged by consumers, however, we expect to see an increase in microtransaction revenues in the console segment. This is further amplified by the fact that console units are focusing on being more than just a gaming console, instead becoming a one-stop connected entertainment experience for the home.

However, South Africa benefits much less than other markets – Brazil, China and the US, for example – have higher proportions of digital and online revenues. This is largely due to the underdeveloped nature of broadband infrastructure here – but more positively, some of this digital money is instead flowing into South Africa's blossoming social/casual market.

Fig 2. Selected markets, proportion of 2019 console revenues from physical, digital and online/microtransactions (%)



Source: PwC, Ovum



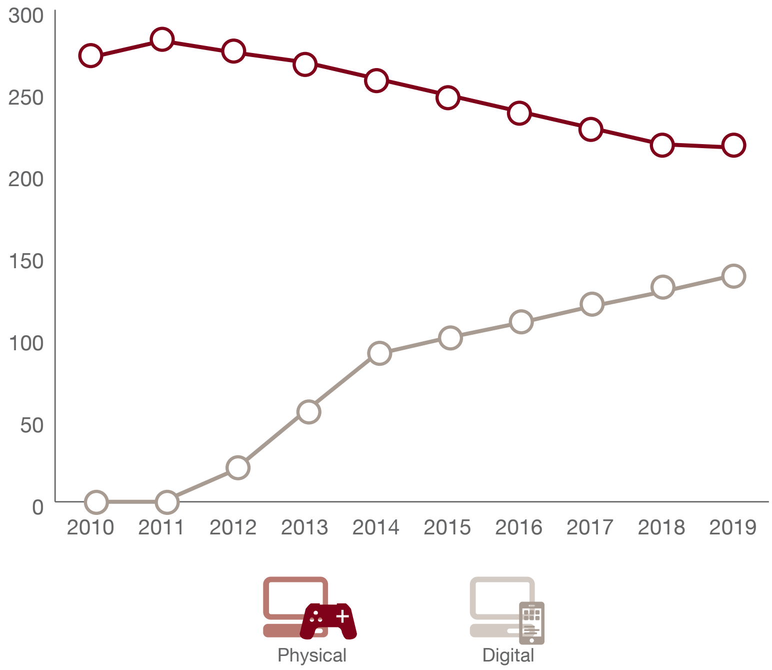
Consoles demonstrate that consumers still feel there is no substitute for a games console when it comes to a premium gaming experience

Digital PC revenues make up for the decline in physical game sales…

PC

The PC game market is growing faster in South Africa than the console game market. Worth R529 million in 2014 and with a CAGR of 6.6% over the forecast period, PC game revenues will grow to approximately R731 million by 2019. However, this overall growth hides major shifts in the monetisation of PC gaming. As with most markets, the physical sale of PC games is in decline, dropping from R258 million in 2014 to an estimated R216 million in 2019 – a CAGR of -3.5%. Digital game sales negate this decline, though, growing at a CAGR of 8.8% to hit a modest R138 million in 2019, from R90 million in 2014. This is a markedly slower switch to digital distribution than in most other markets – the lack of necessary infrastructure being a key issue – but more positively, the trade-in markets for (physical) games that keep the disc-based format alive on PCs and consoles help make slightly older games more affordable for consumers.

Fig 3. PC game revenues, physical vs digital, 2010–2019 (R millions)



Source: PwC, Ovum

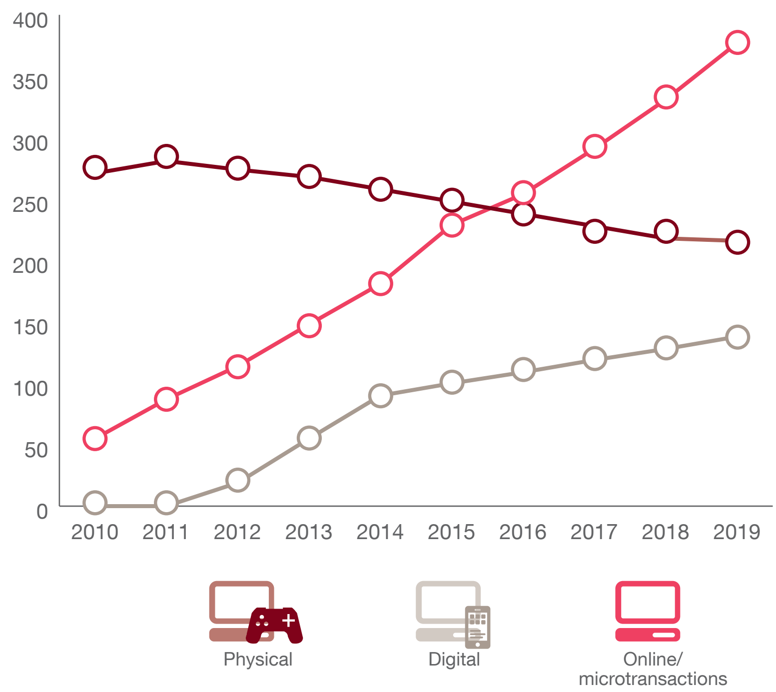
…but the real star is online/ microtransactions revenues

Online and F2P (free-to-play) save PC gaming

Microtransactions have proven to be a very successful charging model for the gaming industry, especially the social/ casual one. As consumers become more comfortable and accustomed to paying for various add-ons, upgrades etc., we expect to see these behaviours also influencing the PC gaming space. Microtransactions can recoup revenues that would otherwise have been lost to the industry.

Social/casual games represent a more inclusive gaming future

Fig 4. PC game revenues, physical vs digital vs online/microtransactions, 2010–2019 (R millions)



Source: PwC, Ovum

Therefore, as expected, the real growing star in the PC gaming space is online/microtransactions – worth R181 million in 2014, up from just R55 million in 2010, this category of revenues will grow to be worth an estimated R377 million by 2019, rising at a CAGR of 15.8% and eclipsing both physical and digital game sales. (In prior years, online/microtransaction revenue was not independently broken out from digital PC games sales.) This will represent 52% of the total PC game sector revenues by 2019, in the same league as France (58%) and Germany (56%), but much less than emerging markets like Brazil (89%) or China (82%). This is because South Africa's existing PC gaming market is much more developed than those of Brazil or China and so continues to hold more sway.

The past five years have seen an explosion in free-to-play (F2P) games such as *League of Legends* or *Defense of the Ancients 2 (Dota 2)*. Alongside revenues from strong ongoing subscriptions to *World of Warcraft* and a couple of other smaller MMO role-playing games (MMORPGs), this segment now dwarfs the revenues from traditional PC game sales.

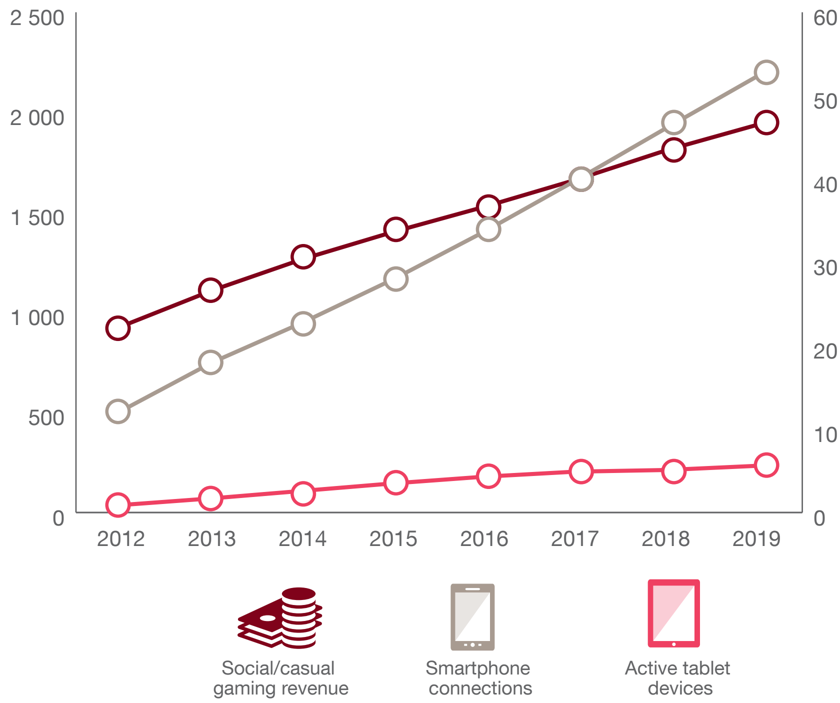
F2P titles benefit from a friction-free introduction for gamers – free to download and start playing, and continuing to cost most players nothing unless they become deeply involved with the title. Much like social/casual games it is all about how many players providers can get on board; this is particularly true of the most popular genre: multiplayer online battle arenas (MOBAs). More players mean a more varied challenge, better competitors and a more active community. The rise of e-sports – which primarily focus on first-person shooter (FPS) games and MOBAs – has helped popularise these games.

Of the two business models, F2P is definitely on the ascendance, while subscription games are declining – although *World of Warcraft* continues to perform well, with regular injections of fresh content and an active community, few other MMORPGs have managed to replicate Activision Blizzard's success. Given the flexibility of the F2P model, despite some gamers taking issue with frequently being prompted to buy more content, this is unlikely to change in the coming years.

The biggest success story in South African video games is the growth of social/casual revenues – from R608 million in 2010 to R1.3 billion in 2014 and growing at a CAGR of 8.9% over the forecast period to reach a forecast R1.9 billion in 2019. This means that in 2015, social/casual revenues will overtake traditional video game revenues. This is rare, especially so in a major geography with a relatively well-established traditional games business, but can be attributed to the growth in smartphone ownership combined with the relative weakness of fixed broadband infrastructure in the country.

Smartphone and tablet growth fuels social/ casual gaming revolution

Fig 5. Social/casual revenue (R millions), smartphone connections (millions) and active tablet devices (millions), 2012–2019



Source: PwC, Ovum

It is telling that of the top ten grossing iPhone apps in South Africa, the first nine (with *Clash of Clans* at number one and titles like *Candy Crush Saga* and *Cookie Jam* highly ranked) are games – only Dropbox breaks this continuous run in tenth place. This is all the more remarkable when considering that Apple only allowed games on to the South African App store in October 2013. The Google Play Store's revenue is even more dominated by games.

Game titles like *Two Dots* and *Puzzle and Dragons* can be played on almost any smartphone or tablet (as well as PC, social networks or even consoles), require little gaming knowledge or hand-eye co-ordination and – like PC F2P games – usually come for free. If game companies can build a large user base – ideally in the millions – then a small percentage of those players will spend at least something in the game, while a percentage of those players will be 'whales', who spend considerable time and real money in the game.

Commercially, the world of social games is more complex than that of traditional gaming. Games typically emerge quickly, sometimes using a celebrity endorsement, like *Kim Kardashian: Hollywood*; rapidly gather a very large user base; mine the small percentage of players who pay for items (between 1% and 5%, depending on the game and market); and then fade equally quickly. This creates problems for investors and shareholders, who find the unpredictable nature of a game's success a challenge to measuring, or predicting, future performance.

Globally, although definitive figures are difficult to come by, *Clash of Clans* looked to be the most downloaded game of 2014, followed by *Candy Crush Saga*. Locally, QCF Design's *Desktop Dungeons* saw success after its release in November 2013.

Video game advertising revenues in South Africa are the fastest-growing top-level category – with a CAGR of 15.0% over the forecast period – but this growth level is much easier to achieve on very low base revenues. Advertising revenue hit R38 million in 2014, up from R17 million in 2010, and is forecast to grow to R77 million by 2019. However, even then this will represent less than 2% of total video game revenues. Only a few global markets see video game advertising becoming a major force: typically, these are markets with a strong gaming culture, a sophisticated advertising market and comprehensive connectivity (US, UK, Japan).

Video game advertising will continue its upward trend from a low base

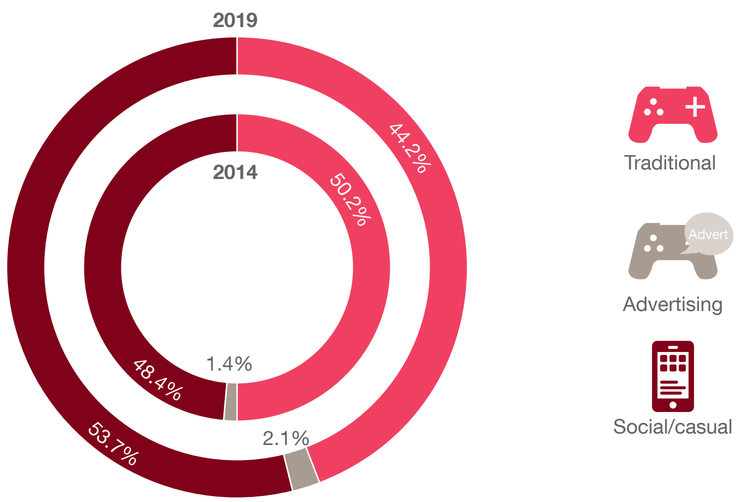
Comparison to key global markets and global figures

Compared to regional and global averages, the South African video game market has two key differences:

- ***Significantly bigger and growing social/casual games market.*** South Africa's social/casual gaming market more closely resembles the Latin America and APAC regions than the established traditional gaming regions of North America and Western Europe – and even here it significantly outstrips regional averages. The growth in South African mobile Internet subscribers, forecast to rise from 19.5 million in 2014 to 38.0 million in 2019, has driven the availability of and desire for social/casual gaming among consumers, and the empowerment enabled by the smartphone, which is becoming increasingly affordable in the South African market, has nearly singlehandedly created a new market for gamers.
- ***A much smaller comparative traditional games market compared to North America and Western Europe.*** Of course, if social/casual gaming is going to account for a higher proportion of revenues, something has to give – and in South Africa's case that is the relative importance of traditional gaming revenues compared to all regional averages. As stated above, South Africa is one of the few countries (along with Argentina, Chile, India, Indonesia, Malaysia, Nigeria, the Philippines and Singapore) where social/casual gaming revenues will have surpassed traditional gaming revenues by the end of the forecast period – though it's more of an even split in South Africa, given that country's reasonably sized traditional market.

South African social game revenues outperform regional comparisons

Fig 6. Video game market composition (%), 2014 vs 2019



Source: PwC, Ovum

In markets like the UK, US or Germany, e-commerce, digital downloads and, in the case of the US and UK, the sheer buying and marketing power of supermarket chains have decimated specialist local stores and general dedicated floor space to sell video games. South Africa is different – fixed broadband remains underdeveloped and blossoming mobile infrastructure favours social/casual games.

Physical game sales also remain a vibrant part of the gaming scene despite a proclivity to pirate media, particularly as regards PC games. This is why events like rAge in Johannesburg and the Electronics & Gaming Expo in Cape Town are so important. The latter event, newly introduced in 2015, featured exhibitors such as Sony PlayStation, represented by Ster Kinekor Entertainment.

Local games development a burgeoning business

The former is the biggest consumer technology and gaming event in the country, drawing tens of thousands of gamers together to see the latest in technology and gaming. Furthermore, the NAG LAN event, scheduled for August 2015, is particularly interesting, offering more than two days of gaming for 2 500 gamers and technology enthusiasts.

rAge, and in particular NAG LAN, shows how potent physical events are, even as digital connectivity allows many more remote or disconnected experiences. LAN parties remain a key way of playing competitive video games and have propelled South Africa into the big time in e-sports. A South African team won the 2014 ESL Battlefield 4 Conquest Country Championship, and this has fired interest in e-sports across the country. This comes at a time when e-sports are at a turning point globally – little media attention was paid to them as recently as two years ago, but the events now draw huge crowds, have significant prize money and (most importantly) generate massive online viewership via services like Twitch.

Mind Sports South Africa covers and promotes disciplines such as tournaments for FIFA, League of Legends and StarCraft, awarding national colours to South African competitors. It is an affiliate of the South African Sports Confederation and Olympic Committee.

A recent survey released by Make Games South Africa suggests that 40 organisations involved in game development added R53 million to the industry in 2014 – 83% more than the year before. More than 150 people are employed at these organisations. The success of locally produced games such as *Broforce*, a 'run and gun' platformer made by Free Lives Games, and *Viscera Cleanup Detail*, where players must clean and repair facilities damaged during an alien invasion, have provided a boost to the industry.

Worldwide, cloud gaming will become an increasingly viable proposition

The next five years will see vast increases in device connectivity, with global smartphone connections forecast to nearly double to 3.85 billion by 2019, by which point there will be more than one billion extra active tablet devices. This connectivity means that, as with video and music streaming services, cloud streaming gaming services can finally deliver on their potential; but two things are needed: the right pricing model to both drive adoption and generate sufficient returns for platforms and publishers; and continuing investment in broadband and mobile Internet infrastructures to support the required response times for interactivity.

It is more complex to deliver compelling responsive gaming streams than it is to stream (one-way) music or video – effectively, each concurrent player needs a 'virtual' console or PC in the cloud on which they can play their games, and the two-way communication between the player's controller and the cloud device needs to be responsive enough to facilitate smooth gameplay. Issues like this caused early cloud gaming efforts to be unsuccessful.

This technology offers hope for those gaming devices which show promise but have thus far failed to gather critical mass. Android game consoles, for instance, did not see significant success in 2013 as they were limited to playing simple mobile games on the big screen.

But cloud services would allow an Android console to stream high-quality PC or console games without the need for expensive dedicated hardware – or maybe move gaming to a second room, away from the family TV set, as Sony's PS TV tries to do.

As another example, Nvidia's Shield, a portable console and tablet, is already capable of streaming games from both local PCs and cloud services. At the moment this is still very processor-intensive, and networks need to scale up yet more commercially and develop increasing bandwidth to support the greater demands that cloud-based gaming creates, otherwise players face off-putting in-game freezes; but these barriers should be overcome over the next two to three years.

The rewards for successful cloud gaming services could be significant, then – reducing the barrier to entry for traditional games by removing the need for powerful hardware, tapping into the 'lapsed gamer' market and forging partnerships with leading electronic and mobile consumer brands.

Nigeria

Nigerian video game market will be worth US$177 million

Video game market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Traditional	**11.7**	**14.3**	**15.9**	**18.3**	**21.0**	**22.8**	**24.6**	**26.5**	**28.1**	**30.0**	**7.5%**
Console	**1.1**	**1.8**	**2.3**	**2.9**	**4.0**	**4.4**	**4.9**	**5.4**	**5.9**	**6.5**	**10.7%**
Physical	0.3	0.5	0.6	0.8	0.8	0.8	0.7	0.7	0.7	0.7	-2.3%
Digital	0.5	0.8	1.0	1.3	1.6	1.8	2.1	2.3	2.6	2.9	13.1%
Online/microtransactions	0.3	0.5	0.7	0.8	1.6	1.8	2.1	2.4	2.6	2.9	13.1%
PC	**10.6**	**12.5**	**13.6**	**15.4**	**17.0**	**18.4**	**19.7**	**21.1**	**22.2**	**23.5**	**6.7%**
Physical	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	-7.2%
Digital	*	0.1	0.1	0.8	1.3	1.5	1.7	1.9	2.0	2.1	9.8%
Online/microtransactions	10.5	12.3	13.4	14.5	15.6	16.8	17.9	19.1	20.2	21.4	6.5%
Social/casual	**32.2**	**39.7**	**48.2**	**58.4**	**69.8**	**82.3**	**96.9**	**113.8**	**133.8**	**147.2**	**16.1%**
App-based	24.6	32.0	40.4	50.6	61.9	74.4	89.0	105.9	126.0	139.4	17.6%
Browser-based	7.6	7.7	7.8	7.8	7.9	7.9	7.9	7.9	7.8	7.8	-0.3%
Total	**43.9**	**54.0**	**64.1**	**76.7**	**90.8**	**105.1**	**121.5**	**140.3**	**161.9**	**177.2**	**14.3%**
YOY growth (%)		***22.5%***	***19.1%***	***19.7%***	***18.1%***	***15.8%***	***15.7%***	***15.5%***	***15.6%***	***9.3%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
* less than US$100 000
Source: PwC, Ovum

Total video game revenue in Nigeria was US$91 million in 2014, up from US$44 million in 2010, and is forecast to grow at a CAGR of 14.3% to reach US$177 million in 2019.

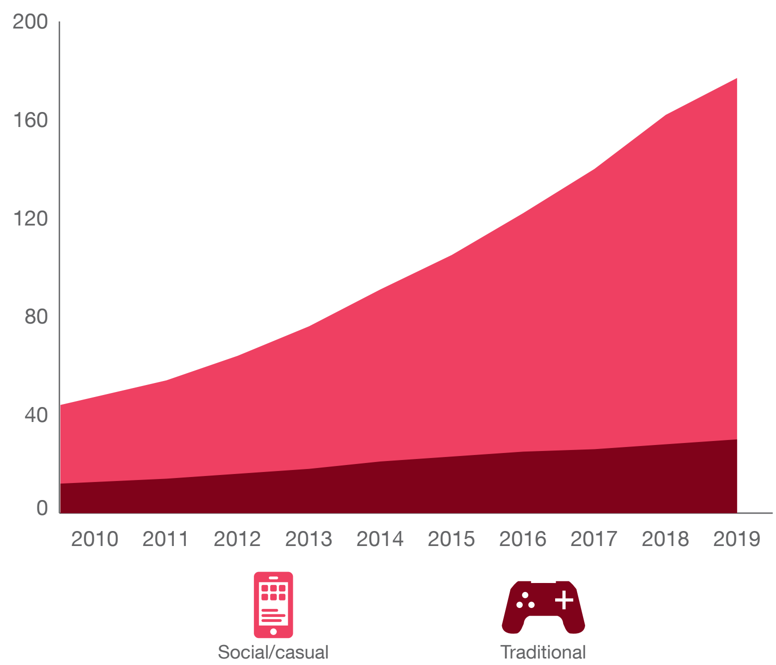
The Nigerian market is dominated by social/casual gaming, eclipsing fledgling revenues on more expensive devices like consoles and PCs. The mobile gaming market has flourished and in 2014, social/casual gaming revenue accounted for 77% of total video game revenue at US$70 million. This will increase further to US$147 million in 2019, at a CAGR of 16.1%. At this time, social/casual games will comprise 84% of total video game revenue in Nigeria, driven by greater ownership of mobile devices than of consoles and PCs. Video game advertising revenue remains non-existent in this market.

The only sub-segment of traditional gaming revenues that gains any traction is PC online/microtransactions, which previously was not broken out within traditional revenue; this was worth US$17 million in 2014 and is forecast to rise to US$24 million in 2019 at a CAGR of 6.7%. This is unsurprising, given that this type of gaming (F2P games like *League of Legends* and subscription games like *World of Warcraft*) is more analogous to the mobile and casual game business model than the traditional physical disc and the US$50-per-game price tags that typify PC and console gaming. These types of games are typically also immune to game piracy, a major ongoing issue in Nigeria.

Even in the high-growth social/casual space, local game development remains challenging. Large-scale piracy, expensive game consoles, a preference for older-generation consoles (particularly those which can be modified to play pirated games) and the high cost of creating games for mobile phones are some of the issues faced by local developers. Nigerian games only manage a few thousand downloads locally, making it difficult to attract advertisers or build revenues via in-game transactions (particularly given a local reticence to spend money on games). Optimistic developers still look to future potential revenues as smartphone penetration grows (forecast to rise from 16% to 42% from 2014 to 2019) and the younger population (more than 50% of whom are under 25 years old) warms to new styles of gaming.

Social/casual gaming leads the way

Fig 7. Video game market, 2010–2019 (US$ millions)



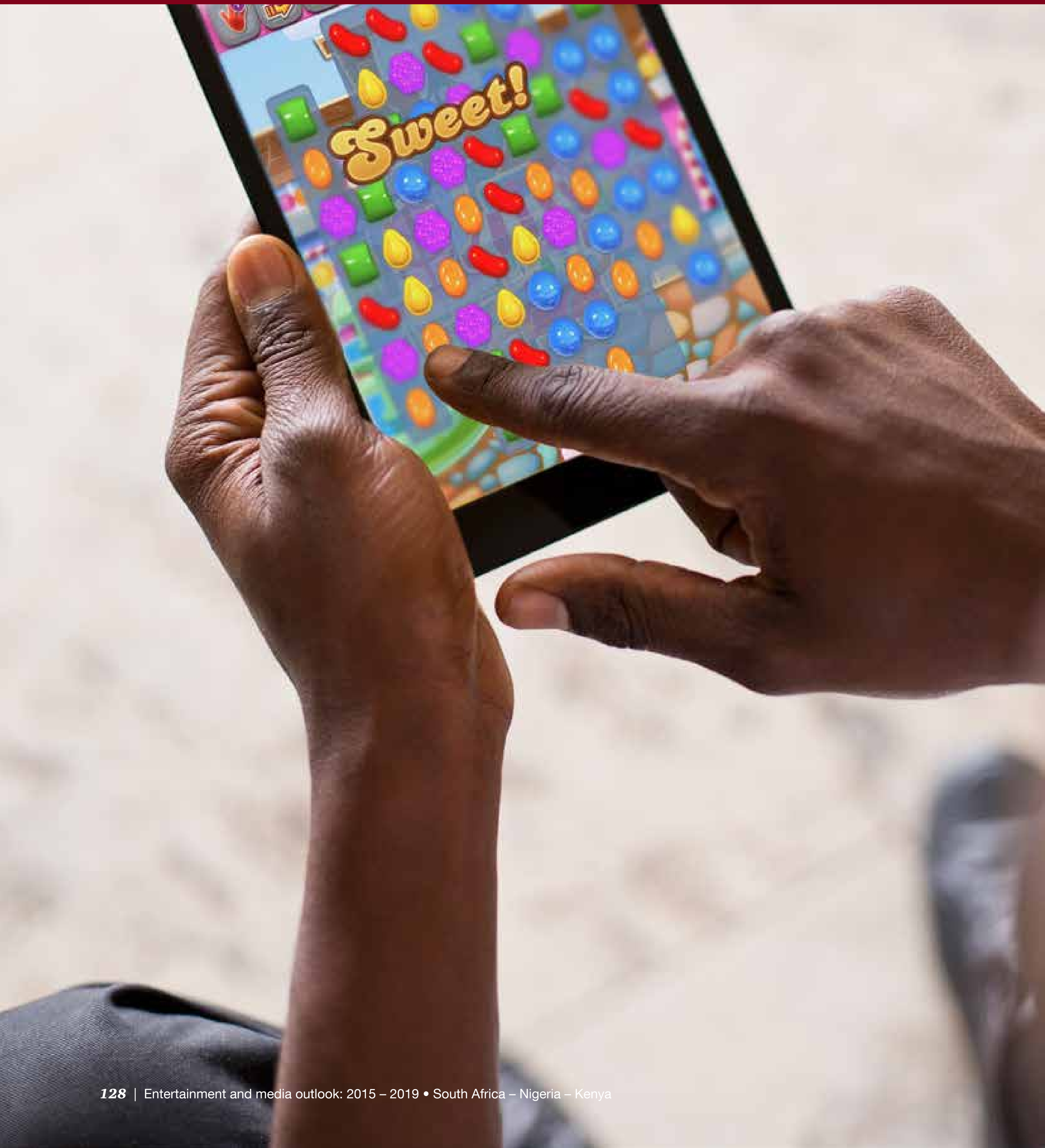
Source: PwC, Ovum

A number of home-grown video game companies are tracking a course through the new landscape of gaming in Nigeria:

- ***Maliyo***, founded in 2012, became the first indigenous game development company in Nigeria. The company focuses on browser-based 'advergames', usually themed around everyday activities. Sharp Sule, launched with Wema Bank in October 2012, offers titles like *Mosquito Smasher, Kidnapped* and *My Village*. It currently has ten games and 20 000 subscribers.
- ***Kuluya***, also founded in 2012, with an initial capital outlay of US$250 000, has grown into a US$2 million company with 12 employees and 70 games with over 400 000 downloads. Kuluya launched a hybrid commerce platform in 2013, allowing its growing number of players to make money through competitive cash games. It offers a range of titles like *Alata, Ma Hauchi* and *Masai*, and went into an exclusive partnership with Nokia/ Microsoft in the last quarter of 2013 to deliver games to their popular Asha and Lumia handsets. In 2014, Kuluya decided to take advantage of the in-app purchases platform, which generates about 50% of mobile gaming revenues globally, by introducing an SMS in-app purchase platform on its game '*Keke*' to enable players to make in-app purchases using text messages. Pledge51's subsidiary Chop Up, founded in 2012, offers social/ casual network games like *Oya Run* – a multiplayer spin on the classic arcade racer. It has about 120 000 sign-ups to date. In August 2014, Chop Up secured an undisclosed amount of money from investors.
- ***Gamesole*** has more of a global target for its mobile games and focuses on developing for the Microsoft device ecosystem (Windows Phone and Windows 8) rather than the more common Android and iOS platforms. This could translate into an interesting unique selling point (USP) if the Windows ecosystem develops into a more relevant platform for mobile users. It has customers in about 24 countries and over nine million downloads to date.
- Other game developers include Emeka Okocha of uSabi Games and Idamiebi Ilamina-eremie of Sonbim Games.

Events like the West African Gaming Expo, held in December 2014, help spread the word about the evolving gaming world. Featuring firms from South Africa, China, France, Thailand and the UK, among others, the Expo allowed visitors to get hands-on with state-of-the-art games on multiple platforms (PC, console, mobile and arcade).

Kenya



14.5% CAGR growth expected for Kenyan market

Video game market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Traditional	**11.6**	**15.9**	**20.6**	**28.2**	**37.0**	**43.2**	**50.0**	**56.5**	**63.5**	**72.7**	**14.4%**
Console	**3.1**	**4.4**	**6.7**	**11.2**	**16.8**	**19.7**	**22.9**	**25.5**	**28.0**	**30.4**	**12.6%**
Physical	1.7	1.9	2.1	3.0	4.2	4.3	4.2	4.2	4.2	4.2	-0.3%
Digital	0.9	1.5	2.8	4.9	6.9	8.5	10.2	11.8	13.2	14.4	15.8%
Online/microtransactions	0.6	1.0	1.8	3.3	5.7	6.9	8.5	9.5	10.6	11.8	15.8%
PC	**8.5**	**11.5**	**13.9**	**17.0**	**20.2**	**23.5**	**27.2**	**30.9**	**35.5**	**42.4**	**15.9%**
Physical	1.2	1.2	1.2	1.0	1.0	1.0	1.0	0.9	0.9	0.9	-2.6%
Digital	2.4	2.5	2.5	2.6	2.7	2.8	2.9	2.9	3.0	3.1	2.8%
Online/microtransactions	4.9	7.8	10.2	13.4	16.5	19.7	23.3	27.1	31.6	38.4	18.3%
Social/casual	**10.0**	**12.0**	**15.0**	**18.0**	**21.5**	**25.0**	**29.1**	**33.6**	**38.9**	**42.7**	**14.7%**
App-based	7.7	9.6	12.6	15.4	18.6	22.2	26.3	30.8	36.1	39.9	16.5%
Browser-based	2.3	2.4	2.4	2.6	2.9	2.8	2.8	2.8	2.8	2.8	-0.7%
Advertising	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**14.5%**
Total	**21.6**	**27.9**	**35.6**	**46.2**	**58.5**	**68.2**	**79.1**	**90.2**	**102.5**	**115.5**	**14.5%**
YOY growth (%)		***29.8%***	***27.5%***	***30.0%***	***26.3%***	***16.6%***	***15.9%***	***13.9%***	***13.6%***	***12.6%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

Total video game revenue in Kenya was US$59 million in 2014, up from US$22 million in 2010, and is forecast to grow to US$116 million in 2019 at a strong CAGR of 14.5%.

The majority of this revenue comes from the traditional gaming space, which was worth US$37 million in 2014, up from US$12 million in 2010, and is expected to rise to US$73 million in 2019 (a CAGR of 14.4%). Within this category, total console game revenue will grow from US$17 million in 2014 to US$30 million in 2019, while total PC game revenue will rise from US$20 million to US$42 million.

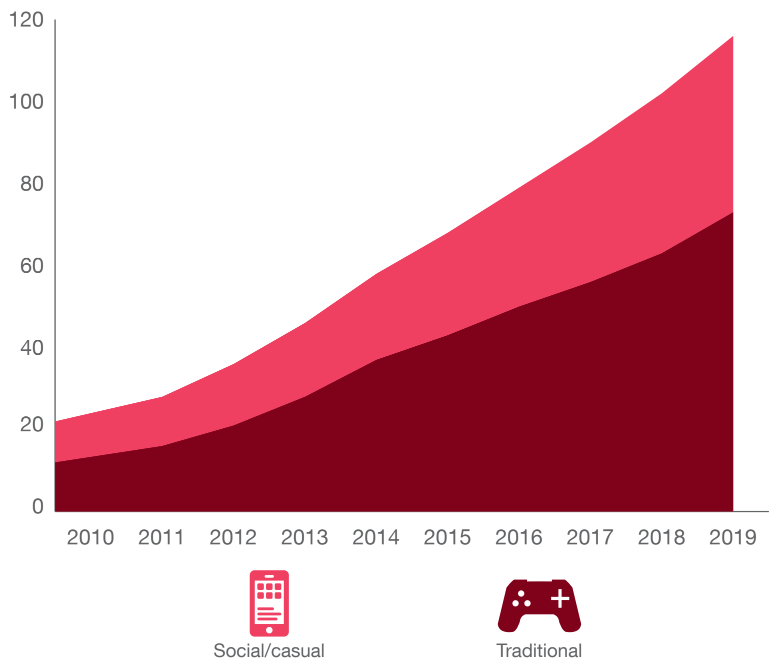
The growth of traditional revenues via digital channels (both online and microtransactions, the latter of which was not previously broken out within traditional revenue) offsets a slight decline in the combined revenues from physical console and PC game sales. Despite some infrastructure issues, by 2019 combined digital revenues from both PC and consoles will be worth US$68 million – or 93% of total traditional revenues. Much of this is driven by the growth in online games in general and F2P games in particular – games like *League of Legends* or *Hearthstone* offer a low-cost entry into gaming, without necessarily the need for a high-powered gaming PC.

Social/casual gaming revenue rises at a similarly strong rate of 14.7% across the forecast period, from US$22 million in 2014 to US$43 million in 2019, fuelled by rises in smartphone access – from 30% of total mobile phone connections in 2014 to 69% in 2019. Kenya's world-leading mobile money infrastructure helps drive this market, though, as elsewhere, the vast majority of players won't pay anything for their social/casual gameplay.

Video games advertising revenue remains virtually non-existent in this market.

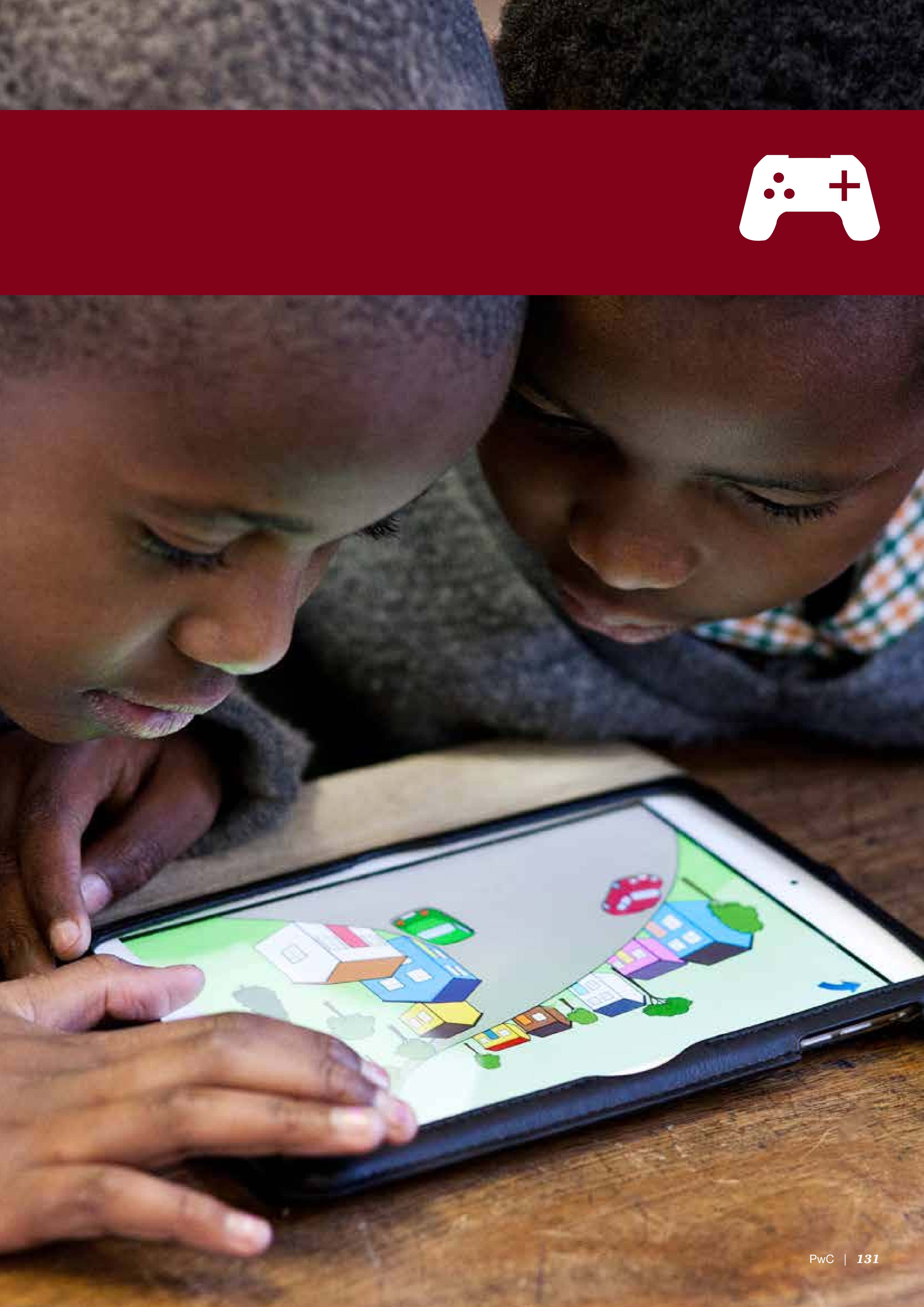
Nairobi acts as a focal point for gaming in Kenya – being the home to iHub, an innovative community space combined with an incubator that hosts start-up game firms. Additionally firms like NexGen, which organise gaming tournaments, events and launches, are based in the city. The campus around the University of Nairobi is also becoming a lively gaming destination, with venues like Gamer Zone allowing students to get hands-on with the latest games.

Fig 8. Video game market, 2010-2019 (US$ millions)



Source: PwC, Ovum

Digital aspects of traditional gaming to boost the segment



Global trends in video games

The following is extracted from PwC's *Global Entertainment & Media Outlook 2015-2019*

Global market to surpass US$90 billion by 2019

Video games revenues, 2010-2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Traditional	**42 640**	**44 670**	**44 704**	**47 630**	**51 954**	**54 874**	**57 521**	**60 114**	**62 851**	**65 909**	**4.9%**
Console	**28 413**	**27 218**	**24 377**	**24 783**	**26 381**	**27 488**	**28 601**	**29 672**	**30 779**	**31 851**	**3.8%**
Physical	25 477	23 593	20 005	19 490	19 563	19 518	19 422	19 273	19 099	18 895	-0.7%
Digital	2 590	3 118	3 666	4 301	4 915	5 614	6 363	7 117	7 933	8 750	12.2%
Online/microtransactions	346	507	706	992	1 903	2 356	2 816	3 282	3 747	4 206	17.2%
PC	**14 227**	**17 452**	**20 327**	**22 847**	**25 573**	**27 386**	**28 920**	**30 442**	**32 072**	**34 058**	**5.9%**
Physical	3 400	3 014	2 831	2 386	2 286	2 186	2 086	1 986	1 886	1 786	-4.8%
Digital	1 238	1 776	2 331	2 787	3 108	3 370	3 587	3 730	3 878	4 142	5.9%
Online/microtransactions	9 589	12 662	15 165	17 674	20 179	21 830	23 247	24 726	263 08	28 130	6.9%
Social/casual	**9 246**	**11 079**	**12 781**	**14 434**	**15 981**	**17 338**	**18 624**	**19 912**	**21 315**	**22 519**	**7.1%**
App-based	6 799	8 476	10 037	11 562	13 094	14 486	15 809	17 135	18 577	19 816	8.6%
Browser-based	2 447	2 603	2 744	2 872	2 887	28 52	2 815	2 777	2 738	2 703	-1.3%
Advertising	**1 856**	**2 101**	**2 340**	**2 572**	**2 842**	**3 194**	**3 565**	**3 957**	**4 375**	**4 749**	**10.8%**
Total	**53 742**	**57 850**	**59 825**	**64 636**	**70 777**	**75 406**	**79 710**	**83 983**	**88 541**	**93 177**	**5.7%**
YOY growth (%)		***7.6%***	***3.4%***	***8.0%***	***9.5%***	***6.5%***	***5.7%***	***5.4%***	***5.4%***	***5.2%***	

Source: PwC, Ovum

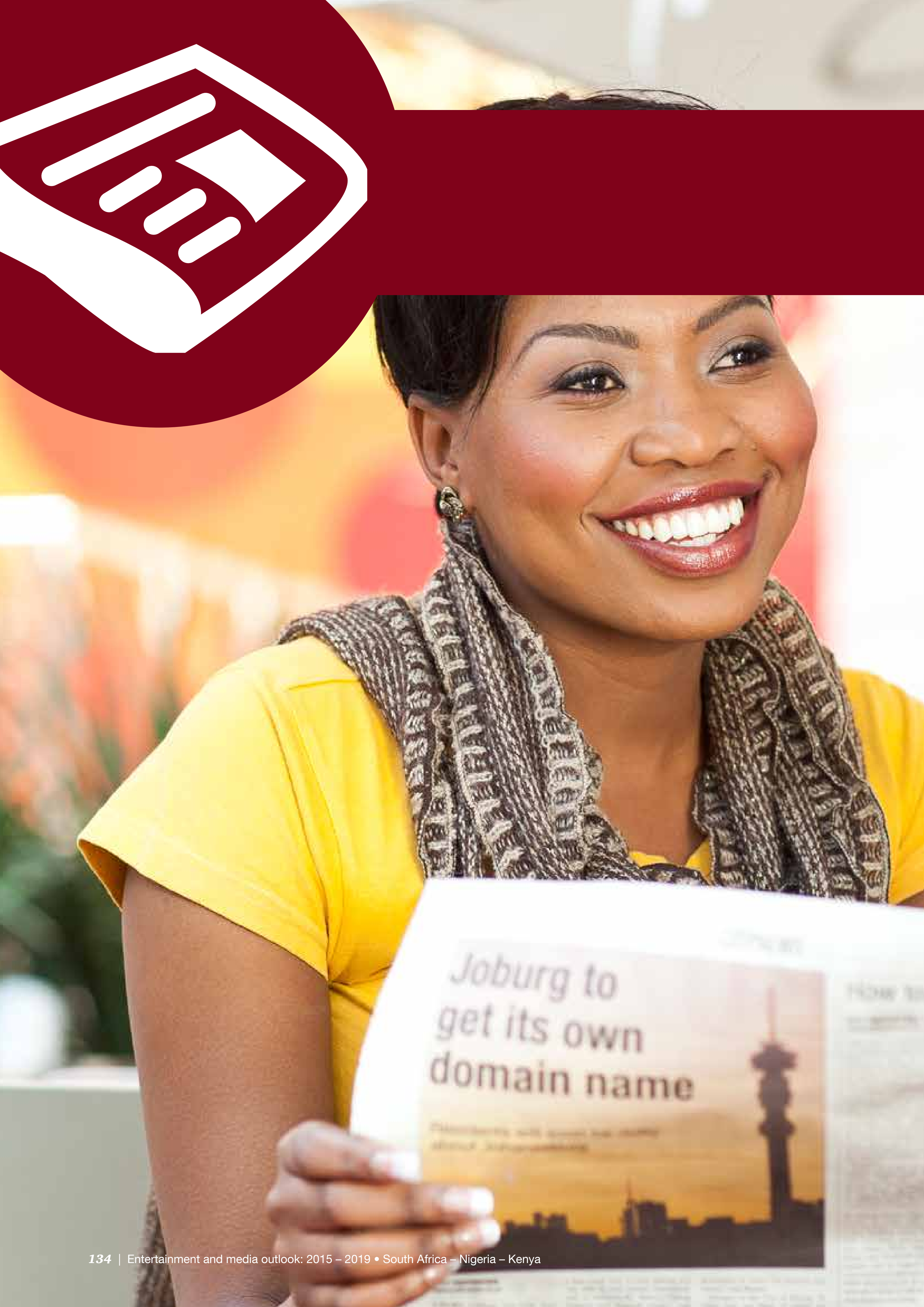
Global video games revenue will have healthy growth through to 2019. After recovering from slower growth driven by the end of the previous games console cycle, total global video games revenue will rise at a CAGR of 5.7% over the forecast period to reach US$93.2 billion by 2019.

The decline of traditional gaming hardware will not impact revenue. The peak of hardware sales for the latest generation of consoles is likely to be between 2017 and 2018, followed by a decline regardless of whether new consoles arrive. However, traditional gaming revenue will continue to grow globally at a 4.9% CAGR to US$65.9 billion in 2019, thanks to increases in more stable subscription services along with digital distribution to more and more devices.

The shift to digital is well under way, but physical persists. By 2019, global digital distribution of traditional games will represent 19.6% of traditional gaming revenue. But in the console market in particular, the ability to trade in physical games, frequently higher digital pricing and a lack of network infrastructure will keep physical distribution relevant.

Social/casual gaming revenue will exceed traditional gaming revenue in nine markets by 2019. While markets with long-established traditional console and PC game offerings continue to be dominated by this type of revenue, globally the growth of social/casual gaming revenue creates a US$22.5 billion market by 2019. The single biggest shift in total video games revenue will come as countries such as India and South Africa see social/casual gaming revenue overtake traditional gaming revenue by 2019.

Advertising reaches critical mass – but only in a handful of markets. Video games advertising revenue remains the smallest contributor to total video games revenue, but is the fastest-growing sub-segment, moving from just US$2.8 billion in 2014 to US$4.7 billion in 2019 at a CAGR of 10.8%. However, advertising will only take off in a few select countries – the US, the UK, Japan and China are the only markets where advertising is substantial by 2019 – driven by either a sophisticated local advertising ecosystem or a massive potential audience.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Newspaper publishing

At a glance

Total newspaper revenue will grow modestly over each of the next five years. South Africa's total newspaper revenue will continue to see growth over the forecast period, albeit at slower rates than previously anticipated. A 1.9% CAGR is now expected to 2019.

Advertising revenue will grow as advertisers spend more to reach increasingly affluent consumers. Advertising's growth of 2.2% CAGR is expected to exceed that of circulation's 1.0% CAGR, as advertisers are compelled to spend more to reach increasingly affluent target consumers.

Print circulation revenues are creeping up. Major news events such as the trial of Oscar Pistorius have helped circulation figures, although the fortunes of individual newspapers provide a mixed picture.

Digital newspaper revenues remain underdeveloped. Despite strong growth rates, digital newspaper revenues overall will account for only 9% of total newspaper revenues in 2019. Yet publishers must respond to consumer behavioural change by forming monetisation strategies to meet the new platform demand.

Nigeria's newspaper market will remain flat as advertisers focus on other media to reach consumers. Total newspaper advertising revenue will fall at a -0.2% CAGR from US$198 million in 2014 to US$196 million in 2019.

Kenya's robust market continues to grow well, boosted by a high-performing economy and swelling middle class. A 3.9% CAGR is anticipated to 2019, taking Kenya's total newspaper revenue above that of Nigeria.

Definitions

A – Z

The newspaper publishing market consists of spending on print newspapers by advertisers and readers, and advertising on newspaper websites and newspaper 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 from the South African Advertising Research Foundation's All Media and Products Study (AMPS).

South Africa

South African news should continue to see growth

Newspaper publishing market, 2010–2019 (R millions)

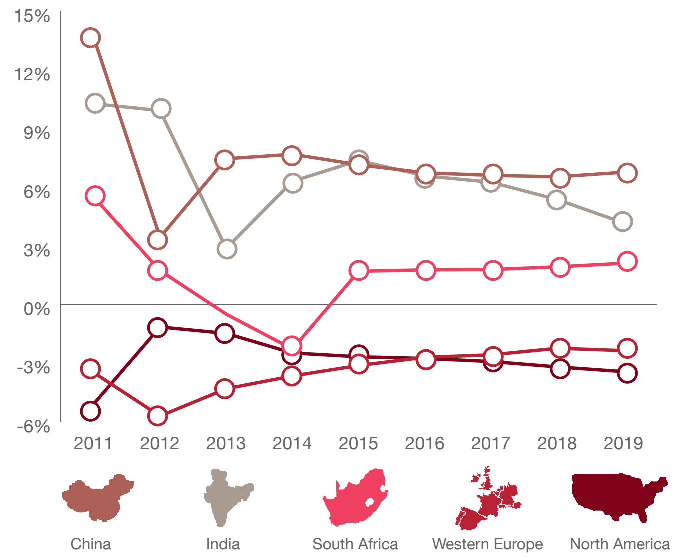
	Historical data					Forecast data					CAGR %
Category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Advertising	**5 870**	**6 397**	**6 504**	**6 644**	**6 408**	**6 535**	**6 668**	**6 810**	**6 968**	**7 151**	**2.2%**
Print	5 777	6 277	6 350	6 450	6 162	6 225	6 278	6 321	6 353	6 375	0.7%
Digital	93	120	154	194	246	310	390	489	615	776	25.8%
Circulation	**2 648**	**2 587**	**2 635**	**2 644**	**2 667**	**2 694**	**2 724**	**2 749**	**2 774**	**2 797**	**1.0%**
Print	2 648	2 587	2 622	2 628	2 646	2 665	2 684	2 698	2 710	2 718	0.5%
Digital	0	0	13	16	21	29	40	51	64	79	30.1%
Total	**8 518**	**8 984**	**9 139**	**9 288**	**9 075**	**9 229**	**9 392**	**9 559**	**9 742**	**9 948**	**1.9%**
YOY growth (%)		***5.5%***	***1.7%***	***1.6%***	***-2.3%***	***1.7%***	***1.8%***	***1.8%***	***1.9%***	***2.1%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

While the world's media are caught in a swirl of change, South Africa's newspaper sector still has cause for cautious optimism. Total industry revenue has grown from R8.5 billion in 2010 to R9.1 billion in 2014, and is forecast to grow at a 1.9% CAGR to hit R9.9 billion by 2019. Although this isn't as strong as some of the world's star markets, such as India and China, it is far better than the -2.6% CAGR seen in Western Europe and the -3.0% fall in North America.

South Africa to outperform Western Europe and North America, but lags India and China

Fig 1. Total newspaper revenue, South Africa vs Western Europe vs North America, year-on-year growth, 2011–2019 (%)



Sources: PwC, Ovum

Advertising continues to dominate the market

This growth is being driven by increasing urbanisation, heightened literacy and economic expansion, compelling advertisers to spend more to reach increasingly affluent target consumers through mass media. This is taking place on a foundation of relative stability in the popularity of print products (declining, but only marginally), helped by the growing adoption of new digital channels.

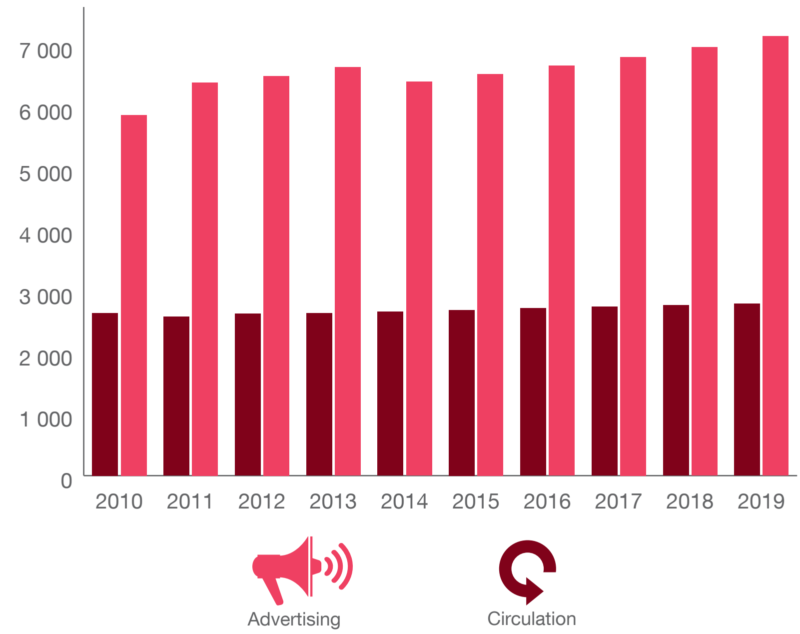
Relatively slow consumer uptake of these new platforms and, consequently, limited development of associated digital business models is proving little hindrance to a market that is being fuelled by the endurance of print among readers and advertisers alike. The trial of Oscar Pistorius in 2014 gave publishers a huge news event to present to readers. What is notable, however, is that print newspaper advertising revenue actually fell in 2014, despite South Africans' appetite for news throughout the duration of the trial, which lasted from March 2014 to September 2014. This perhaps represents something of a missed opportunity for advertisers, who would have been guaranteed high volumes of sustained views of their ads: growth, albeit modest, is still forecast until 2019 due to the potential newspapers have to reach a diverse range of consumers with increased disposable income.

The diversity and richness of South African media provide unique value to a range of distinct groups. A tapestry of approximately 250 community newspapers, for example, adds to overall plurality, although many in this sector suffer from sustainability issues which their larger commercial rivals do not have.

New titles, like the *Messenger*, have launched in Port Elizabeth, while August 2015 marked the launch of *African Independent*, a weekly print edition of a multimedia publication by Independent Media, which will be distributed in South Africa and much of the continent. Further launches are likely as publishers aim to meet advertiser demand. It is their spending which is giving most of the growth to the industry. In the years to 2019, revenue from advertising is forecast to grow more than twice as fast as revenue from consumer circulation sales: a 2.2% CAGR versus a 1.0% CAGR. Advertising even continued growing in South Africa through the global economic collapse, suggesting a high degree of long-term confidence in newspapers' ability to convert readers into consumers.

Print newspaper advertising revenue fell in 2014

Fig 2. Advertising and circulation revenues, 2010–2019 (R millions)



Sources: PwC, Ovum

Print circulation revenues to creep up

Print is not going anywhere fast

Print continues to hold its own in the South African industry. Consumer spending on all mass media products is growing and is forecast to continue doing so, with newspapers proving no exception. Over the last few years average circulation for the total daily sector has fluctuated from quarter to quarter. But annualised circulation is actually increasing marginally and is forecast to hit an average of 2.7 million daily print copies during 2015, growing at a 0.9% CAGR to reach 2.8 million daily print copies by 2019.

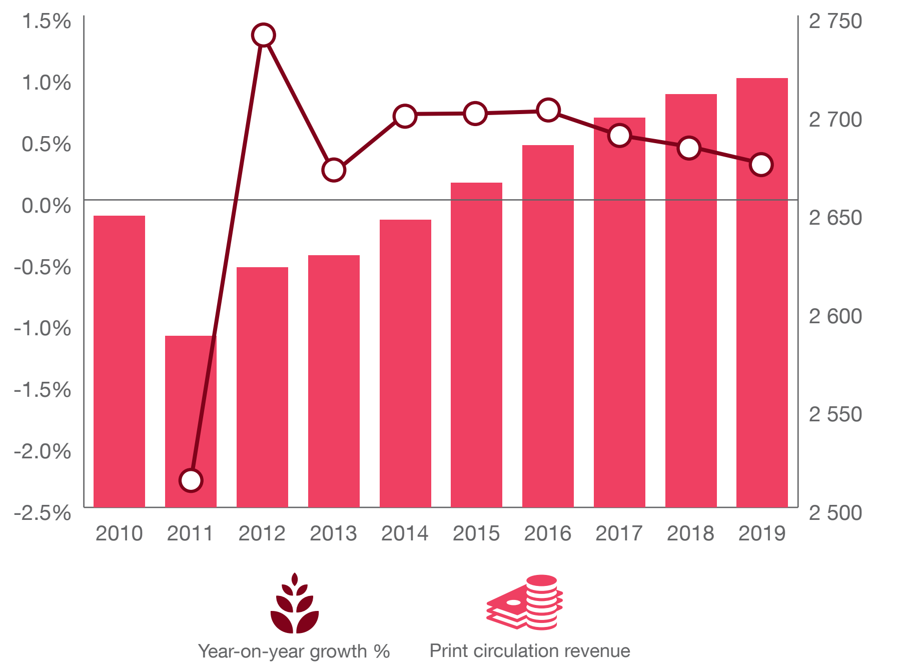
This growth will see print newspaper circulation revenue growing at a 0.5% CAGR from R2.7 billion in 2014 to R2.8 billion in 2019.

In the developed but challenged markets of Europe and North America, proprietors are struggling to cope with consumers moving away from their historic print products and towards alternative digital media and providers. But the ongoing resilience of South Africa's print economy will give publishers a measure of security for the years ahead.

Only in 2011, as the global economic crisis worried consumers, did customers spend less on newspapers – a trend which quickly reversed a year later for what is expected to be year-on-year circulation revenue growth.

With readership levels running at a broadly stable rate but at less than half of adults, there remains headroom for further growth. In 2014, 45.9% of adults read newspapers, according to the AMPS 2014B report of the South African Audience Research Foundation (SAARF).

Fig 3. Newspaper print circulation revenues (R millions) and year-on-year growth (%), 2010–2019



Sources: PwC, Ovum

With digital consumption under-developed, revenue input from recently implemented so-called 'paywalls', which are forecast to grow at 30.1% CAGR, will barely impact on print revenue, contributing less than 3% of total circulation revenue (R79 million) by 2019.

Publishers fracture en route to future

The 'Big Four' in South Africa's newspaper market continue to be Times Media Group (bought by Tiso Blackstar in June 2015), Independent News & Media (INM SA), Media24 and CaxtonCTP. Despite the underlying collective strength of the sector, international business trends and internal corporate challenges have brought each to a set of actions that is making them ever more individual.

After its sale by Ireland's INM to the Sekunjalo consortium in 2013, a newly independent INM SA committed to end cost cutting.

In February 2015, Media24 unbundled its printing division, Paarl Media Group, into a separately listed company called Novus Holdings Limited. The listing is part of the group's strategy to unlock its growth potential and diversify into manufacturing and technology related to its current core business of print.

Most emblematic of these in-market divisions is the collapse, after 77 years, of the South African Press Association (SAPA), the national press wire, when INM SA, followed by rival publishers, stopped their historic funding of the organisation, citing diminishing budgets.

Audited news titles see mixed picture in 2014

The decisions of Media24, Times Media Group and Sekunjalo to launch their own replacement news wires, comprising copy generated from their existing individual newsrooms, suggests they have sufficient resources to invest in creating their own wire brands, now in competition with each other. However, if they continue cutting the editorial budgets which must underpin them, they will be hard-pressed to create such fragmented businesses on the scale of SAPA before them. A wire service to cover the whole of Africa – as in the case of Sekunjalo's African News Agency (ANA) – will not come cheaply.

Elsewhere around the world we are beginning to see troubled newspaper publishers acknowledge their collective predicament in the fast-changing media world by coming together. For instance, UK publishers have begun pooling their digital advertising inventory in a co-operative network, while Dutch and Belgian publishers also work quite closely together, having jointly examined the option of a shared paywall as early as 2012.

By contrast, it is a marker of the ongoing relative strength of the newspaper business in South Africa that proprietors here are going in the opposite direction. The approaches they are taking, dissolving both international and local ties, are leading to a market that is more fragmented, less consensual and, ultimately, more competitive.

The Audit Bureau of Circulations of South Africa (ABC) reported a fall in total press circulation from 10.5 million in the fourth quarter of 2013 to 9.9 million in the fourth quarter of 2014.

Mixed picture for audited newspapers

The figures, of which the majority are free circulated titles, had been relatively stable between the second quarter of 2012 up until the third quarter of 2014, with the decline recorded between the third quarter of 2014 and the fourth quarter of 2014, possibly reflecting the impact of the Oscar Pistorius trial, which had concluded by the fourth quarter of 2014.

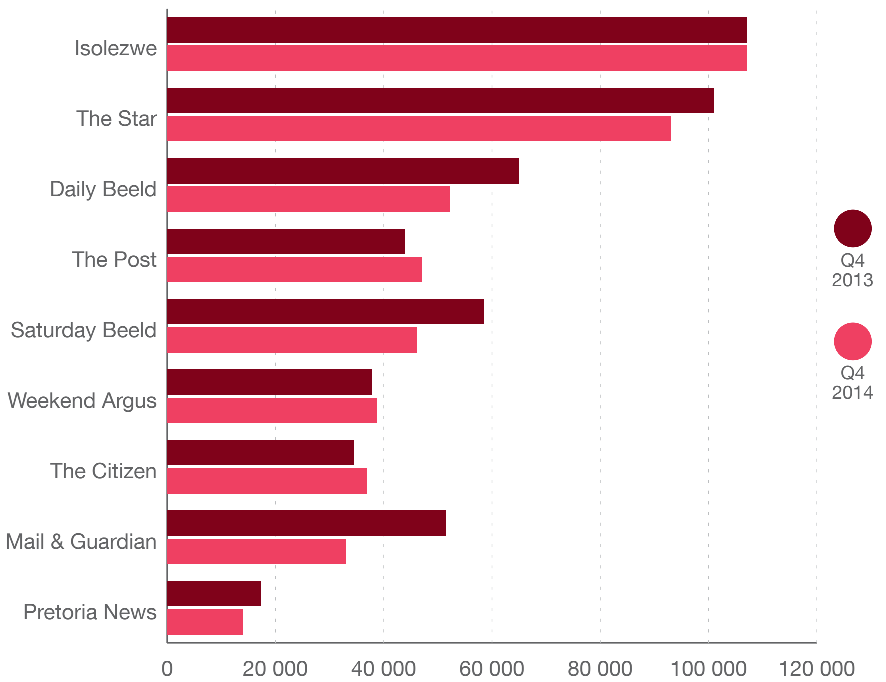
The ABC reported that the *Daily Sun* remained the most popular daily newspaper in South Africa with 274 000 single-copy sales, followed by the *Times*. Its figures also revealed the notable fluctuations in circulation recorded in the country, with the Star shedding 16 000 sales from a 101 000 base between the fourth quarter of 2013 and the third quarter of 2014, only to regain more than 8 000 of those in a single quarter, thus rising 10% in the fourth quarter of 2014.

This may again be related to fluctuations from one-off major news events – the death of Nelson Mandela and the Oscar Pistorius trial.

Among the local titles, Limpopo-based *Capricorn Voice* rose 12.5% between the fourth quarter of 2013 and the fourth quarter of 2014, while Tembisa newspaper *Tembisan* saw a sharp fall between the third quarter of 2014 and the fourth quarter of 2014 of nearly 25%.

In the second quarter of 2015, *Isolezwe* and *Cape Argus*, both owned by Independent Media, increased their circulations – the only two daily newspapers in South Africa to do so. Isolezwe's figures in particular demonstrate the strong potential market for vernacular newspapers.

Fig 4. Selected daily, weekly and weekend newspapers, fourth quarter 2014 vs fourth quarter 2013



Source: ABC, PwC, Ovum

Mobile could reboot an underdeveloped digital market

While once newspapers enjoyed relatively little competition for audiences, digital media has unleashed plurality onto the market. Now they compete not just with one another, but also with social networks, games, dating apps and more. Consequently, despite the endurance of newsprint, modern media are being augmented by a range of alternative platforms like websites, social services and mobile apps. To serve consumers that increasingly want to read news digitally, newsrooms are adapting.

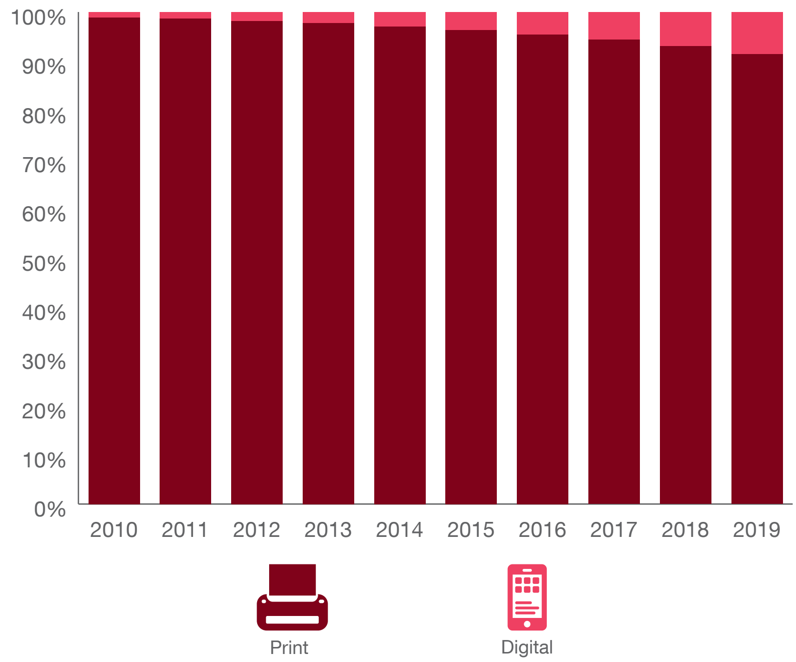
Journalists say they now spend an average of 15 to 20 minutes per hour on Twitter, according to Wits Journalism's *State Of The Newsroom* report. Media24's market-leading 24.com broke new multimedia ground by covering the trial of Oscar Pistorius using live courtroom streaming, daily video broadcasts, real-time tweeting, infographics and interactive content.

But the true state of digital provision in South Africa is that it is relatively limited. Only 14% of households were broadband-connected in 2014, expected to rise to only 21% by 2019. Despite improving economic wealth, access to digital media technologies will take time to filter out across the country. Internet usage is growing – the proportion of South Africans who accessed the Internet 'within the last day' rose from 23.9% to 29.4% through 2014/15, according to SAARF's AMPS 2014B report. But these numbers lag developed European and North American markets, where consumer media migration has occurred at speed.

This has made media owners hesitant to push their portfolios too far from the core traditional print base to a digital future. In 2014, digital revenue from advertising and circulation made up just 2.9% of publishers' revenue, and revenue from print products is still expected to account for an overwhelming 91.4% of the industry's total by 2019.

While in markets like the US and UK publishers now describe their strategies as 'digital first' (building online business while managing the long-term decline of print), in South Africa most publishers have not yet reached this point. At best, Independent News & Media (INM) SA has described its approach as 'digital first, print best', for example.

Fig 5. Newspaper revenues, print vs digital (%), 2010–2019



Sources: PwC, Ovum

Digital to remain insignificant in percentage terms

Currencies must measure up to meet advertiser demand

Naspers, however, continues to be an outlier. Its proactive approach to digital product migration and international diversification through investment in popular Chinese and Russian social networks has made it a global success story, while its overseas online activities help inform its domestic actions. Naspers-owned Media24's recent decision to move its 14 English and 11 Afrikaans newspaper titles onto its News24 and Netwerk24 online portals, respectively, puts into place a multimedia organisational structure that pre-empts future consumer platform migration.

South African publishers may be forgiven for being slow to develop digital business models while their print base continues to grow. But the experience of peers in more advanced markets, where many did not respond soon enough to sudden structural shifts, should alert them to the need to put development plans in place nevertheless.

Like publishers elsewhere, TMG and Media24 have rolled out a variety of paid online access gates, but with such a limited potential digital consumer base from which to gain subscribers today, owners must be careful not to discourage further free consumer adoption tomorrow, where there is considerable growth headroom under advertiser funding.

For South Africa, mobile will likely show more disruptive potential than the Internet in general has to date. Mobile already overtook TV and radio to become the country's most prevalent mass medium in 2009, according to SAARF's AMPS. In 2014, mobile Internet penetration was running at 37% of the population. The *Mail & Guardian* reported mobile accounting for more than 40% of its traffic in late 2014 – on a par with European and US publishers.

With mobile Internet penetration expected to rise still further to 69% by 2019, publishers must quickly embrace this new channel alongside their strong print heritage in a mixed media portfolio. Initiatives like *Connect*, an online-only, mobile-delivered offshoot recently launched by CaxtonCTP's the *Citizen* to target younger audiences, show how publishers can approach this opportunity. Attracting young adults – in Connect's case, with a 'quirky' feel to the news in an easy-to-use format – could be key to securing the next generation of consumers.

Many publishers find themselves playing catch-up – challenged to respond to consumer behavioural change without yet having fully formed monetisation strategies to meet the new platform demand. To avoid being further side-lined by the latest media shift, publishers must give mobile consumers the kind of news experiences they demand from the small screen, including optimising for the smaller screen size. Publishers can begin by addressing the mobile challenge today, by refusing to rest on the print model and by implementing products and strategies that prove sustainable across all latforms.

Unlike in many established economies, newspaper advertising revenue in South Africa has been growing, although print advertising did experience a fall in 2014. Real GDP growth at a 2.3% CAGR is forecast in the country in 2015, leading advertisers to spend more money in every mass medium in each of the years ahead.

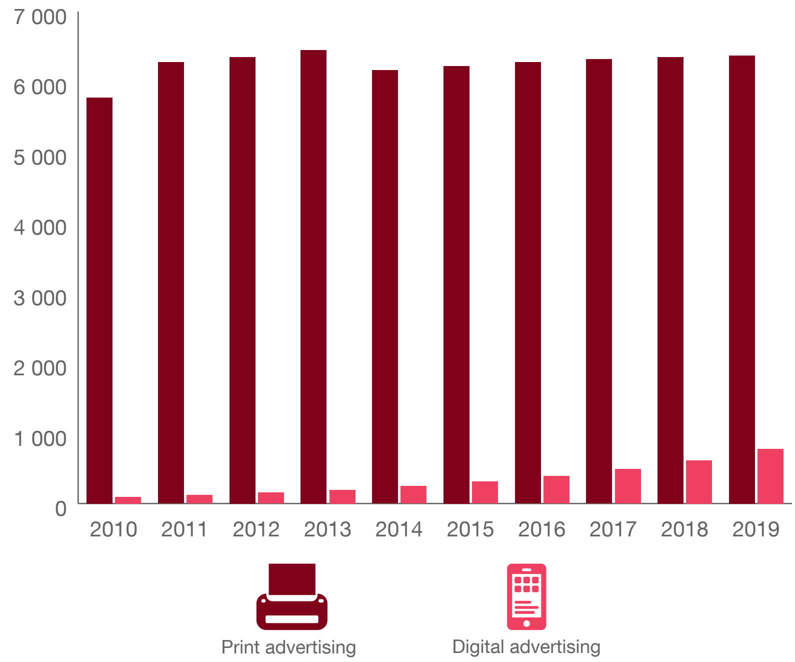
Underlying economic growth and associated advertiser confidence are driving this industry more than audiences are. Revenue from advertising will grow more than twice as fast as that from circulation, for example. This means advertisers will pay a greater price to reach the same number of readers. Over time, the industry will become even more dependent on these advertisers, with print newspaper advertisements reaching parts of the population that digital advertising is currently unable to reach. Newspaper advertising will make up 71.9% of total newspaper revenue by 2019. All of this is in contrast to developed markets like the US and UK, where advertising income is shrinking quickly and being diverted to digital media, leaving publishers to wring a greater share of revenue from consumer payments.

Publishers now operate several popular online destinations, but it is not these which will drive the bulk of this advertising growth. Rather, growing demand for ads in print – which, in 2015, are forecast to comprise 95.3% of the total – will push the income stream to greater heights.

Mobile will likely show more disruptive potential than the Internet

Print advertising will continue to grow, despite setback

Fig 6. Newspaper advertising revenues, print vs digital 2010–2019 (R millions)



Sources: PwC, Ovum

Indeed, while sales of digital ads will grow consistently at more than 25% per year, their overall contribution is relatively small-scale, in line with South Africa's relatively underdeveloped digital consumer market. Media24, for instance, has called in support for its online ad sales efforts, outsourcing the job of selling ads on its Netwerk24 group of Afrikaans sites, as well as all of its digital channels, to specialist agency TheSpaceStation (a Naspers company), while *Mail & Guardian* plans to start selling 'native' ads that are presented as article content and are purported to be more effective than standard display formats.

Today, the comparative paucity of underlying digital behaviour renders the small scale of digital business development relatively less important. But, as digital consumption takes greater hold in future, ongoing issues with South Africa's media measurement community may jeopardise ad buyers' efforts to respond to new media patterns by reaching consumers across multiple platforms.

In countries like the Netherlands, measurement houses for distinct media platforms are now uniting to meet advertisers' increasing demand for multi-platform buying intelligence. PwC has also created multiple platform audience measurement technology, covering print, website, tablet and smartphone, in keeping with its belief that advertising revenues in the future will be based on content owners' ability to offer credible, cross-platform metrics which define and measure audience reach and engagement. Meanwhile, South Africa's existing multimedia measurement group, SAARF, has faced pressure to splinter, leaving groups measuring individual media.

SAARF is currently holding together thanks to a last-minute accord with the National Association of Broadcasters (NAB), which wants to break away for more specialised broadcast measurement. Much will rest on SAARF's upcoming replacement of its AMPS mechanism for print audience monitoring with its 'Establishment Survey'.

This industrial unrest is potentially harmful to the overall market, particularly considering the underlying health of a sector that, in contrast to the newspaper markets of North America and Western Europe, continues to grow. But the margins are slimmer than they used to be, and newspaper publishers must be adaptable if they are to continue to grow.

Newspaper publishers must be adaptable if they are to continue to grow

Nigeria

Slight decrease to 2019 in the Nigerian market

Newspaper publishing market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Advertising	**87**	**81**	**76**	**72**	**68**	**65**	**63**	**60**	**58**	**56**	**-3.8%**
Print	86	80	74	70	66	63	60	57	55	52	-4.6%
Digital	1	1	2	2	2	2	3	3	3	4	14.2%
Circulation	**122**	**119**	**123**	**128**	**130**	**132**	**135**	**136**	**139**	**140**	**1.5%**
Print	122	119	123	127	128	129	130	130	131	131	0.5%
Digital	0	0	0	1	2	3	5	6	8	9	34.7%
Total	**209**	**200**	**199**	**200**	**198**	**197**	**198**	**196**	**197**	**196**	**-0.2%**
YOY growth (%)		*-4.0%*	*-0.9%*	*0.0%*	*-0.4%*	*-0.3%*	*-0.3%*	*-0.1%*	*-0.1%*	*-0.1%*	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

Nigeria's total newspaper revenue is expected to remain broadly stable over the next few years, with small rises in the larger circulation revenue offset by falls in advertising revenue.

The annual decline in total newspaper advertising revenue has eased, reaching 4.8% in 2014, and will continue to fall, but at lower rates, to 2019, reaching an estimated US$56 million in that year. Total newspaper revenue of US$196 million in 2019 will thus be slightly down from US$198 million in 2014. This can be attributed to changing demographics, increasing Internet advertising and a growing range of alternative advertising options such as blogs, transit advertising, digital mobile billboards and smart billboards.

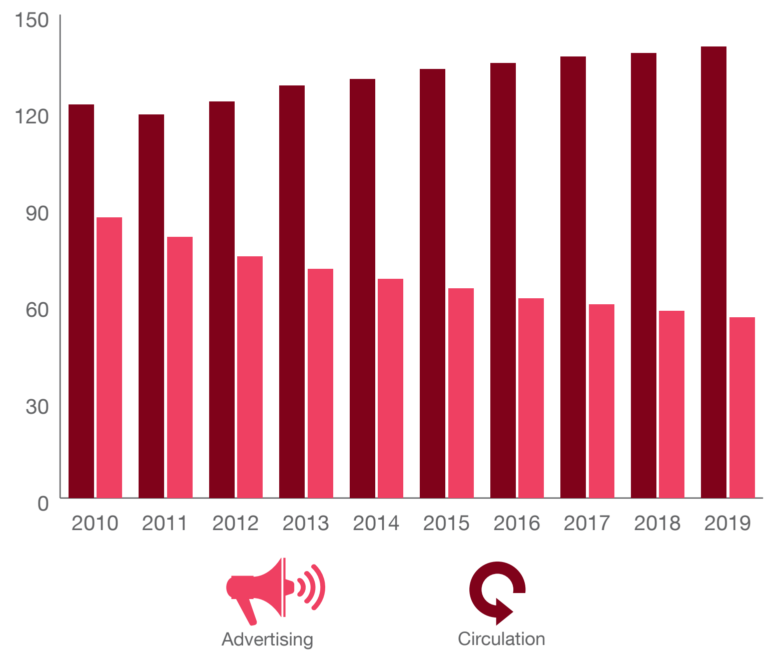
Average daily print circulation has begun growing again with 2012's upturn being expected to continue, with an increase at a 1.6% CAGR now forecast to 2019.

In terms of circulation, the most popular newspapers in Nigeria are *Vanguard*, which sells more than 100 000 copies, and the *Punch*, with other prominent papers including *Thisday, Sun News* and *The Nation*.

Although the likes of *Vanguard* (Alexa – 28) and *Punch* (Alexa – 20) rank highly online in terms of viewers, digital newspaper advertising revenue is minimal, while digital newspaper circulation revenue represented just 1.5% of total newspaper circulation revenue in 2014.

Digital advertising is forecast to grow strongly at a 14.2% CAGR to reach US$4 million by 2019 – but this will not be enough to offset the decline in print newspaper advertising revenue.

Fig 7. Newspaper revenues, 2010–2019 (US$ millions)



Sources: PwC, Ovum

Advertisers to focus elsewhere over the forecast period

Newspaper companies are facing competition from news aggregators such as naij.com and blogs such as *Lindaikeji*, which also provide news. With fixed broadband penetration at just 6.6% in 2014 and a large preference for print, however, print will continue to be the dominant format in Nigeria.

The rapid growth in the number of Internet users in the country – with mobile Internet penetration forecast to rise from 7% in 2014 to 31% in 2019 – and changing demographics should gradually shift newspaper readers from the print to the digital platform and increase digital newspaper circulation in the country, although newspaper companies would be battling with pure-play Internet companies, blogs and news aggregators for their share of local online revenues.

Print will continue to be the dominant format in Nigeria

Kenya

Kenya's total newspaper revenue will grow by a CAGR of 3.9% over the next five years

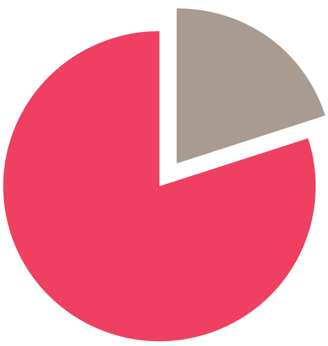
Newspaper publishing market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Advertising	**65**	**85**	**117**	**128**	**136**	**143**	**149**	**155**	**161**	**169**	**4.5%**
Print	64	84	115	125	132	138	143	147	152	157	3.6%
Digital	1	1	2	3	4	5	6	8	9	12	24.4%
Circulation	**46**	**44**	**46**	**47**	**50**	**51**	**52**	**54**	**55**	**55**	**2.3%**
Print	46	44	46	47	48	48	48	48	48	48	0.1%
Digital	0	0	0	0	2	3	4	6	7	7	36.7%
Total	**111**	**130**	**163**	**175**	**186**	**194**	**201**	**209**	**216**	**224**	**3.9%**
YOY growth (%)		***17.0%***	***25.3%***	***7.7%***	***5.6%***	***4.8%***	***3.9%***	***3.4%***	***3.6%***	***3.9%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

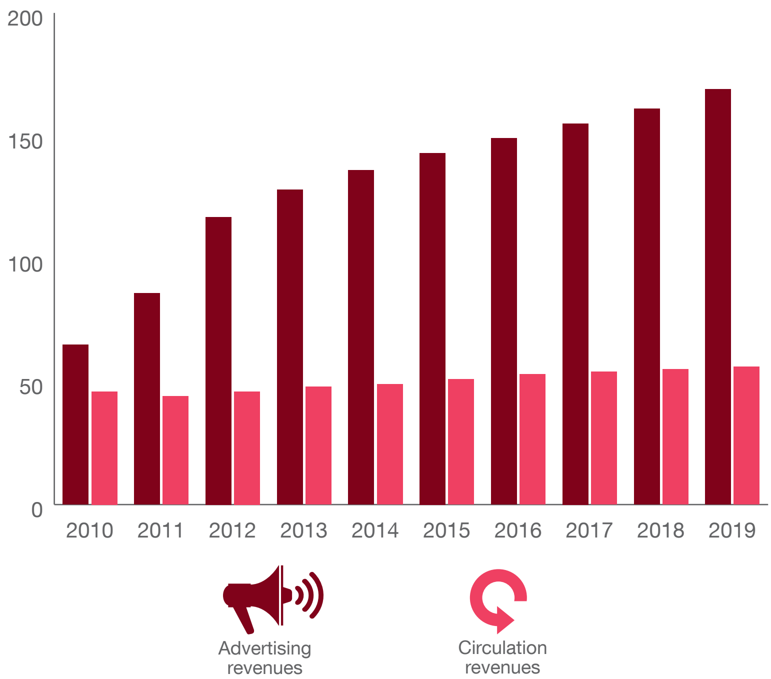
Total newspaper revenue in Kenya grew by 5.6% in 2014 to reach US$186 million. The market will grow at a healthy CAGR of 3.9% compared with the global market, which is contracting at a CAGR of -0.3%.

A high-performing economy and a growing middle class will both drive demand for newspaper circulation and stimulate growth in advertising revenue. By 2019, Kenya's newspaper market will be worth US$224 million.



Advertising constitutes 75% of the market in 2019

Fig 8. Newspaper revenues, advertising vs circulation, 2010–2019 (US$ millions)



Sources: PwC, Ovum

Around 75% of total newspaper revenue is generated by advertising, and continued investments in the medium will drive newspaper advertising revenue from US$136 million in 2014 to US$169 million in 2019. Advertisers reach a wide-ranging audience, with an average total daily unit circulation reach of 307 000.

The majority of advertising spend goes to the print format, but digital ads are starting to appear as more Kenyans get Internet access and begin consuming online content. Broadband adoption is very low and will remain so over the forecast period, but mobile Internet penetration is expected to jump from 6.6% in 2014 to 35.4% in 2019 as more Kenyans acquire smartphones and tablets. Digital newspaper advertising revenue is projected to grow on average 24.4% a year as the market evolves over the forecast period, but despite sharp growth only 7% of total newspaper advertising revenue will be derived from digital spend in 2019.

Total circulation revenue stood at US$50 million in 2014, up 3.9% on the previous year. Solid economic growth and a fast-changing political climate are creating demand for news and information, and a growing literate workforce coupled with an expanding middle class are driving consumption.

The majority of Kenyans have limited Internet access, making traditional mediums such as newspapers and radio key sources for daily news. The number of daily average copies sold has grown steadily over the historical period, and this number is set to increase by 13.4% over the next five years. As newspapers are often re-read by others, the actual number of Kenyans reached is likely to be much higher.

The Kenyan newspaper market may appear competitive but it is largely dominated by two large media houses: the Nation Media Group (NMG) and the Standard Group. The *Star*, launched in 2007, is the largest paper not directly affiliated with the two enterprises.

NMG is the biggest media house and owns the *Daily Nation,* which is Kenya's and East Africa's largest newspaper with an estimated 70 000 to 200 000 daily copies in circulation. The group also owns several spin-offs and niche titles such as *Business Daily, Nairobi News*, the *East African* and *Taifa Leo. Taifa Leo* is the only Swahili newspaper in Kenya.

The *Standard*, owned by the Standard Group, is the second-largest newspaper with an estimated market share of around 30%. The group also owns the *Nairobian*, which was launched in 2013.

Consumer spend is largely print-based, but the digital share will rise fast. NMG and the Standard Group have made all their titles available for digital subscription. The share of online newspaper spend will rise from an insignificant 3.2% in 2014 to a notable 8.5% in 2019. Lagging behind more mature digital markets, Kenya is yet to experience the full digital revolution. This has its benefits, however. Local publishers can learn from more advanced markets how to best capitalise on their digital formats and ensure efficient digital growth revenue in years to come.

Consumer spend is largely print-based, but the digital share will rise fast

Global trends in newspapers

The following was extracted from PwC's *Global Entertainment & Media Outlook 2015–2019*

Newspaper publishing market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Advertising	**85 135**	**84 143**	**81 911**	**80 087**	**78 527**	**77 401**	**76 525**	**75 726**	**75 087**	**74 504**	**-1.0%**
Print	79 185	77 468	74 063	71 342	69 158	67 347	65 738	64 161	62 693	61 271	-2.4%
Digital	5 950	6 675	7 848	8 745	9 369	10 054	10 787	11 565	12 394	13 233	7.2%
Circulation	**71 323**	**70 669**	**69 993**	**70 483**	**70 634**	**70 862**	**71 190**	**71 626**	**72 052**	**72 354**	**0.5%**
Print	71 155	70 168	68 941	68 736	68 144	67 617	67 104	66 602	66 122	65 650	-0.7%
Digital	168	501	1 052	1 747	2 490	3 245	4 086	5 024	5 930	6 704	21.9%
Total	**156 458**	**154 812**	**151 904**	**150 570**	**149 161**	**148 263**	**147 715**	**147 352**	**147 139**	**146 858**	**-0.3%**
YOY growth (%)		***-1.1%***	***-1.9%***	***-0.9%***	***-0.9%***	***-0.6%***	***-0.4%***	***-0.2%***	***-0.1%***	***-0.2%***	

Sources: PwC, Ovum

Total newspaper revenue will decline over each of the next five years, albeit at lower rates. After falling -0.9% in 2014, total newspaper revenue will continue declining to 2019, losing more than US$2 billion to reach US$146.9 billion. Yet these declines will become marginal from 2017 onwards, offering the industry some much-needed stability.

Print circulation is set for growth – but its value is shrinking. Average print circulation is forecast to rise at a 1.0% CAGR over the forecast period, from 552.7 million in 2014 to 580.7 million in 2019. But the replacement of premium paid titles with lower-cost equivalents in emerging markets means that print newspaper circulation revenue will continue to fall at a -0.7% CAGR.

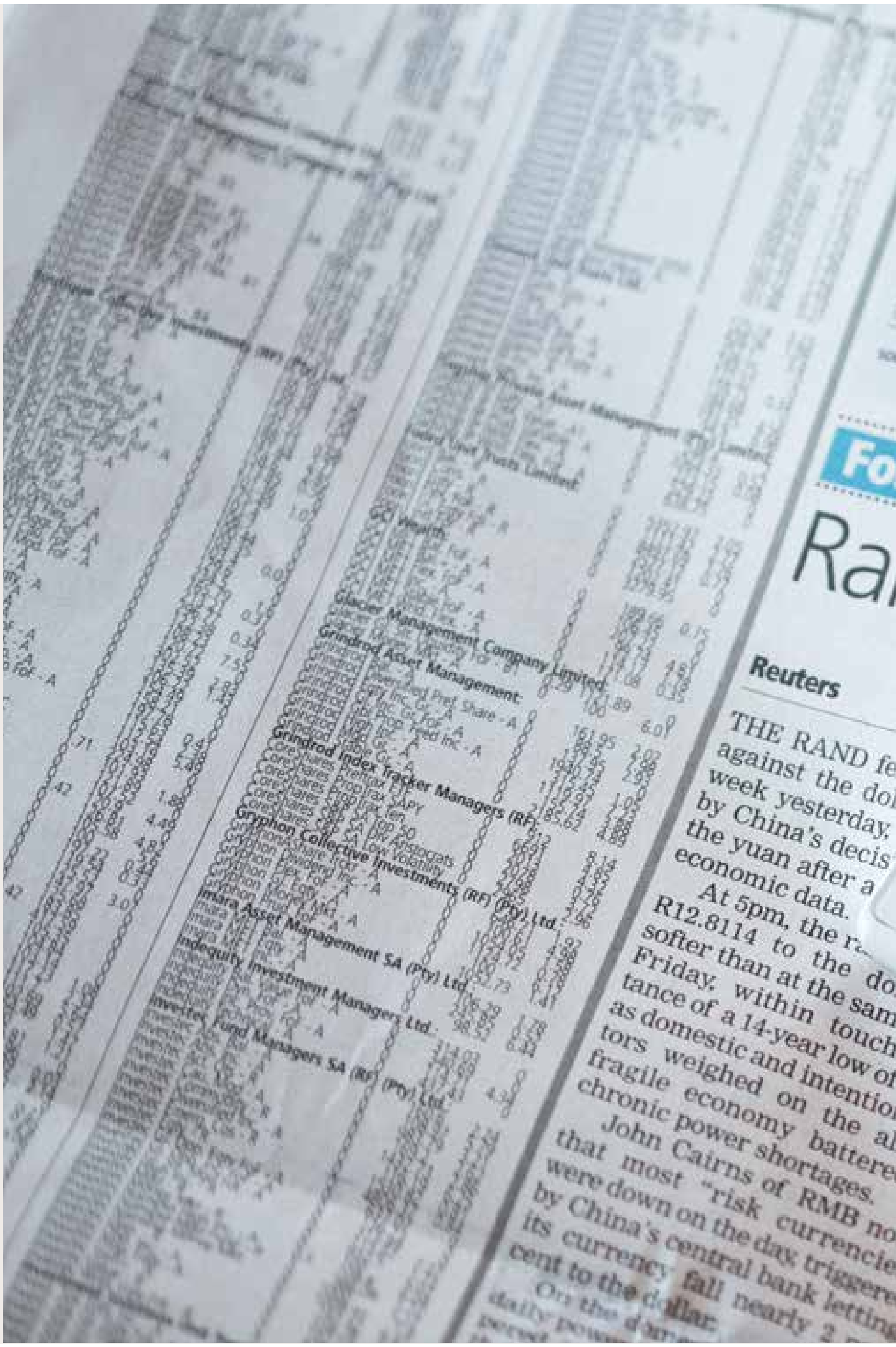
Paywalls are now making up for lost print sales. Digital newspaper circulation revenue from a wave of subscription offerings reached nearly US$2.5 billion in 2014. In 2013, total newspaper circulation revenue increased 0.7% despite continued print shrinkage as digital made its mark; a pattern that is set to continue in the years ahead.

China and India will be the industry's growth engine. The global newspaper industry continues to shrink in its most established markets, but is growing well in countries such as China and India as expanding literacy, economies and populations spur consumption. The two countries combined will account for an astonishing 57.3% of global print circulationin 2019, up from 49.7% in 2014.

Circulation revenue and advertising revenue may converge due to advertising's continued decline. Total newspaper advertising revenue has always been the greatest contributor to total newspaper revenue. However, the former's ongoing decline means that total newspaper circulation revenue and total newspaper advertising revenue are becoming of equal value to the global newspaper industry. From 54.4% in 2010 and 52.6% in 2014, total newspaper advertising revenue will account for just 50.7% of total newspaper revenue in 2019.

Mobile monetisation is the next critical challenge. By 2017, more than half of the world's population will be mobile Internet subscribers. While markets such as Turkey and Indonesia, which comprise the global industry's bedrock, remain comprehensively led by print for now, mobile take-up threatens the same digital disruption faced in markets like the UK. Year-on-year growth in Brazil's total newspaper revenue, for example, was 3.4% in 2014, but this growth will have fallen to 1.8% in 2019.

Revenues to fall in every year of the forecast period



Magazine publishing

At a glance

Readership is declining, but consumer magazine revenues still see growth. Readership of magazines declined slightly over the past year, with 46.5% of South Africans reading at least one magazine in December 2014, compared to 47.6% a year earlier. Consumer circulation revenues continued to rise despite the lower sales volumes, though, due to annual cover price increases.

The South African magazine market will see slowing but steady growth. South Africa's consumer and trade magazine market is forecast to stand at R10.9 billion in 2019, with consumer magazines representing more than 90% of this figure. The CAGR is set to be 2.9% for the five-year forecast period.

Print remains king, but publishers must have a strategy fit for the digital era. In 2014, 97% of total magazine revenue in South Africa came from the purchase of, or advertising in, print magazines. This will decline to 92% by 2019, with print's appeal to consumers enduring. However, with consumers spending more time on mobile devices such as tablets and smartphones, it is a must for magazine publishers to have a good grasp of the challenge ahead.

Smartphones will be key to digital revenue growth. In 2014, tablet penetration in South Africa stood at just 5%, but smartphone penetration was 31%. Targeting feature phones will thus allow magazine publishers to reach as many South African consumers as possible.

Closures outnumber launches in 2014. The high-profile *Heat* magazine was closed in 2014 by Media24 after circulation figures declined in recent years, with the magazine unable to cope with competition from websites. Oprah Winfrey's O magazine was also closed in 2014 after 12 years on the market.

Trade magazines will see reasonable growth in the next five years. Trade magazine revenues will grow at a 4.8% CAGR over the five-year forecast period, reaching R1.1 billion in 2019, up from R844 million in 2014. Increases in trade show revenues will drive growth in trade magazines as these titles look to partner with trade shows in order to increase market share and awareness among their vertical.

Infrastructure problems hinder Nigerian magazine revenues. Difficulties in distributing magazines outside of urban areas mean that consumer magazine revenues will see a mere 1.1% CAGR despite a growing economy. Consumer magazine revenues will reach US$219 million in 2019, up from US$208 million in 2014.

Trade magazine revenues start to grow in Kenya. While Kenya's trade magazine growth will be from a low base of just US$4 million in 2014, rising to US$6 million in 2019, this is an 8.5% CAGR rise over the five-year forecast period. During this time, trade magazines will gain market share from consumer magazines.

Definitions

This segment comprises revenue in respect of both consumer-focused and trade magazines (i.e. magazines aimed at a professional audience). Magazine revenue is for digital as well as non-digital formats, and is derived from both consumer and advertising spending.

Circulation revenue for both consumer and trade magazines includes spending by readers on printed magazines, in the form of either single sales from retail outlets or subscriptions, and on downloads of individual copies or subscriptions delivered digitally to a connected device such as a PC, smartphone or tablet.

This segment considers advertising spend in both traditional print and digital online consumer and trade magazines either directly through a magazine's website, or where magazines are distributed directly to a connected device such as a PC, smartphone 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.

South Africa

Digital revenues to gain ground, but print will remain key to the South African magazine market

Magazine publishing market, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer magazines	**6 133**	**6 891**	**7 650**	**8 066**	**8 602**	**8 867**	**9 133**	**9 428**	**9 638**	**9 833**	**2.7%**
Consumer circulation	**3 458**	**3 996**	**4 555**	**4 824**	**5 228**	**5 399**	**5 573**	**5 753**	**5 944**	**6 136**	**3.3%**
Print	3 456	3 982	4 521	4 755	5 118	5 242	5 371	5 506	5 645	5 789	2.5%
Digital	2	14	34	69	110	157	202	247	299	347	25.8%
Consumer advertising	**2 675**	**2 895**	**3 095**	**3 242**	**3 374**	**3 468**	**3 560**	**3 675**	**3 694**	**3 697**	**1.9%**
Print	2 675	2 881	3 064	3 194	3 300	3 381	3 457	3 553	3 550	3 526	1.3%
Digital	0	14	31	48	74	87	103	122	144	171	18.4%
Trade magazines	**622**	**681**	**736**	**799**	**844**	**906**	**952**	**990**	**1 025**	**1 066**	**4.8%**
Trade circulation	**151**	**161**	**169**	**183**	**194**	**224**	**243**	**257**	**269**	**280**	**7.6%**
Print	151	161	169	183	194	205	217	226	233	239	4.3%
Digital	0	0	0	0	0	19	26	31	36	41	-*
Trade advertising	**471**	**520**	**567**	**616**	**650**	**682**	**709**	**733**	**756**	**786**	**3.9%**
Print	471	507	539	575	590	597	591	572	542	505	-3.1%
Digital	0	13	28	41	60	85	118	161	214	281	36.3%
Total	**6 755**	**7 572**	**8 386**	**8 865**	**9 446**	**9 773**	**10 085**	**10 418**	**10 663**	**10 899**	**2.9%**
YOY growth (%)		***12.1%***	***10.8%***	***5.7%***	***6.6%***	***3.5%***	***3.2%***	***3.3%***	***2.4%***	***2.2%***	

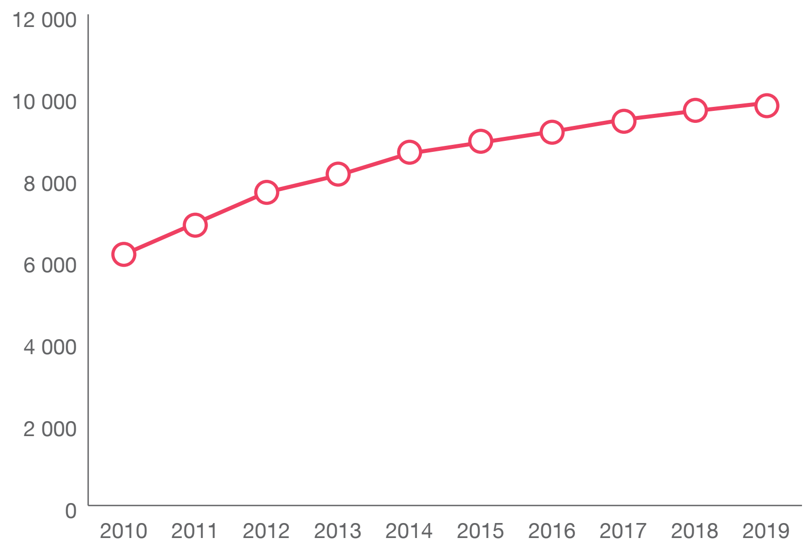
Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
* CAGR cannot be calculated due to a zero base in 2014. CAGR for 2015–2019 is 20.4%.
Source: PwC, Ovum

Readership is declining, but consumer magazines still see growth

The South African magazine market, which consists of consumer and trade magazine revenues, will reach R10.9 billion in 2019, rising at a CAGR of 2.9% from R9.4 billion in 2014. Consumer magazines will account for the bulk of growth, rising at a 2.7% CAGR over the forecast period. While this is less than the 4.8% CAGR seen by trade magazines, trade magazine growth will come from a much lower base.

Mature consumer magazine revenues see slowing growth

Fig 1. Total consumer magazine spending, 2010–2019 (R millions)



Source: PwC, Ovum

Readership of magazines declined slightly over the past year, with 46.5% of South Africans reading at least one magazine in December 2014, compared to 47.6% a year earlier, according to an All Media and Products Study (AMPS) by the South African Audience and Research Foundation (SAARF). In June 2014 this figure had stood at 46.9%.

Growth in circulation spending over the next five years will be more steady, with a forecast CAGR of 3.3% to 2019. Circulation spending will increase from R5.2 billion in 2014 to an estimated R6.1 billion in 2019.

The magazine market in South Africa has been affected by a four-month-long South African Post Office (SAPO) strike which ended in November 2014. SAPO went on strike again in March 2015. The strike meant that publishers had to find alternative delivery options Those hit hardest by the strike were the smallest publishers, lacking ready access to alternative distribution. Where subscribers did not receive copies it resulted in decreasing subscriptions. For larger publishers the impact proved to be minimal.

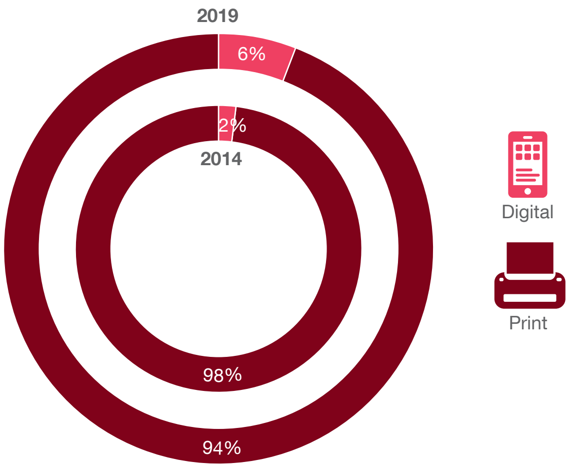
Consumer purchasing habits are changing and consumers are becoming less loyal to magazine brands. Subscribers have seen the single largest declines over the past year and a half, with almost consistently double-digit declines each quarter. This is partly due to economic conditions and willingness to spend, but also indicates that consumers prefer to be flexible and are less likely to commit to one title for a long time. In general, there has been a trend for magazine publishers to encourage subscribers to opt for digital editions, but it is not yet known how successful this has been.

With print revenues slowing, many publishers are looking for new revenue streams beyond their core operations. Although some examples of this, such as bookazines or standalone products, fall within the purview of a publishing house, one of the most popular forms of diversification has been the events market. Publishers have either created new divisions catering to this area or made events-related acquisitions. Some publishers are even entering entirely different business markets such as insurance.

Print remains king, but publishers must have a strategy fit for the digital era

Digital revenues remain small compared to print

Fig 2. Consumer magazine, print vs digital circulation, 2014 and 2019 (%)



Source: PwC, Ovum

While many publishers have focused on increasing digital revenues, print remains the format of choice for many magazine purchasers around the world. In 2014, 97% of total magazine revenue in South Africa came from the purchase of, or advertising in, print magazines. This will decline only marginally to 92% by 2019.

Not only can print magazines offer high-quality imagery alongside editorial content; from the perspective of advertisers, they are also read in a different way from digital editions. Print magazines are browsed, with consumers typically looking at pages more than once, but this behaviour is not easy to replicate with a digital magazine edition, which leads consumers to read in a more linear fashion.

Nevertheless, with consumers spending more and more time on mobile devices such as tablets and smartphones, magazine publishers should be prepared for the challenge ahead. The mobile and online landscape is a crowded one, and it is difficult to differentiate offerings from the wide range of competing content available, much of which is free.

Magazine publishers need to expand their content creation in order to compete effectively in this space. If consumers are drawn to information by video, for example, then magazine publishers must produce video in order to bring people to their content.

Content will be key to success; not just quality content, but content which connects with the target audience and makes them want to seek more. But most digital editions are currently offered in PDF format, and providing interactive digital editions is expensive. For instance, major US publishers have decided to scale down their operations in this area due to high production costs.In terms of going digital, magazine publishers in South Africa also have to contend with the challenges of low levels of tablet and smartphone penetration, connectivity problems and the relative cost of mobile data for consumers.

Total revenues from digital consumer magazines (circulation plus advertising) will reach forecast revenues of R518 million in 2019 as online and mobile content grows in appeal. In 2014, revenues stood at R184 million, with circulation revenues being responsible for the majority thereof.

Digital circulation revenues will grow at a CAGR of 25.8% over the next five years, from R110 million in 2014 to R347 million in 2019, while revenue from digital consumer magazine advertising will grow from R74 million in 2013 to R171 million in 2014, a CAGR of 18.4%.

Few local publishers sell separate advertising for digital magazine editions today, due to small market reach. All ads that appear inside a magazine edition on smartphones or tablets are per definition 'digital magazine advertising'. Yet, as the page is static, it does not allow publishers to benefit from recent advances in Internet advertising that allow for more precise targeting, such as real-time bidding. Their PDF format has also meant that the possibility of video or interactive ads cannot be taken advantage of.

Smartphones are a driver of digital magazine revenues

Given the fact that advertisers want an increasing amount of information about how their adverts are being viewed, simple PDF editions will not remain suitable for long and publishers will have to make their digital editions smarter. Offering 'non-static' interactive digital editions will give publishers the opportunity to secure a greater piece of the fast growing Internet advertising industry.

Magazine advertising not only has the potential to provide a brand with a brand-building advertisement; it can also become a point-of-sale. With the m-commerce revolution that is expected in South Africa, publishers should consider developing innovative advertising offerings which can illustrate and measure consumer engagement for the advertiser and which can provide a direct link to the shopping experience. Yet currently, magazine websites are seeing more page views than the typical digital magazine edition, and therefore advertisements in digital magazines are not expected to affect the market significantly.

What will affect the market for magazine website advertising is the growing conversation in the advertising space about how best to purchase digital advertising. Interactive digital advertising is able to tell advertisers more than they have ever known about the type of people viewing adverts, including how long the adverts have been viewed for and how many viewers have acted on that advert. Moreover, the use of automated programmatic buying that allows advertisers to target consumers based on their recent online behaviour has exploded in recent years and is reshaping the digital media buying industry at a rapid pace.

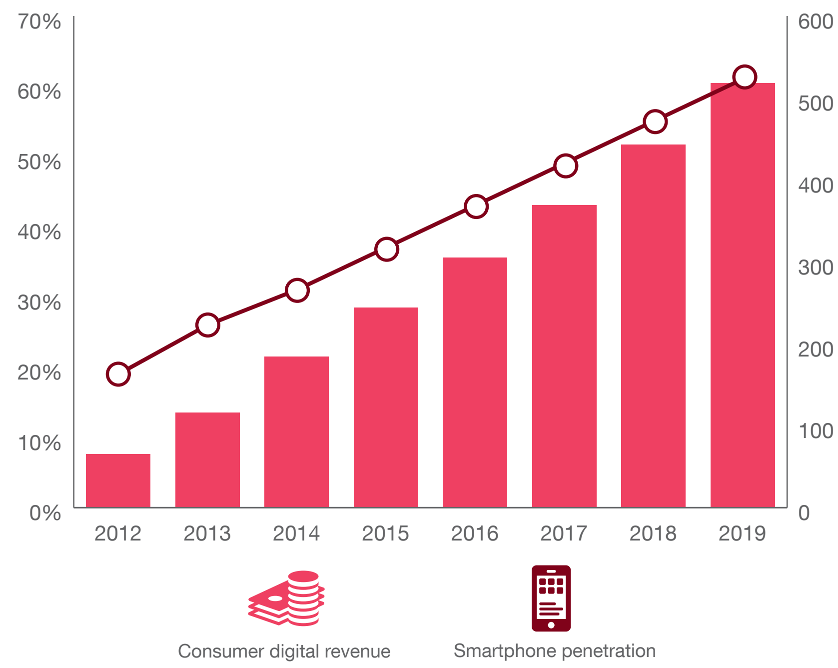
Ads that appear on a publisher's webpage can be tailored individually to each customer in real time, increasing the likelihood of consumer engagement and a purchase. Yet some advertisers are hesitant as programmatic buying makes it more difficult to monitor the quality of inventories, viewability of the ads and fraud. Concerns about invasive ads on brand image have also been raised.

The uncertainty about the optimum model for selling digital advertising is already leading companies around the world to experiment with how they sell their advertising space. In the UK, the *Financial Times* is trialling a system which sells ad space by the time an ad is in view. Similarly, the *Economist* is guaranteeing advertisers that an ad will spend at least 250 hours in view over a month.

In 2014, smartphone penetration stood at 31%, compared to 5% for tablets. While tablet penetration will rise to just 10% in 2019, smartphone penetration will reach 61%.

Although smartphones' screen size reduces their appeal for viewing magazine content in a format similar to that of the printed edition, targeting feature phones as well as smartphone users with a well-designed mobile website which caters for as many readers as possible will be the most sensible step for South African magazine publishers. This includes making sure that there is a low-data usage option for consumers who wish to use as little data as possible.

Fig 3. Consumer magazine digital revenue (circulation plus advertising, R millions) vs smartphone penetration (%), 2012–2019



Source: PwC, Ovum

Major titles suffer while niche titles see growth

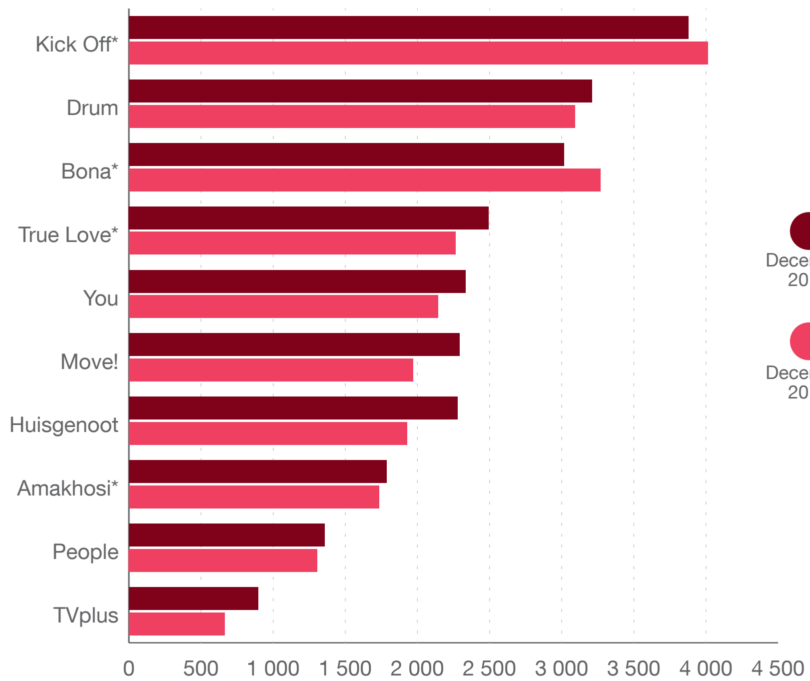
South Africa has embraced bundle arrangements, something which is popular elsewhere in the world as well, with Media24's 'Kaboedel' offering a bundle of 14 Afrikaans digital magazines that includes *Sarie*, *True Love*, *Huisgenoot* and *Tvplus* for R135 a month. They also offer a number of smaller bundles, including a health bundle of four magazines that includes *Men's Health* and *Runner's World* for R74 a month and a motoring bundle consisting of *TopCar*, *Top Gear* and *Drive Out* for R87 a month.

It should be kept in mind that digital magazine editions do not form the whole of magazine publishers' digital strategies, which also include apps, magazine websites and social media. It is through these other digital channels that digital advertising is set to grow the most. Apps and websites allow publishers to combine the best parts of periodic publishing with continual publishing, with titles being able to put long, in-depth articles in print while at the same time updating their digital properties with short, reactive pieces on the latest news. Over the next five years, digital revenue across consumer and trade magazines will more than double as a proportion of total magazine revenue, rising from 3% in 2014 to 8% in 2019.

Readership of most of the major titles decreased in 2014, having also seen a decline in 2013. That said, in 2014, *Kick Off* magazine continued its expansion, growing to a readership of 4.0 million in December 2014 from 3.9 million in December 2013. Some titles, such as *True Love* and *Huisgenoot,* may have been affected by Media24's decision to change the way it reports digital circulation figures for titles in Kaboedel. Previously, titles were counted as sold if they were part of a purchased bundle, but now they are only counted if they have been downloaded and reported on in the ABC category for sales at below 50% of cover price.

Kick Off and Bona buck the trend to increase readership in 2014

Fig 4. Average issue readership of top-selling magazines, 2014 vs 2013 (thousands)



Note: Magazines are published weekly except for * which are published monthly
Source: PwC, Ovum, SAARF AMPS

Closures outnumber launches in 2014 and 2015

Top-growing magazines include *True Love*, *Grazia* and *Modern Athlete*. However, in general these magazines have a much smaller circulation than the top-selling magazines. *True Love's* circulation, the largest of those listed above, is at around 63 000, compared to top-selling *Huisgenoot* (260 000).

While declining readerships and increasing circulation revenue may look incongruous, a large reason for readership going down, apart from the cover price increases referred to above, is that households are becoming smaller. Not only are the emerging consumer classes buying more magazines, but they trust them as voices of what is in vogue, driving growth in magazine advertising revenue in South Africa.

Established magazines have distinct brands and viewpoints and, in the case of lifestyle magazines, are trusted by consumers to offer guidance on matters such as careers, finance, health, interior decoration, beauty and fashion and food.

Advertising within a magazine gives the appearance of being approved by the title, and for high-end publications, which require advertising to be of similar aesthetic quality to the rest of the magazine, readers see adverts as being part of the magazine reading experience, actively looking at them – a compelling selling point.

Media24 is the largest publisher by revenue, with weekly general-interest magazine *Huisgenoot* boasting a readership of 1.9 million. Other large publishers include Caxton, Ramsay Media and Associated Media Publishing.

Publishers have launched and closed multiple new titles over the past few years in order to see which gain traction. Closures for 2014 and 2015 include *Heat*, which published its last issue in March 2015 after a number of years of declining circulation figures. Media24 is replacing *Heat's* online presence with a merger between celebrity-focused websites Channel24 and The Juice. Media24 also closed *SARIE Food* magazine, an English translation of *SARIE Kos*, in October 2014 after launching in April 2014, and *Mine!*, an English version of bi-weekly *Kuier* magazine. *Mine!* launched in August 2014 and was closed in November 2014. *O, The Oprah Magazine*, was also shuttered in 2014 after 12 years on the market. Other closures include *Real*, *Seventeen*, *FHM* and *PC Format*.

Launches over the past year include *Fast Company* magazine, a progressive business magazine, launched in October 2014 by Insights Publishing.

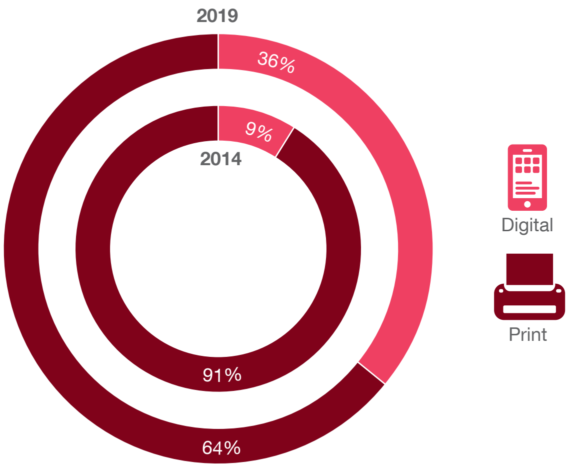
Trade magazines will see strong growth of 4.8% CAGR over the five-year forecast period, reaching R1.1 billion in 2019, up from R844 million in 2013.

Advertising revenues account for the bulk of the trade magazine market as a large proportion of trade magazines are free-to-trade, being solely ad-funded. Trade magazine advertising revenue will reach an estimated R786 million in 2019 from R650 million in 2014, growing at a CAGR of 3.9%. Websites in particular will help to drive growth in digital trade magazine advertising revenue, and many publishers will be keen to move their readers to online versions given the potential cost savings in no longer using postal services to deliver print magazines, and taking into account the recent postal strikes, which significantly affected delivery services.

Websites, in particular, will help to drive growth in digital trade magazine advertising revenue

Trade magazines will see reasonable growth in next five years

Fig 5. Trade magazine advertising, print vs digital, 2014 vs 2019 (%)

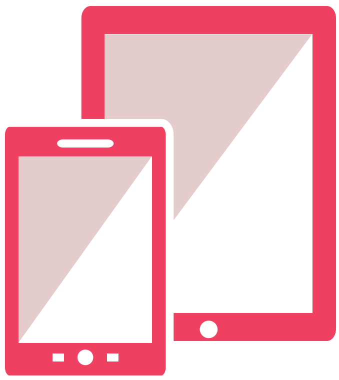


Source: PwC, Ovum

Trade magazine advertising will be driven largely by the same factors that will drive trade magazine circulation: the desire to grow and increase market share. Seeing that trade magazines represent one of the best sources of information for a particular business sector, trade magazine advertising will reach many players in the market, increasing awareness of a business. As with consumer magazines, advertising in a well-known and trusted title also lends the advertiser some of the title's credibility.

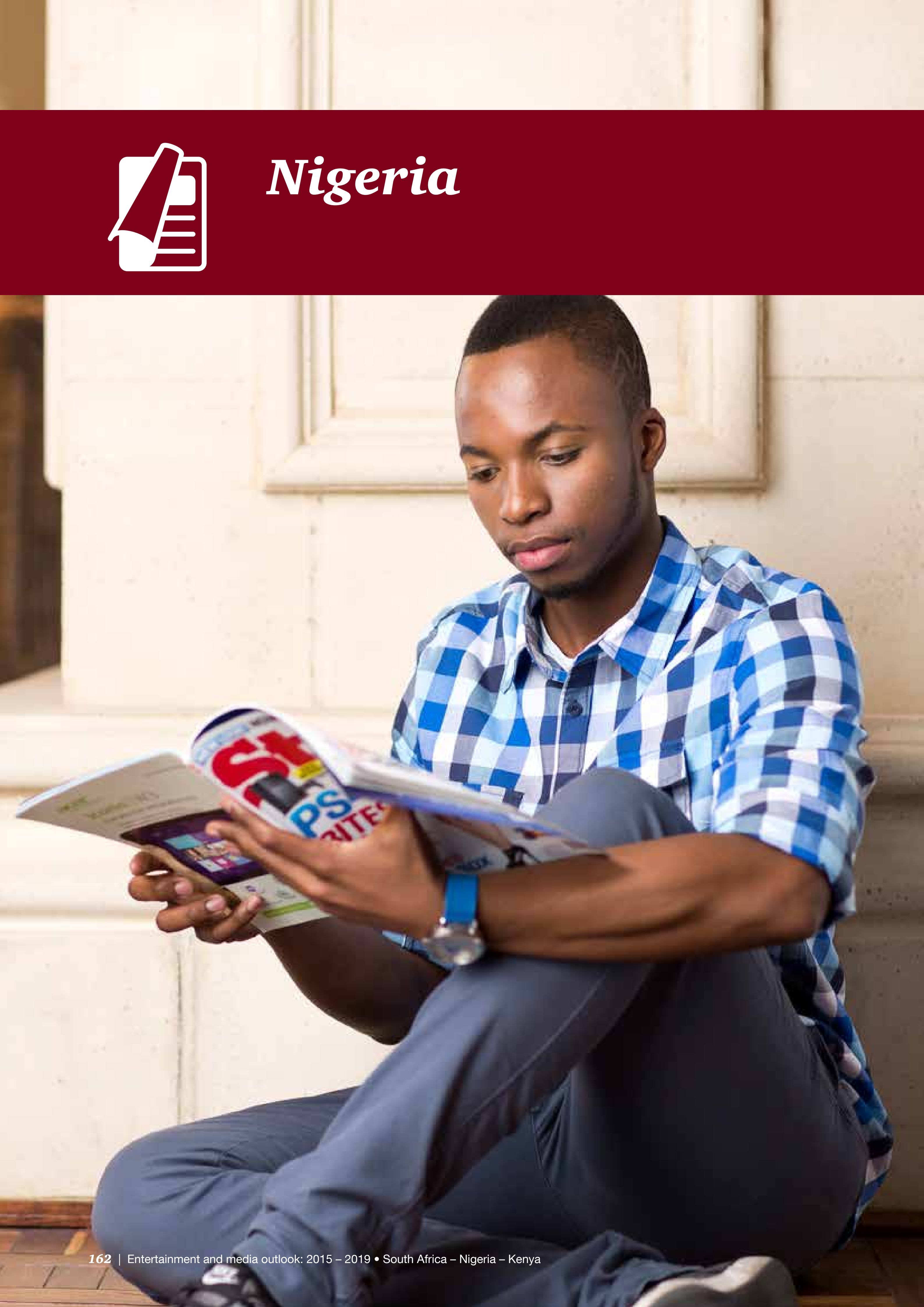
Digital in particular will be driven by the increased emphasis on technology in today's workplaces, where print publications are somewhat anachronistic given the concentration on producing digital documents and storing information in the cloud. In May 2015, FNB launched *FNB Private Life*, a digital lifestyle and financial magazine for FNB clients. The app was developed by Realmdigital using technology from Snapplify.

Increases in trade show revenue will drive growth in trade magazines as these titles look to partner with trade shows in order to increase market share and awareness among their vertical. Trade shows will also drive growth in total trade magazine advertising revenue, with publishers being able to offer competitively priced bundles for attendance and advertising in the associated magazine or website.



Digital, in particular, will be driven by the increased emphasis on technology

Nigeria



Growth in Nigeria is slowing as infrastructure problems hamper development

Magazine publishing market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer magazines	**169**	**180**	**194**	**202**	**208**	**212**	**215**	**216**	**217**	**219**	**1.1%**
Consumer circulation	**165**	**176**	**189**	**198**	**203**	**207**	**209**	**210**	**210**	**211**	**0.8%**
Print	165	176	189	198	203	206	208	209	209	210	0.7%
Digital	0	0	0	0	0	1	1	1	1	1	35.0%
Consumer advertising	**4**	**4**	**5**	**4**	**5**	**5**	**6**	**6**	**7**	**8**	**10.7%**
Print	3	3	3	2	2	2	2	2	2	2	-2.1%
Digital	1	1	2	2	3	3	4	4	5	6	18.8%
Trade magazines	**12**	**12**	**12**	**12**	**13**	**14**	**15**	**15**	**16**	**17**	**5.5%**
Trade circulation	**9**	**9**	**9**	**9**	**10**	**11**	**12**	**13**	**14**	**16**	**8.9%**
Print	9	9	9	9	10	11	12	13	14	16	8.9%
Digital	*	*	*	*	*	*	*	*	*	*	-*
Trade advertising	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**2**	**2**	**1**	**-13.3%**
Print	3	3	3	3	3	3	3	2	2	1	-13.3%
Digital	*	*	*	*	*	*	*	*	*	*	-*
Total	**181**	**192**	**206**	**214**	**221**	**226**	**230**	**231**	**233**	**236**	**1.3%**
YOY growth (%)		**6.3%**	**7.2%**	**4.5%**	**2.9%**	**2.0%**	**1.5%**	**1.2%**	**1.1%**	**0.9%**	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

Nigeria's total magazine revenue, comprising consumer magazine revenue and trade magazine revenue, is forecast to be US$236 million by 2019, up from US$221 million in 2014, a CAGR of 1.3%.

Consumer magazines provided the bulk of revenues in 2014 at US$208 million, or 94% of total magazine revenue. This will rise to US$219 million in 2018, or 93% of magazine publishing revenue.

Consumer magazines provided the bulk of revenues in 2014

Consumer magazine revenue is generated through direct sales and advertisements. The majority of this revenue will be generated by print editions of consumer magazines. Print consumer magazine circulation revenue will grow from US$203 million in 2014 to US$210 million in 2019, when it will account for 89% of total magazine revenue. The print consumer magazine sector has over 70 titles that cut across lifestyle, business, sport, entertainment and international issues.

Some of the most widely circulated consumer magazines include *Tell Magazine*, *TW Magazine*, *Ovation*, *News Watch* and *Genevieve Magazine*; however, magazine circulation figures are difficult to estimate as they are not officially audited. Magazines launched in 2014 include *Magnify*, *STM* and *Jetzage*.

Major advertisers in magazines include consumer goods companies, banks and telecommunications companies; however, print magazine advertising contributes less than 1% of total consumer magazine revenues and advertising in print consumer magazines is declining at a CAGR of 2.1%.

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 figures, 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.

With just 6% of the population forecast to have tablets in 2019 and just 14% of households having fixed broadband, digital consumer magazine circulation revenue will remain small, reaching only US$1.5 million in 2019, up from US$1.0 million in 2014. However, the rapidly growing mobile penetration and use of mobile phones to access the Internet makes digital magazine circulation and advertising some of the fastest-growing segments at CAGRs of 35.0% and 18.8% respectively. By 2019, an estimated 64 million Nigerians were mobile Internet subscribers, representing a 168% increase from the number of subscribers in 2012.

Digital consumer magazine advertising revenue will do better at US$6 million in 2019, up from US$2.5 million in 2014, with magazine websites being better able to cater for phone browsers than digital magazine editions. Some magazines, such as *TW Magazine*, already have online versions and mobile apps to which readers can subscribe.

A driver for consumer magazine revenue will be advertisers, who increasingly use magazines to target the emerging middle class in Nigeria. 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 benefitting.

Despite the slow growth of the consumer magazine segment, recent entries into the market include *Cosmopolitan Nigeria*, an online-only edition of the *Cosmopolitan* international magazine, and *Hello! Nigeria*, a sister publication of the international *Hello Magazine* brand published in the UK and over 20 other countries.

Major advertisers in magazines include consumer goods companies, banks and telecommunications companies

Kenya

Growth in the Kenyan economy will drive magazine revenues

Magazine publishing market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer magazines	**49**	**54**	**59**	**66**	**72**	**74**	**76**	**78**	**80**	**85**	**3.1%**
Consumer circulation	**43**	**46**	**50**	**56**	**62**	**63**	**65**	**67**	**69**	**73**	**3.2%**
Print	43	46	50	55	61	62	64	65	67	70	2.8%
Digital	0	0	0	1	1	1	1	2	2	3	20.1%
Consumer advertising	**6**	**8**	**9**	**10**	**10**	**11**	**11**	**11**	**11**	**12**	**3.1%**
Print	6	8	9	9	9	10	10	10	10	10	1.4%
Digital	0	0	0	1	1	1	1	1	1	2	18.2%
Trade magazines	**3**	**3**	**3**	**4**	**4**	**5**	**6**	**6**	**6**	**6**	**8.5%**
Trade circulation	**2**	**2**	**2**	**3**	**3**	**3**	**4**	**4**	**5**	**5**	**12.5%**
Print	2	2	2	3	3	3	4	4	5	5	12.5%
Digital	*	*	*	*	*	*	*	*	*	*	-*
Trade advertising	**1**	**1**	**1**	**1**	**1**	**2**	**2**	**2**	**1**	**1**	**-2.0%**
Print	1	1	1	1	1	2	2	2	1	1	-2.0%
Digital	*	*	*	*	*	*	*	*	*	*	-*
Total	**52**	**57**	**62**	**70**	**76**	**79**	**82**	**84**	**86**	**91**	**3.5%**
YOY growth (%)		*9.4%*	*7.7%*	*11.1%*	*10.0%*	*3.1%*	*3.1%*	*3.2%*	*3.2%*	*4.8%*	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

The magazine publishing market in Kenya was worth US$76 million in 2014, up 10% on 2013. Industry revenues will continue to grow, reaching an estimated US$91 million in 2019, a CAGR of 3.5% over the forecast period.

Trade magazine revenues are small, but the sector is growing as the Kenyan economy expands. Trade magazines launching in Kenya reflect the improving economic climate and, in the case of *Security* magazine, launched in May 2015, the recent state of insecurity within the country.

Trade magazines will see little benefit from digital and stand at less than US$1 million throughout the forecast period as trade publishers rely on the more accessible print format to drive revenues.

Trade magazine revenues are small, but the sector is growing as the Kenyan economy expands

Consumer magazine revenues stood at US$72 million in 2014 and will rise to US$85 million in 2019, a CAGR of 3.1%. Digital revenues will account for relatively little of the consumer magazine market – unlike books, where around half of consumer book revenues come from the sale of e-books. This is because the main means of accessing digital content for many Kenyans is the mobile phone, which is not as suited to magazine reading as it is to book reading, with magazines generally containing more images than books.

With low broadband penetration – accounting for only 1% of Kenya's total households in 2014 – it is unlikely that digital revenue will increase significantly in the near future.

What digital revenues there are will come from smartphones rather than from PCs and tablets, but for both consumer and trade magazines, digital revenues will reach only an estimated US$5 million by 2019.

Many consumer magazines published in Kenya are also published in South Africa, with titles such as *Drum* and *True Love* being popular. *Drum* and *True Love* are published by Carole Mandi Media in Kenya. New magazine launches in the last 18 months include *MALE* magazine, launched in July 2014, and *African Photo Magazine*, launched in April 2015.

Growing middle classes will help drive consumer magazine revenue as the emerging consumer classes look to lifestyle magazines for advice on a variety of topics, including health, interior decoration, beauty and fashion. Consumer magazine advertising revenue will grow to US$12 million in 2019 from US$10 million in 2014, a CAGR of 3.1% over the five-year forecast period.

However, the distribution of print magazines can be a problem in Kenya, restricting the growth of print revenues. Print consumer magazine circulation revenue will grow at a CAGR of 2.8% over the next five years, reaching US$70 million in 2019 from US$61 million in 2014. Print consumer magazine advertising revenue will grow more slowly at a 1.4% CAGR, rising from US$9 million in 2014 to US$10 million in 2019.

Growing middle classes will help drive consumer magazine revenue as the emerging consumer classes look to lifestyle magazines for advice on a variety of topics

Global trends in magazine publishing

The following was extracted from PwC's *Global Entertainment and Media Outlook 2015–2019*

Magazine publishing market, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer magazines	**78 452**	**78 267**	**77 313**	**76 376**	**76 116**	**76 069**	**76 192**	**76 389**	**76 616**	**76 776**	**0.2%**
Consumer circulation	**42 543**	**41 398**	**40 467**	**39 784**	**39 778**	**39 741**	**39 795**	**39 937**	**40 089**	**40 166**	**0.2%**
Print	42 366	41 152	39 666	38 340	37 585	36 841	36 108	35 432	34 800	34 218	-1.9%
Digital	177	246	801	1444	2193	2900	3687	4505	5289	5948	22.1%
Consumer advertising	**35 909**	**36 869**	**36 846**	**36 592**	**36 338**	**36 328**	**36 397**	**36 452**	**36 527**	**36 610**	**0.1%**
Print	34 028	33 768	32 563	31 221	29 906	28 712	27 458	26 072	24 596	23 048	-5.1%
Digital	1 880	3 101	4 283	5 371	6 432	7 616	8 939	10 380	11 931	13 562	16.1%
Trade magazines	**19 242**	**19 226**	**19 239**	**19 067**	**19 209**	**19 490**	**19 817**	**20 144**	**20 425**	**20 646**	**1.5%**
Trade circulation	**8 150**	**7 821**	**7 519**	**7 252**	**7 252**	**7 379**	**7 585**	**7 811**	**8 006**	**8 165**	**2.4%**
Print	8 128	7 782	7 355	6 920	6 669	6 446	6 261	6 103	5 967	5 858	-2.6%
Digital	22	39	164	332	583	933	1324	1708	2039	2307	31.7%
Trade advertising	**11 092**	**11 405**	**11 720**	**11 815**	**11 957**	**12 111**	**12 232**	**12 333**	**12 419**	**12 481**	**0.9%**
Print	9 923	9 524	9 184	8 883	8 621	8 334	7 994	7 621	7 216	6 785	-4.7%
Digital	1 169	1 881	2 536	2 932	3 336	3 777	4 238	4 712	5 203	5 696	11.3%
Total	**97 694**	**97 493**	**96 552**	**95 443**	**95 325**	**95 559**	**96 009**	**96 533**	**97 041**	**97 422**	**0.4%**
YOY growth (%)		***-0.2%***	***-1.0%***	***-1.1%***	***-0.1%***	***0.2%***	***0.5%***	***0.5%***	***0.5%***	***0.4%***	

Source: PwC, Ovum

Driven by a 1.5% CAGR growth in trade magazine revenue, global total magazine revenue will reach US$97.4 billion in 2019, up from US$95.3 billion in 2014, but growth will be no higher than 0.5% in any single year of the forecast period.

After a number of years of decline, driven by a reduction in print circulations, global total consumer magazine revenue will see a 0.2% increase in 2016 driven by strong digital performances. Yet growth will remain small at a 0.2% CAGR to 2019, with print circulation and advertising revenue continuing to decline.

Countries such as India and Mexico are seeing growth in their middle classes spurring total consumer magazine revenue, with forecast CAGRs of 4.5% and 3.8%, respectively. Importantly, these countries are still seeing growth in print as the emerging consumer classes buy lifestyle magazines and those focused on luxury goods.

With a rise of almost 20 percentage points from 2014 to 2019, global digital consumer magazine advertising revenue will account for 37.0% of global total consumer magazine advertising revenue in 2019, as tablet penetration drives the usage of digital magazines and makes magazine websites more attractive. In 2019, global digital consumer magazine advertising revenue will reach US$13.6 billion, up from US$6.4 billion in 2014.

Although global print consumer magazine circulation revenue will fall from US$37.6 billion in 2014 to US$34.2 billion in 2019, it will still account for 85.2% of global total consumer magazine circulation revenue in 2019. Digital magazine subscriptions will not benefit from increasing digital access, with magazine websites instead receiving increased views.

Countries such as Peru and China will see the fastest growth in total trade magazine revenue, with CAGRs of 8.5% and 8.3%, respectively. Such fast-growing economies are seeing a rapid rise in companies looking to increase their knowledge of competitors and developments in their fields.

The global magazine publishing market to edge up over forecast period

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jumping out of helicopters and hated being confined inside one. The Huey smoothly lifted away, the open doors letting the fresh morning air swoosh through the cabin. The giant Roosevelt grew small in size, and then disappeared behind them as the green Med rolled gently underneath, five hundred feet below.
On the way over to the Wasp, Kyle considered the unexpected appearance of the "special guest." Last he had heard from the CIA, he was standing at attention in front of some civilian and a bird colonel and being told that he had disappeared border mission, that he was more trouble than he was worth, and that he would never get to play with them again.
"What?" he had asked the spooks. "Did that Assam Ali bin Assam come back to life or something? You wanted him dead. He's dead."

Book publishing

At a glance

0.7% CAGR

South Africa's book market will see sluggish growth in the next five years. Book publishing revenues will increase to an estimated R4.0 billion in 2019, from R3.8 billion in 2014, a compound annual growth rate (CAGR) of 0.7% over the five-year forecast period.

Schemes to improve literacy will help drive consumer book revenues. Organisations such as FunDza and Cover2Cover are trying to increase South African literacy and foster book-reading communities. As well as printed book revenues benefitting from these schemes, e-book revenues will see increases with the likes of FunDza targeting mobile devices to appeal to younger demographics. The Department of Basic Education (DBE) also has a Book Flood campaign designed to increase the number of books in schools.

Take-up of e-books will be slow, with mobile phones being more relevant than tablets. In many e-book markets, tablets and e-readers are the dominant drivers in adoption, with the portability of the device enabling access to a wide range of books at all times. In the South African market, access to books on mobile devices – feature phones as well as smartphones – will be key in making e-books available to as many people as possible.

Educational book revenues make up over half of total South African book revenues. Educational book revenues in South Africa were worth R2.2 billion in 2014, making up 57% of total book publishing revenues. They will continue to lead the market over the course of the next five years, but will account for a lower 54% of total revenues in 2019.

Uncertainty in government policy means educational e-books have made little impact. With no official e-book platform, many publishers are reluctant to invest in educational e-books. As a result, educational e-book revenues will reach just R39 million in 2019.

Distribution and production still pose a challenge to Nigerian book revenues. But despite these challenges, Nigerian book revenues will grow by a forecast 5.0% CAGR, with rising educational book revenues driving growth in the sector as a whole.

Over 90% of book revenues in Kenya come from educational books. Consumer books in Kenya have been highly affected by piracy, and with publishers finding distribution a challenge, consumer book revenues will reach only US$3.4 million in 2019.

Definitions

The book publishing market includes:

- *Retail spending by consumers on consumer books;*
- *Spending by schools, government agencies and students on elementary school, secondary school and tertiary education textbooks, including postgraduate and academic textbooks;*
- *Spending on books in electronic format, also known as electronic books or e-books;*
- *Spending on library and institutional subscriptions to electronic book databases;*
- *Spending on audiobooks, books on CDs and books on DVDs, which is 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 to the means of distribution, e.g. print editions bought from online retailers contribute to print revenues.*
- *Revenues assigned to educational books do not include those for supplemental educational spending, administrative software or testing materials. This revenue is both digital and non-digital and is from consumer spending.*

South Africa

Educational books remain the linchpin of the South African book market

Book revenues, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer	**1 150**	**1 394**	**1 410**	**1 446**	**1 463**	**1 487**	**1 521**	**1 560**	**1 600**	**1 633**	**2.2%**
Print	1 149	1 387	1 389	1 412	1 411	1 409	1 408	1 407	1 406	1 404	-0.1%
Digital	1	7	21	34	52	78	113	153	194	229	34.4%
Educational	**2 581**	**2 263**	**2 229**	**2 209**	**2 182**	**2 159**	**2 133**	**2 108**	**2 114**	**2 129**	**-0.5%**
Print	2 581	2 263	2 222	2 199	2 169	2 141	2 109	2078	2 079	2 090	-0.7%
Digital	0	0	7	10	13	18	24	30	35	39	23.8%
Professional	**153**	**162**	**168**	**177**	**183**	**186**	**191**	**195**	**200**	**205**	**2.3%**
Print	149	156	158	164	167	169	172	174	176	178	1.2%
Digital	4	6	10	13	16	17	19	21	24	27	11.5%
Total	**3 884**	**3 819**	**3 807**	**3 832**	**3 828**	**3 832**	**3 845**	**3 863**	**3 914**	**3 967**	**0.7%**
YOY growth (%)		***-1.7%***	***-0.3%***	***0.6%***	***-0.1%***	***0.2%***	***0.3%***	***0.5%***	***1.3%***	***1.4%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

The book publishing market in South Africa will stand at approximately R4.0 billion by 2019, having grown from R3.8 billion in 2014, a CAGR of 0.7% over the forecast period.

With 11 official languages and issues around literacy, the South African book market is not without challenges. The most commonly spoken language in South Africa is isiZulu, but English and Afrikaans are the most commonly used languages for books.

The DBE (Department of Basic Education)has introduced a number of initiatives to improve reading and increase access to libraries in provinces with the lowest percentage of access. One of these, the Book Flood campaign, is designed to increase the number of books in primary and high schools via donations in malls and from bookstores.

Another entity working to improve literacy in South Africa is non-profit organisation FunDza, which targets teenagers and young adults. In its 2013/2014 financial year, FunDza distributed over 12 600 books to 185 groups across the country. These books were selected to be of interest to teenagers and young adults and to help teachers address the issues these groups face. Books supplied by FunDza are published by Cover2Cover.

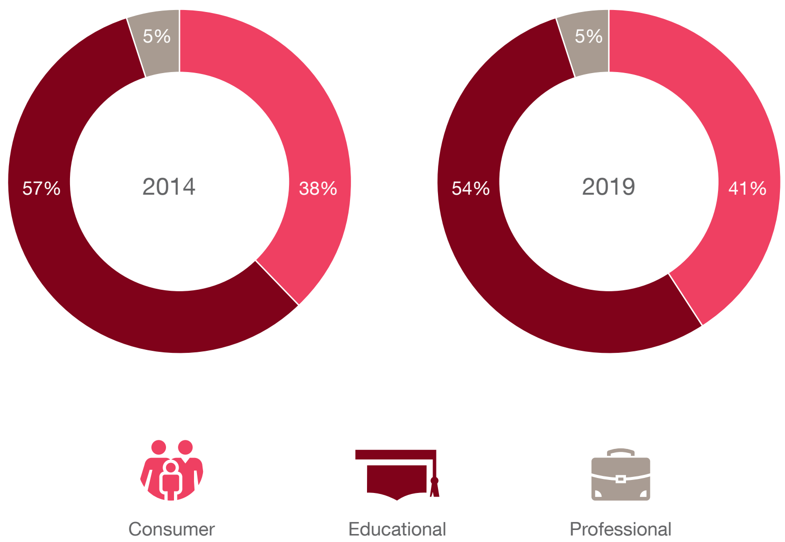
FunDza is also trying to create reading communities on the most common digital reading device: the mobile phone. It has an app on mobile social platform MXit and publishes short stories to it regularly.

More than 90% of FunDza readers access content through the MXit app. MXit works on feature phones as well as smartphones, so it is available to virtually all teenagers and young adults. FunDza has nearly 250 000 readers on MXit and a further 56 000 through its mobile website who have viewed 15.5 million pages. Readers on mobile devices spend an average of 13½ minutes on each reading session.[1]

1 FunDza Literacy Trust – Annual Report 2014

The South African book market will see little change over the coming years

Fig 1. Book revenue by category, 2014 and 2019 (%)



Source: PwC, Ovum

While the market shares of the three book publishing categories will see some changes over the coming years, this change will not be significant, with the market still largely split between educational and consumer books. Educational books will still make up well over half the market, with professional books accounting for only 5% of total book publishing revenues throughout the forecast period.

E-books have advantages, but take-up will be slow

The consumer e-book market in South Africa comprised 4% of total consumer book publishing revenue in 2014. This will rise to an estimated 14% by 2019 as e-books become more accessible to South African consumers. This e-book growth will aid a 2.2% CAGR growth in consumer book publishing revenues.

Between June 2013 and June 2014, Dan Brown's *Inferno* was the top-selling Kindle edition. The top five were completed by *And The Mountains Echoed* by Khaled Hosseini, *Gone Girl* by Gillian Flynn, *Never Go Back* by Lee Child and Donna Tartt's *The Goldfinch*.

Electronic book retailers such as Takealot, Exclusive Books and Loot sell books online in South Africa, with Takealot, after its merger with Kalahari in February 2015, launching an e-book store and app and selling its own e-reader. Existing Kalahari e-reader users will have to upgrade to the Takealot app to continue purchasing e-books. South Africa does not have its own Kindle store, but Kindles have been available in the country since 2009, with South African consumers being able to purchase books from the Amazon.com Kindle Store.

It should be noted that most of the statistics released by the publishing industry do not include data on self-published books, as companies such as Amazon do not disclose revenues generated under their self-publishing programmes. However, it is easy to see that consumers are finding self-published e-books increasingly attractive when they are frequently a third of the price of bestsellers in an e-bookstore. There are a number of self-published authors in South Africa, and various firms have sprung up to support them by offering editing, cover design and marketing services. In addition to self-publishers, authors making use of traditional publishing channels, such as Deon Meyer, are already using Amazon.com to make their books available to a global audience. There are already nearly 3 000 titles available in Afrikaans on Amazon.com.

E-books have a significant disadvantage on tablets compared to other media types in that they require active participation rather than passive watching or listening. Having video and music available to tablet owners at the touch of a button means that books are having to compete in a much more direct way with these more passive media types.

Piracy an increasing concern

Publishers and e-book retailers around the world are starting to experiment with different ways of selling books. Amazon launched Kindle Unlimited, an all-you-can-read e-book service for a fixed subscription fee, in 2014 in a small number of countries.

All-you-can-eat subscription services are popular in online music and video delivery, and now that even YouTube offers a subscription to remove advertising, consumers are accustomed to the concept of purchasing media in that way. It is too early to tell whether this model will work in the book publishing industry, though.

Another model, espoused by OpenBooks, an independent Polish e-bookstore, uses the 'pay-what-you-want' model. OpenBooks encourages potential buyers to download an e-book without paying anything upfront and share that e-book as widely as possible. There are no fixed prices for books – readers simply pay afterwards what they think the book was worth. In March 2015, a number of e-book stakeholders met in Pretoria for the Digital Technologies Summit, aimed at getting everyone to work towards a coherent e-book strategy in South Africa. Organisations involved include the South African Book Development Council, the Publishers Association of South Africa (PASA), PanMacmillan, FunDza, Adobe and Pearson.

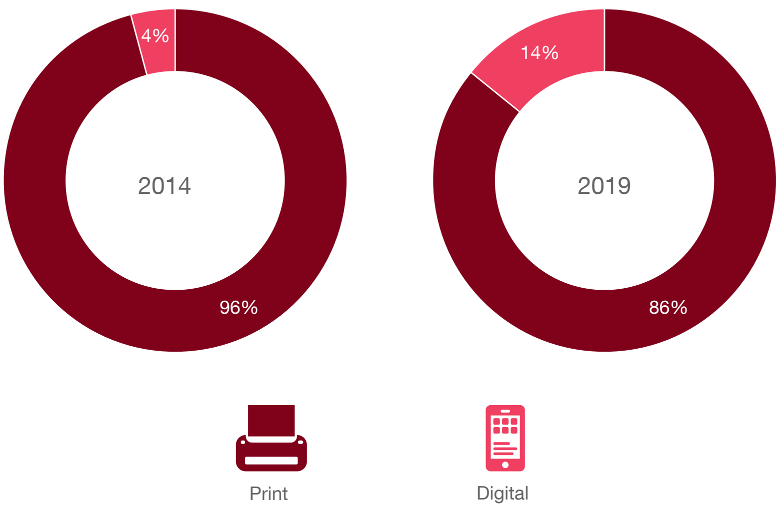
Piracy was not historically a challenge for the book industry, but now that books can be acquired digitally it has become much easier to pirate them. It has also become easier for consumers to download pirated e-books. Indeed, it is just as easy for consumers to pirate an e-book as it is to buy one.

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 access to a convenient and cost-effective means of obtaining legal e-books will be crucial in the fight against piracy.

Textbooks are also affected by piracy. Given their high prices, money-conscious and tech-savvy students are often tempted to pirate in order to save money.

The market for e-books is growing, but remains small

Fig 2. Consumer book revenue, print vs digital, 2014 and 2019 (%)



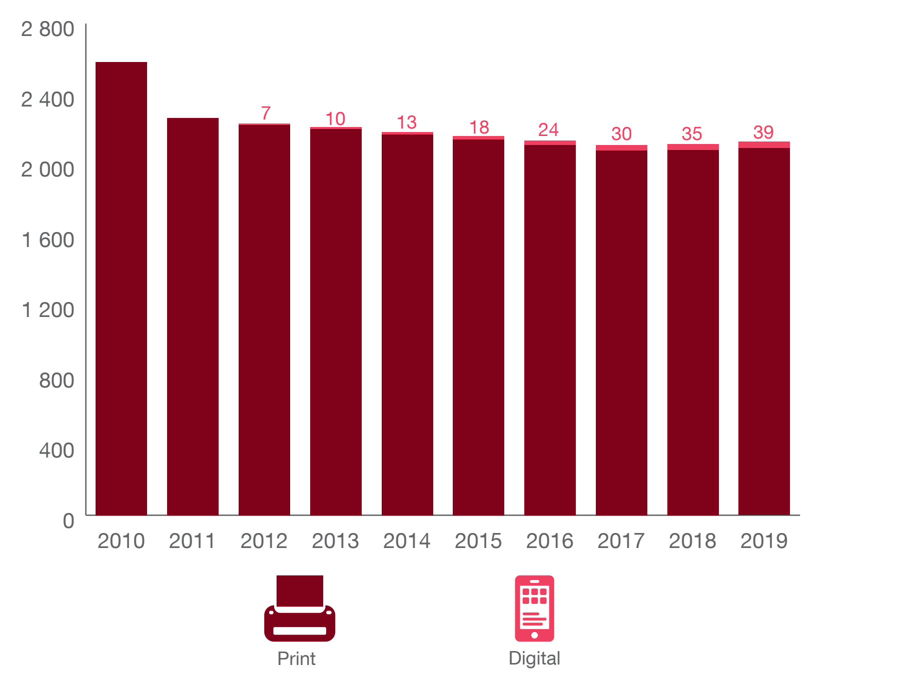
Source: PwC, Ovum

Educational books: “One textbook per subject” causes concern among educators

The well-documented proposals from the South African Government to nationalise textbook production would have a significant impact on future revenues for the market. In 2014, the DBE proposed a new policy to reduce spending on educational books while ensuring that every child in South Africa has the right textbook. This policy would mean that there would be only one textbook per subject per grade. No matter which school a ten-year-old went to, they would be educated using the same textbook. South African educators have largely been opposed to this plan since it would prevent them from differentiating their teaching to meet the needs of their students.

The DBE’s proposal has significant implications for the future of the South African educational market as well as the wider South African book publishing market given the large proportion of book revenues generated from the sale of educational books. In effect, the policy would mean that schools could cut down on the number of books they require per pupil, reducing their spending on educational books.

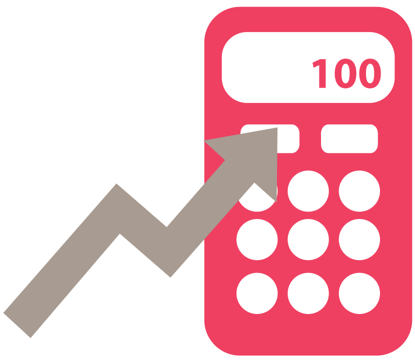
Fig 3. Educational book revenues, 2010–2019 (R millions)



Source: PwC, Ovum

The South African education budget has been increased for 2015, with further increases expected over the coming years, but it is likely that much of these increases will fund improved learning facilities and the widening of access to higher education. With the curriculum having changed several times over the last few years, many schools already have sufficient numbers of books, and this has contributed to falling educational book revenues.

It is worth noting that PASA publishes an annual industry survey, the latest of which reported significant growth in the textbook sector. However, the growth indicated was calculated by comparing 2014 and 2013 revenues from a selection of common participants to those reflected in the 2012 and 2013 surveys. This was done to provide consistency between the survey results as the survey does not capture revenues from all industry players and the companies surveyed differ from year to year. Final industry estimates are made in the survey by estimating trade and end-user discounts and adding these to wholesale revenues. Therefore, while the PASA survey is useful as an indicator, it cannot be compared to PwC forecasts, which examine end-user spending on books and breakout revenues using different definitions.



Expected increases in educational budgets will not necessarily be spent on books

With no official platform for educational e-books, revenues will remain small

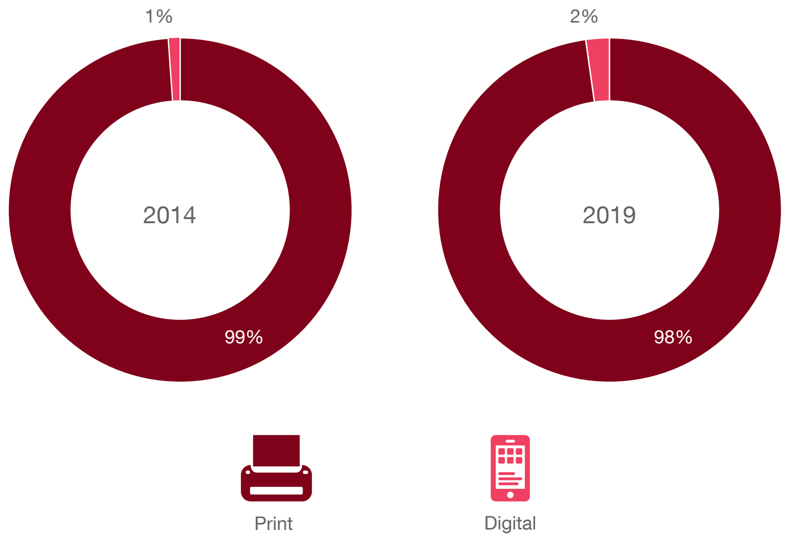
Educational e-books

Educational e-book revenues will reach R39 million in 2019, up from R13 million in 2014, a CAGR of 23.8%. However, the fact that the South African government has not yet decided what platform to use for educational e-books is hindering growth in the sector. Publishers are unwilling to develop their own platforms if there is a risk that the government will use an alternative one for which publishers would have to redevelop and reformat their e-books.

Yet there are a number of South African educational e-book initiatives, including Rethink Education and Via Afrika Future. The Rethink Education application has seen 202,000 downloads on social network MXIT's platform in ten months. The Rethink app provides content in a chat interface in the belief that South African students prefer to access bite-size chunks of content in an interactive way rather than using e-books.

Via Afrika Future, an imprint of Via Afrika Publishers, has produced educational e-books and digital learning materials for more than a decade. Macmillan South Africa sells a large range of educational e-books through its website, with most of its CAPS-approved textbooks available as e-books. The publisher also offers guidance for educational institutions looking to set up an e-book programme. Pearson South Africa, too, offers a range of educational e-books.

Fig 4. Educational book revenues, print vs digital, 2014 and 2019 (%)



Source: PwC, Ovum

Print books have many advantages over electronic editions within schools: they are easy to share between students, far cheaper than tablets, and they are easy to use, can be lent easily and are highly durable. Electronic books are typically linked to user accounts, making it difficult to transfer them at the end of the school year if they are stored on a student's personal device or one assigned to them for use throughout their school career.

However, despite the advantages of print, the interactivity enabled by the use of tablets and PCs and their falling cost mean that a growing number of schools are purchasing tablets for their students, and educators are increasingly seeing the benefit of purchasing easily updateable and interactive learning material for students. Still, by 2019, the proportion of educational book revenue generated by e-books will reach only an estimated 2%, with much of this coming from individuals instead of institutions. Another limiting factor for the growth of educational e-books is connectivity, which tends to be limited in rural and deprived areas. South African mobile operators are required to provide free connectivity to underprivileged communities, but in practice this does not happen. For schools using Vodacom connections, access to five educational websites approved by the DBE was free from August 2014 to March 2015, while MTN offers free access to Wikipedia to schools.

Professional books will be outpaced by consumer books in digitisation

Professional books

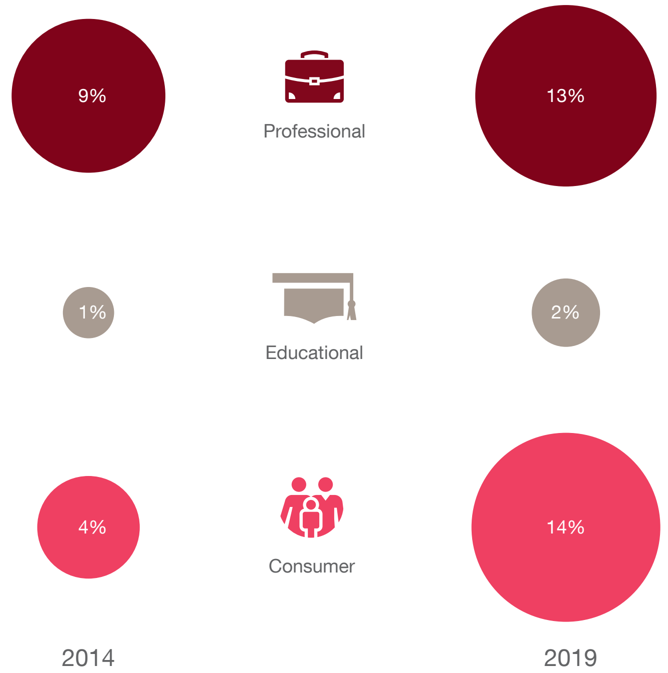
The South African market for professional books will rise at a 2.3% CAGR to reach R205 million in 2019, from R183 million in 2014. Print will account for the overwhelming majority of revenue, with digital sales hampered by low tablet penetration.

Tablets will be the key to the growth of consumer, educational and professional book revenues, with the portability of the device enabling access to a wide range of books at all times. Globally, countries with high tablet penetration such as the US, the UK and Singapore will be among the first markets to see e-books' share of consumer book revenue exceed 40%.

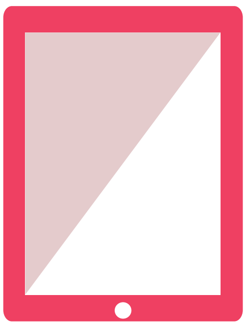
Tablets are also more likely to be used in the home than at work, so the proportion of book revenues coming from the sale of e-books will be higher for consumer books in 2019, despite being significantly lower than the proportion for professional books in 2014.

Tablets are increasingly being used in professional settings as well as privately, so these devices enable easy access to professional books both at home and at the office. University and college students are also increasingly using tablets during their studies, particularly in subjects such as medicine, where the usage of tablets allows students access to any number of texts without being limited by how many heavy physical books they are able to carry with them. Textbooks are evolving too to include more interactive information and graphics that allow students to engage more directly with content. These students are likely to continue this habit in their employment, as hospitals and other professional workplaces are increasingly making information accessible via tablet devices.

Fig 5. Digital revenues from consumer, educational and professional books, 2014 vs 2019 (%)



Source: PwC, Ovum



Tablets will be the key to the growth of consumer, educational and professional book revenues

Nigeria

Education is the bedrock of the Nigerian book publishing market

Book revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer	**16.5**	**18.7**	**17.3**	**17.0**	**17.2**	**17.4**	**17.7**	**18.0**	**18.3**	**18.6**	**1.6%**
Print	16.5	18.7	17.3	16.8	16.6	16.4	16.2	16.1	16.0	15.9	-0.8%
Digital	*	*	*	0.2	0.6	1.0	1.5	1.9	2.3	2.7	33.5%
Educational	**19.9**	**22.1**	**24.2**	**26.2**	**28.6**	**30.9**	**33.4**	**35.7**	**38.1**	**40.4**	**7.1%**
Print	19.9	22.1	24.2	26.2	28.3	30.3	32.4	34.4	36.5	38.5	6.4%
Digital	*	*	*	*	0.3	0.6	1.0	1.3	1.6	1.9	40.5%
Professional	**2.9**	**3.1**	**3.3**	**3.5**	**3.8**	**4.0**	**4.1**	**4.1**	**4.3**	**4.4**	**2.8%**
Print	2.8	3.0	3.1	3.3	3.5	3.6	3.7	3.7	3.8	3.8	1.9%
Digital	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.4	0.5	0.6	11.6%
Total	**39.3**	**43.9**	**44.8**	**46.7**	**49.6**	**52.3**	**55.2**	**57.8**	**60.7**	**63.4**	**5.0%**
YOY growth (%)		***11.8%***	***1.8%***	***4.6%***	***5.9%***	***5.5%***	***5.2%***	***5.0%***	***4.8%***	***4.6%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

Book publishing revenue in Nigeria, consisting of consumer, educational and professional book revenue, will be worth US$63 million in 2019, having risen from US$50 million in 2014. This represents a CAGR of 5.0% over the five-year forecast period.

There are over 100 book publishers in Nigeria, most of which are resident in Lagos and Oyo state. The Nigerian book publishing industry has long-standing publishers such as Learn Africa, Macmillan Nigeria Publishers Limited, Evans Brothers (Nigeria Publishers) and University Press, all of which are affiliated with international groups.

The emergence in recent years of new consumer publishers such as Farafina and Cassava Republic has played a significant role in boosting the local reading culture and the image of the industry in Nigeria.

The majority of books published in Nigeria annually are textbooks for primary and secondary education. This is mainly due to a number of Government intervention schemes aimed at boosting primary and secondary education in the country. An example of such intervention is the Education Tax Fund, which currently provides funds to enable schools to buy library books. Educational books accounted for 58% of the market in 2014, and this proportion will rise to 64% in 2019. Total educational book revenue will rise from US$29 million in 2014 to US$40 million in 2019, a CAGR of 7.1%.

Publishing in Nigerian languages is limited, with most books published and read in the country being mainly in English. However, there have been attempts from some quarters to publish in indigenous languages as well. For instance, a number of publishers have published books for the teaching and learning of Yoruba, Igbo, Efik, Edo, Hausa, Ebira and Urhobo. In January 2014, PEN International announced a partnership with UNESCO which is looking to do research into, and eventually strengthen, minority-language publishing in Nigeria.

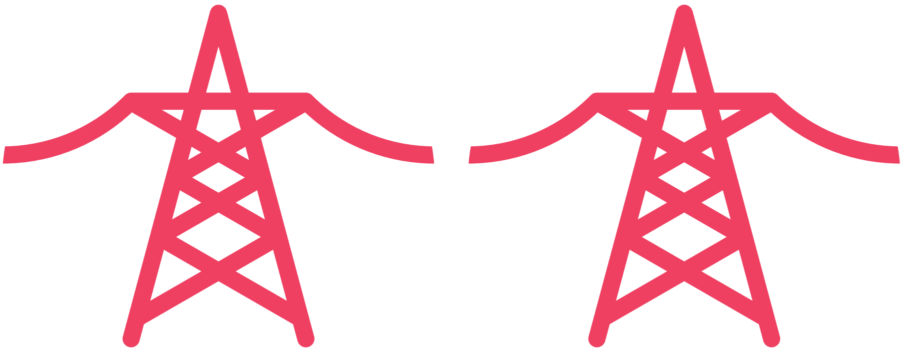
E-book revenues in Nigeria will see only small growth over the next five years, with e-reading devices remaining expensive to purchase. This will particularly affect the educational market, where such devices are beyond the budgets allocated to schools. In 2019, revenue from digital educational books will be US$2 million, just 5% of total educational book revenue.

Growth in the Nigerian book publishing industry has been hindered by a number of challenges, including inconsistent power supply and the high cost of importing paper materials. Distribution is also a major issue, as only a few publishers have structured delivery networks and own a fleet of distribution vehicles. Most publishers have no capacity to promote and sell their own books nationwide, which limits the sales prospects for their books.

However, the Nigerian government is keen to promote reading, particularly of local books. The Book Development Centre, an arm of the Nigerian Educational Research and Development Council, has embarked on a number of initiatives to boost book publishing in the country, one of which is the National Book Policy of 2007. One of the recommendations of this policy, aimed at providing a legal and regulatory framework for book development activities in Nigeria, is to drive an increase in the production of textbooks to reach a target of five textbooks per pupil, up from the current situation of one textbook per five or more pupils. The policy has been submitted to the Federal Ministry of Education and is awaiting approval of the National Assembly.

Other efforts to encourage local book publishing include a proposal to impose a 62.5% duty on imported books.

The demand for professional books is also growing but continues to be dominated by imports, with pirated copies being very popular in the country.



Growth in the Nigerian book publishing industry has been hindered by a number of challenges, including inconsistent power supply and the high cost of importing paper materials

Kenya

Consumer revenues begin to rise in Kenya

Book revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer	**2.0**	**1.9**	**1.9**	**2.0**	**2.3**	**2.4**	**2.7**	**2.9**	**3.1**	**3.4**	**8.5%**
Print	2.0	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.7	1.7	-0.9%
Digital	*	*	*	0.2	0.5	0.7	1.0	1.2	1.4	1.7	28.8%
Educational	**27.0**	**29.8**	**32.8**	**35.6**	**37.9**	**38.8**	**39.6**	**40.5**	**41.4**	**42.1**	**2.1%**
Print	27.0	29.8	32.5	35.1	37.4	38.2	39.0	39.8	40.6	41.3	2.0%
Digital	*	*	0.3	0.5	0.5	0.6	0.6	0.7	0.8	0.8	10.5%
Professional	**1.3**	**1.5**	**1.6**	**1.6**	**1.7**	**1.8**	**1.9**	**1.9**	**2.0**	**2.0**	**3.4%**
Print	1.3	1.4	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	2.5%
Digital	*	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	11.4%
Total	**30.3**	**33.2**	**36.3**	**39.2**	**41.9**	**43.0**	**44.2**	**45.3**	**46.5**	**47.5**	**2.6%**
YOY growth (%)		***9.3%***	***8.9%***	***8.6%***	***6.7%***	***2.6%***	***2.6%***	***2.6%***	***2.6%***	***2.5%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

The market for book publishing in Kenya, consisting of consumer, educational and professional book revenues, is forecast to reach US$48 million in 2019, a CAGR of 2.6% over the forecast period. In total, 91% of Kenyan book revenues came from the sale of educational books in 2014, with consumer and professional book revenues being relatively small.

Consumer book revenues in Kenya stood at US$2.3 million in 2014 and are set to increase to US$3.4 million in 2019, a CAGR of 8.5%. That already low level is further hampered by relatively low literacy rates in the country. Consumer e-book revenues should almost match print revenues in 2019 – Kenya's consumer book market generates a greater proportion of revenues from the sale of e-books than most other countries in the world – but this is due to depressed sales of consumer print books rather than to high volumes of e-book sales.

Piracy is a problem in the Kenyan consumer book market, with widespread sales of photocopied books. Kenyan publishers do have the Copyright Board at their disposal, but the Board is not well equipped to deal with cases that occur outside Nairobi. As in Nigeria, copyright enforcement teams do not have a sufficient budget to deal with all cases of copyright infringement.

Revenues from professional book sales are less affected by these issues, with businesses and professionals being better able to afford spending on books. Professional book revenues will grow at a CAGR of 3.4% over the five-year forecast period, increasing to US$2.0 million in 2019 from US$1.7 million in 2014.

Educational books form the bulk of the book publishing market in Kenya, selling hundreds of thousands of copies compared to just a few thousand for a typical adult fiction title. This means that most publishers in Kenya aim for the educational market. 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 also produces full-colour course books, while Evangel Publishing House's titles cover marriage and family, leadership and theological education.

Educational book revenues will stand at US$42 million in 2019, having increased from US$38 million in 2013, a CAGR of 2.1%. High sales of educational books compared to other sectors stem from a 2008 decision to make secondary education free, requiring schools to purchase new books to cater for the additional pupils coming into the system.

Even if e-readers were more affordable, many Kenyans do not have a credit card with which to buy books. Low fixed broadband penetration will also have a negative effect on the market. Reading on phones will generate a small amount of revenue over the next few years, with consumer e-book revenue reaching US$2 million in 2019. Indeed, smartphones are much more relevant to the e-book market in Kenya than e-readers and tablets.

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.

Educational books form the bulk of the book publishing market in Kenya, selling hundreds of thousands of copies compared to just a few thousand for a typical adult fiction title

Global trends in book publishing

The following was extracted from PwC's *Global Entertainment & Media Outlook 2015–2019*

Book publishing revenue, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2 010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Consumer	**60 752**	**60 239**	**59 843**	**59 917**	**60 121**	**60 098**	**60 390**	**60 897**	**61 700**	**62 564**	**0.8%**
Print	57 949	56 031	53 630	51 647	49 716	47 986	46 424	44 990	43 684	42 472	-3.1%
Digital	2 803	4 208	6 213	8 270	10 405	12 112	13 966	15 907	18 016	20 092	14.1%
Educational	**35 500**	**36 743**	**36 805**	**37 218**	**37 608**	**38 173**	**38 874**	**39 682**	**40 580**	**41 510**	**2.0%**
Print	34 689	35 379	34 874	34 709	34 406	34 224	34 094	34 040	34 089	34 184	-0.1%
Digital	811	1 364	1 931	2 509	3 202	3 949	4 780	5 642	6 491	7 326	18.0%
Professional	**21 134**	**21 377**	**21 709**	**21 953**	**22 397**	**22 543**	**22 817**	**23 147**	**23 693**	**24 269**	**1.6%**
Print	18 982	18 739	18 369	17 875	17 503	17 119	16 797	16 446	16 097	15 738	-2.1%
Digital	2 152	2 638	3 340	4 078	4 894	5 424	6 020	6 701	7 596	8 531	11.8%
Total	**117 386**	**118 359**	**118 357**	**119 088**	**120 126**	**120 814**	**122 081**	**123 726**	**125 973**	**128 343**	**1.3%**
YOY growth (%)		***0.8%***	***0.0%***	***0.6%***	***0.9%***	***0.6%***	***1.0%***	***1.3%***	***1.8%***	***1.9%***	

Sources: PwC, Ovum

E-book revenues will account for 28% of the global book market by 2019

Total global book revenue is set to rise at a 1.3% CAGR to US$128.3 billion in 2019, from US$120.1 billion in 2014. Growth will be driven by India, which became the tenth-largest book market in 2014 and will see the fastest growth globally in total book revenue.

Total global consumer book revenue will rise at a CAGR of just 0.8% between 2014 and 2019, as traditional print/audio revenue continues to fall at a CAGR of -3.1%. But as consumer e-book revenue growth increasingly comes from a position of greater scale, year-on-year increases of 1.3% and above are expected for total consumer book revenue towards the end of the forecast period.

Tablets will be key to the growth of global consumer, educational and professional book revenue, with the portability of the device enabling access to a wide range of books at all times. Countries with high tablet penetration such as the US, the UK, Singapore and South Korea will be among the first markets to see e-books' share of consumer book revenues exceed 40%.

In 2019, total global print and audio book revenues will stand at US$92.4 billion, down from US$101.6 billion in 2014, a decline of -1.9%. While print and audio revenues are declining across consumer, educational and professional books, by 2019 they will still account for the vast majority of total global book revenue, taking US$72 out of every US$100 spent.

Between 2014 and 2019, total global educational book revenue will grow at a CAGR of 2.0%, exceeding the CAGRs of 0.8% for consumer book revenue and 1.6% for professional book revenue. Educational books will benefit from strong growth in digital sales and only a marginal shrinkage in printed books, with printed books still being easier to get hold of, share around a classroom and pass on to new students.

Countries such as Nigeria and Peru will see the highest rates of growth in educational book revenue at CAGRs of 7.1% and 8.0% respectively, with governments spending more on such books in keeping with increased spending on education among their growing middle classes.

Business-to-business

At a glance

The demand for business information will drive B2B revenues. The B2B market in South Africa generated revenues of R9.2 billion in 2014. Fuelled by economic growth and interest from investors, the market is forecast to grow at 5.5% CAGR to reach over R12 billion in 2019.

Business information (with a CAGR of 5.8%) will remain the largest sector within B2B, with the drive for big data aiding growth. It is forecast to account for 45.4% of the total in 2019. The increased volume and complexity of data produced by social media platforms, online surveys and smartphone usage is driving investment in big data analytics as companies try to turn information into actionable strategy.

Trade shows will remain the second-largest segment, with international players increasingly seeing the country's convention centre space as a gateway to the continent. The continued demand for face-to-face interaction, debate and networking will drive the growth in overall attendance at trade shows.

Digital revenues will take an ever-growing proportion of total directories, trade magazines and professional books revenue, but there remains loyalty to the print format, especially in professional books. Digital versions offer wider coverage at a lower cost for businesses, with print markets experiencing a decline as a result.

The directory segment in South Africa will buck the global trend, in line with some other print products in the local market and will be growing at 7.6%. With reliable and affordable Internet access still not a given in South Africa, many will continue to use print sources to access information.

-3.1% CAGR

The only sub-segment to suffer a decline in revenues over the next five years will be trade magazine print advertising, contracting at a CAGR of -3.1% in line with global trends, as digitisation changes the market.

6.7% CAGR

Nigeria's B2B market produced revenues of US$22 million in 2014 and amid wider macro-economic growth and interest from investors, is set to grow at 6.7% CAGR to reach US$31 million in 2019.

In Kenya, B2B revenues will expand at a strong 9.6% to reach US$18 million in 2019, fuelled by economic growth.

Definitions

The business-to-business (B2B) market comprises five segments: business information, directories, 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 comprise 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 directly through a magazine website, or discrete digital editions of magazines distributed directly to a connected device such as a PC, tablet or smartphone.

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, tablet or smartphone. This revenue is both digital and non-digital and is from consumer 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. This is also included in the book publishing chapter.

Trade shows comprises revenue from spending by businesses on exhibitions at trade shows. It does not include sponsorship of events. This revenue is non-digital and is considered advertising spending.

South Africa

South Africa's B2B market will continue to grow to 2019

Business-to-business revenues, 2010-2019 (R millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Business information	**3 258**	**3 293**	**3 609**	**3 812**	**4 138**	**4 452**	**4 750**	**5 024**	**5 267**	**5 474**	**5.8%**
Financial	1 066	1 060	1 155	1 207	1 302	1 393	1 478	1 555	1 622	1 677	5.2%
Industry	1 007	1 030	1 144	1 220	1 338	1 455	1 570	1 680	1 784	1 879	7.0%
Marketing	1 185	1 203	1 310	1 385	1 498	1 604	1 702	1 789	1 861	1 918	5.1%
Directories	**871**	**889**	**979**	**1 107**	**1 183**	**1 266**	**1 351**	**1 440**	**1 523**	**1 600**	**6.2%**
Print	733	756	764	831	842	853	866	879	893	908	1.5%
Digital	138	133	215	276	341	413	485	561	630	692	15.2%
Professional books	**153**	**162**	**168**	**177**	**183**	**186**	**191**	**195**	**200**	**205**	**2.3%**
Print	149	156	158	164	167	169	172	174	176	178	1.2%
Digital	4	6	10	13	16	17	19	21	24	27	11.5%
Trade magazine advertising	**471**	**520**	**567**	**616**	**650**	**682**	**709**	**733**	**756**	**786**	**3.9%**
Print	471	507	539	575	590	597	591	572	542	505	-3.1%
Digital	0	13	28	41	60	85	118	161	214	281	36.3%
Trade magazine circulation	**151**	**161**	**169**	**183**	**194**	**224**	**243**	**257**	**269**	**280**	**7.6%**
Print	151	161	169	183	194	205	217	226	233	239	4.3%
Digital	0	0	0	0	0	19	26	31	36	41	-*
Trade shows	**2 385**	**2 303**	**2 611**	**2 728**	**2 855**	**2 995**	**3 149**	**3 317**	**3 502**	**3 705**	**5.4%**
Consumer spend	3 562	3 616	3 946	4 172	4 515	4 862	5 184	5 476	5 736	5 959	5.7%
YOY growth (%)		*1.5%*	*9.1%*	*5.8%*	*8.2%*	*7.7%*	*6.6%*	*5.6%*	*4.7%*	*3.9%*	
Advertising spend	3 727	3 712	4 157	4 451	4 688	4 943	5 209	5 490	5 781	6 091	5.4%
YOY growth (%)		*-0.4%*	*12.0%*	*7.1%*	*5.3%*	*5.4%*	*5.4%*	*5.4%*	*5.3%*	*5.3%*	
Total	**7 289**	**7 328**	**8 103**	**8 623**	**9 203**	**9 805**	**10 393**	**10 966**	**11 517**	**12 050**	**5.5%**
YOY growth (%)		***0.5%***	***10.6%***	***6.4%***	***6.7%***	***6.6%***	***6.0%***	***5.5%***	***5.0%***	***4.6%***	

Note: 2010-2014 figures have been updated to reflect most recently available financial information.
*CAGR cannot be calculated due to a zero base in 2014. CAGR for 2015-2019 is 20.4%
Source: PwC, Ovum

Demand for business information will drive B2B revenue

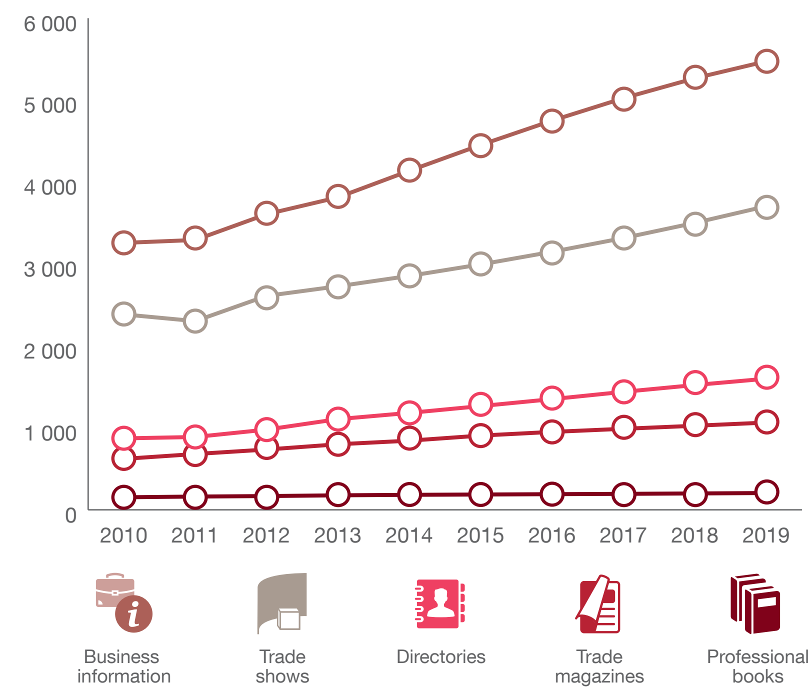
Following the impact of the global financial crisis, the South African B2B market declined in 2009, but hosting the 2010 FIFA World Cup provided a timely boost, with the sector growing nearly 27% in that year. The B2B market has found more consistent and stable expansion since and grew 6.7% in 2014 to reach a new peak of R9.2 billion.

Some 45% of 2014 B2B revenues were attributable to the business information sector. This sub-sector has been invigorated by the demographic characteristics of South Africa. There is a growing middle class providing a more affluent market for higher-end goods and services, as well as a large section of society with low incomes but strong combined purchasing power. As the population grows and its profile changes, companies are increasing spend on market research to understand the complex dynamics of the business landscape.

B2B revenue growth will reach an estimated R12.0 billion in 2019, rising at a CAGR of 5.5%.

Business information and trade shows will continue to drive growth

Fig 1. B2B revenues by segment, 2010-2019 (R millions)



Source: PwC, Ovum

While the business information sector grew by a strong 8.5% in 2014, and the forecast period will see further growth, as the market matures we forecast that growth rates will slow down each year. Business information will however remain the most significant segment in 2019 with revenues of R5.5 billion.

The World Bank ranked South Africa 43rd in its *Doing Business 2015* report, down from 37th in 2014. The decline in ranking could put some investors off, with infrastructure proving particularly problematic. However, with a large market and growing middle class, South Africa remains attractive to investors and uncertainty will only increase the demand for business information and market research.

The desire for increased business information will spur growth in the trade shows segment. Despite the trend towards digitisation, there will continue to be a growing demand for face-to-face interaction and networking opportunities with consumers and other companies. The business information and trade show segments accounted for 76% of total B2B revenues in 2014 and this share will stay fairly constant through to 2019.

Business information

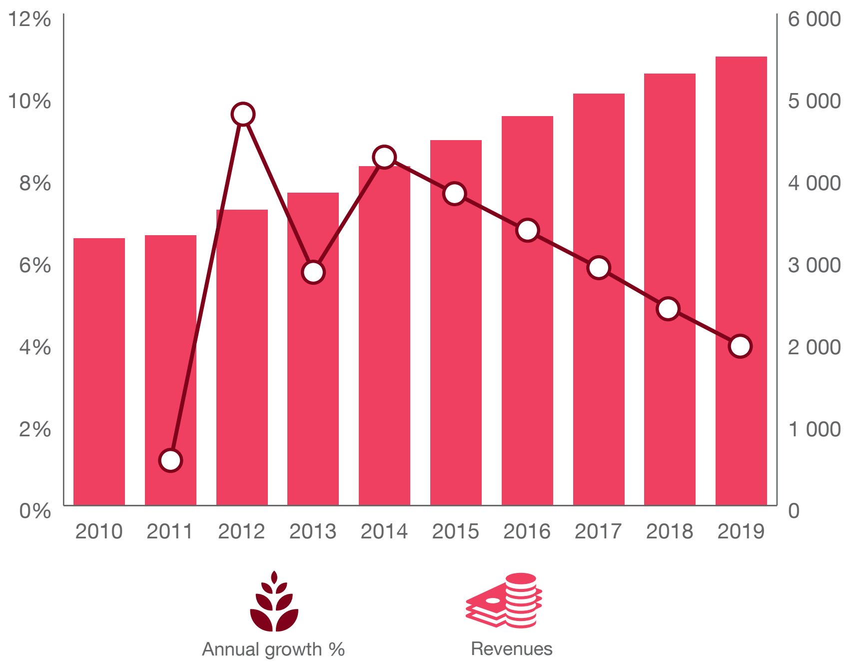
Business information revenues will grow at an estimated 5.8% CAGR to reach R5.5 billion in 2019, compared with R4.1 billion in 2014. Trade show revenues are forecast to grow at a similar CAGR of 5.4% from R2.9 billion in 2014 to R3.7 billion in 2019.

Business information contributed more than half of global B2B revenues in 2014 and it dominates the South African segment too, accounting for 45% of revenues.

Dominance of business information is enhanced by the drive for big data

Business information growth rates slow but revenue hits R5.5 billion in 2019

Fig 2. Business information revenues (R millions) and annual growth (%), 2010-2019



Source: PwC, Ovum

Social media, online survey sites and smartphone usage is increasing the volume and complexity of data produced and driving widespread investment in big data analytics globally. South Africa is no exception. Smartphone connections reached 22.8 million in 2014 and will reach an estimated 52.3 million in 2019, providing increasing amounts of data.

The ever-increasing variety of smart devices, from wearable technology to home appliances, is seeing demand for up-to-date market research grow exponentially. This includes consumer research, focus groups and online surveys as well as wider industry research.

With a burgeoning middle class in South Africa and changing spending patterns, big data is being utilised to make more informed marketing decisions.

Leveraging big data is vital to adding value to the customer experience. In the past, companies have focused on demographics and transactional data to assist in profiling segments, but the increased number of sources available today allows for data on social media activity, geo-location, mobile events and even sensory information on wearable technology.

Consolidation of big data remains a challenge

The need for up-to-date market research is more pressing than ever due to the technological developments impacting every industry. An increasingly large volume of data is being produced by online surveys, social media platforms and connected devices, while smartphone usage adds a wealth of location-specific information. This vast pool of data requires new methods of analysis and increasing numbers of skilled analytics professionals, but can provide a far more in-depth and relevant picture for marketers.

The challenge for data analytics professionals is to ensure all channels of data can be consolidated into user-friendly, clear and accessible information.

The big four global market research companies all have a large presence in South Africa, as both an important market internationally and a gateway to the wider African continent. US giant Nielsen has offices in Johannesburg, Durban and Cape Town, while Germany's GfK has an office in Johannesburg. London-headquartered Kantar Media also has a presence in Johannesburg, Durban and Cape Town through its TNS business, while Ipsos Mori has offices in Johannesburg, Durban, Cape Town, Bloemfontein and Port Elizabeth. Ipsos also owns local research house African Response, established in 2003.

All the major research companies continue to innovate with new products and businesses in the dynamic African market and their presence provides a boost to the business information segment.

The appetite for trade shows in a digital world increases as businesses see South Africa as a gateway to the continent

In February 2015, Ipsos South Africa launched Ipsos Connect, which merged the previous Ipsos ASI and Ipsos MediaCT brands. It is a specialised business aimed at coordinating services in brand communications, advertising and media.

With the market for business information growing strongly, there are several domestic players competing with the global research companies. Established in 2006, Analytix Business Intelligence, based in Johannesburg and Cape Town, offers market research on a number of industries including digital media and telecoms, financial services, food and drink and healthcare.

Data analytics company Effective Intelligence (EI) claims to be South Africa's market leader. EI offers real-time customer engagement, analysis of social media platforms and analytical data intelligence, enabling automation of business decisions such as loan approvals.

International market research company Effective Measure reported Kalahari.com to be South Africa's largest e-commerce website in December 2014 with 2.3 million visitors in the month, compared to Takealot.com's 1.7 million. Both sites have utilised data analytics to build detailed customer profiles and promote tailored offers.

Kalahari was merged into the Takealot.com brand in May 2015, with customer accounts migrated to the new business. This follows the Competition Commission approving the merger in January 2015 based on the condition that no more than 200 jobs are lost. US investment firm Tiger Global Management is reported to have a 41% stake in the merged business, with South African media company Naspers having an equal stake.

Effective Measure has also noted the trend towards using smartphones for online shopping, with nearly 47% of those surveyed using mobile phones for shopping in 2014, compared to just over 23% in 2013. This is partly due to increased smartphone penetration among the large low-income sections of the population and partly due to improved mobile website design. Many retailers have sought to encourage browsing on smartphones to drive traffic to computers to complete purchases, but the design of efficient websites for smartphones can streamline this process.

Globally, many cities have invested heavily in information technology and data analytics to meet social, economic and environmental targets. Johannesburg is working towards becoming Africa's first 'smart city' with an emphasis on high-speed Internet and enhanced triple play[1] availability, access to Wi-Fi hotspots and e-services from government, including e-learning and e-health systems. Johannesburg's mayor revealed in early 2015 that over 1 000 Wi-Fi hotspots had been added during his term, while new fibre-optic cables will be laid as part of a R100 billion investment in the next ten years. Any such moves will be beneficial for the B2B sector and business information segment in particular.

Trade show revenue growth will expand at a 5.4% CAGR

1 Provision of broadband Internat, television and telephone over a single broadband connection.

Trade shows

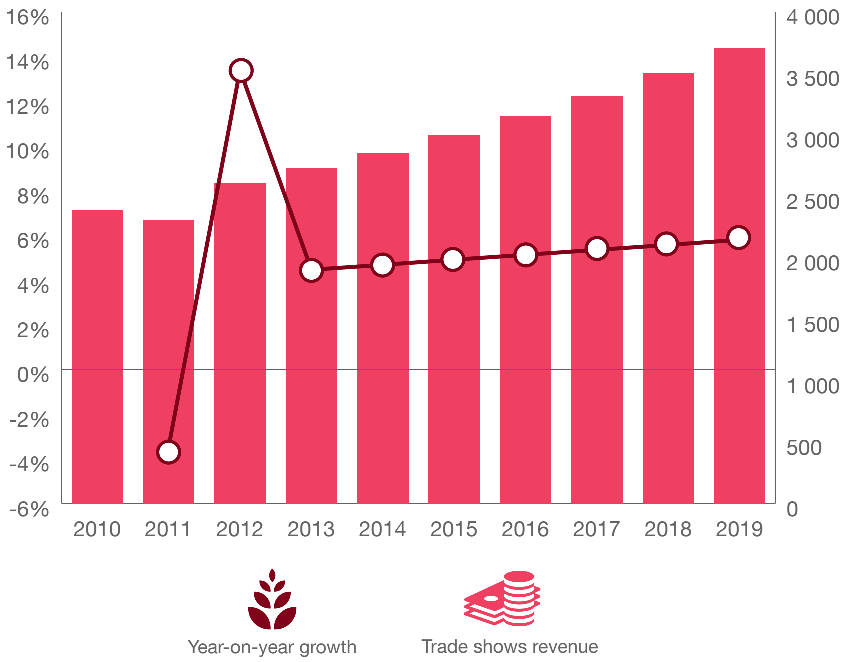
The trade show segment is the second-largest B2B market globally and this is no different in South Africa, where it accounted for 31% of revenues, or R2.9 billion, in 2014. At an estimated 5.4% CAGR, trade show revenues will grow steadily and reach a new peak of R3.7 billion in 2019, dominating the African market.

While trade shows go against the general trend for digitisation in the B2B sector, there are increasing digital aspects to exhibitions. The opportunities for face-to-face contact and networking have maintained growth rates, with increasing demand for exhibition space and expanding revenues. Many shows now offer virtual tours on websites and have a strong social media presence to encourage interaction both at the conferences and from absent parties. This may include sending in questions for speakers or watching remotely.

Digitisation also produces overlap between the trade show and business information segments, with opportunities for data analytics. A good example is *AfricaCom*, with the 2014 post-show report citing YouTube views, LinkedIn connections, Twitter mentions and Facebook likes to measure the increasing awareness and positive social media reaction to the event. Beyond those attending the event, *AfricaCom* recorded 57 135 unique visitors to its new website in 2014, up 13% on 2013. *AfricaCom*, the largest event in technology takes place in November 2015 at Cape Town International Convention Centre. The 2014 event saw an 11% increase in attendees with 9 212 visitors from 113 countries.

Johannesburg Expo Centre is South Africa's largest

Fig 3. Trade show revenues (R millions) and annual growth (%), 2010-2019



Source: PwC, Ovum

In the TV sector, the annual *TV Connect Africa* conference takes place in November at the CTICC, focussing on the future of broadcasting across sub-Saharan Africa. This will be the conference's fourth year and it is expected to include over 300 exhibitors.

South Africa has by far the most indoor exhibition space in Africa at over 180 000m², with Johannesburg the largest and most popular destination, followed by Cape Town.

The largest exhibition centre in Johannesburg, Johannesburg Expo Centre, is hosting events in 2015 including the *Johannesburg International Motor Show* in October, *Africa Expo* in August and the *African Farmers Workshop and Expo* in August.

Major trade show sites in South Africa

City	Site	Size
Johannesburg	Johannesburg Expo Centre	42 000m² indoor and 80 000m² outdoor
	Gallagher Convention Centre	25 000m²
	Sandton Convention Centre (SCC)	22 000m²
	Ticketpro 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)	9 600m²
Pretoria	CSIR International Convention Centre	1 300m²

Source: PwC, Ovum

South Africa bucks the global decline in directory advertising revenues

Highlights in 2015 at the SCC include *Your Tech Live*, the *Fashionist South Africa* and the *African Construction Expo* in May; *Aviation Outlook* in July; and *Africa Oil and Gas Expo* in September. *Your Tech Live* is a new event focussing on technology and gadgets and hopes to bring in 10 000 visitors.

The annual *African Construction Expo* at the SCC also utilises social media both to promote and analyse the success of the event, with strong Facebook and Twitter presence. The *Expo* reported over 4 500 visitors from 43 countries in 2014 and is targeting 10 000 visitors by 2016.

The Durban ICC reported 2014 revenues of R152 million, producing pre-tax profits of R29 million. This is down from R45 million in 2013. The Durban ICC was voted Africa's leading *Meetings and Conference Centre* at the Business Destinations Travel Awards in 2014. The CTICC recorded revenues of R171 million in the 2014 financial year, up 11.4% on the previous year, having hosted 535 events over the year.

International recognition

South Africa's venues continue to be globally recognised with both the Durban ICC and CTICC listed among the 15 finalists in the International Association of Congress Centres (AIPC) Apex Award 2014.

In recent years the segment's ability to attract international operators has been aided by the Government's granting of a zero VAT rate to international members of the Exhibitions and Events Association of Southern Africa (EXSA). However, this ruling expires in September 2015.

Thebe Reed Exhibitions is Africa's leading exhibition and events organiser with events including *Africa Travel Week*, *Design South Africa* and the *Sports and Events Tourism Exchange*. Thebe is a joint venture between Reed Exhibitions and South African events company, Thebe Tourism Group. This highlights the desire for international events companies such as Reed to gain a foothold in the South African and wider African market.

Trade shows remain vital in building brand reputation and consumer interaction. Although stands at industry shows will not necessarily generate immediate sales, the investment seeks to provide a long-term boost to sales and consumer perception.

Directory advertising

Globally, the directory advertising segment has declined every year since 2010 and this trend is set to continue as advertisers continue to abandon print editions, with a forecast CAGR of -0.8% to 2019. However, South Africa does not conform to this trend, with total directory advertising revenues set to grow at a 6.2% CAGR to R1.6 billion in 2019.

The South African directory segment also subverts the global trend for print advertising, with growth of 1.5% CAGR forecast until 2019. Although this represents modest growth, the majority of markets globally are witnessing a decline in print advertising, as people prefer the wider coverage and real-time updates of digital editions. This has motivated advertisers to switch to digital and benefit from increased engagement with consumers, with live links to websites and time and location-specific data produced by directory access on smartphones and connected devices.

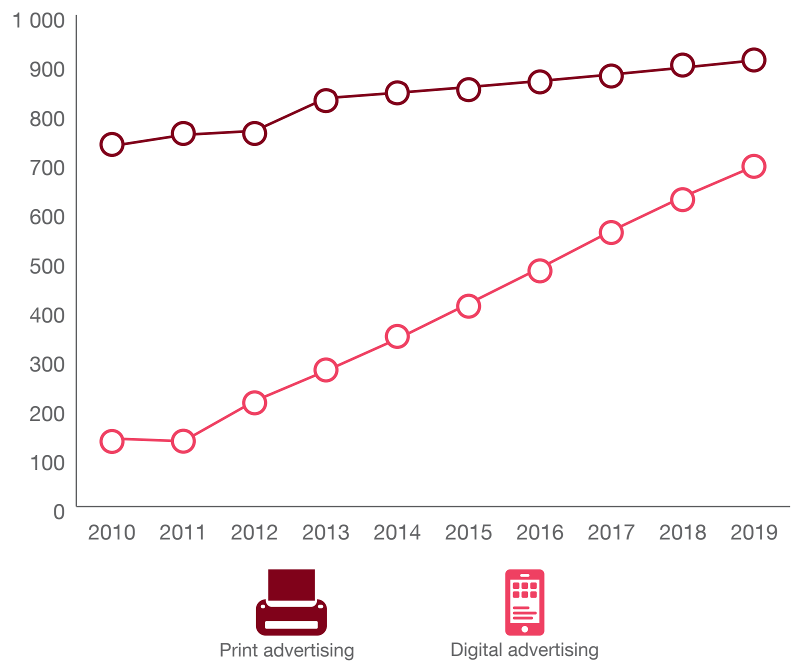
Increasingly, people demand information on the move, which is providing new opportunities for data analytics as well as advertisers with more tailored and individualised promotions. But with reliable and affordable Internet access still not a given, many in South Africa will continue to use print sources to access information, as witnessed by the relative resilience of the country's newspaper industry, in comparison to those in Europe and North America.

Some 71% of directory advertising revenues were attributable to print editions in South Africa in 2014. While print will remain larger than digital in 2019, the shift will be significant with just 57% of revenues attributable to print at this time. Digital directory revenues will grow at a 15.2% CAGR to reach R692 million in 2019 (43% of the South African directories market), compared with R341 million (29%) in 2014.

The mix of print and digital will change considerably for trade directories

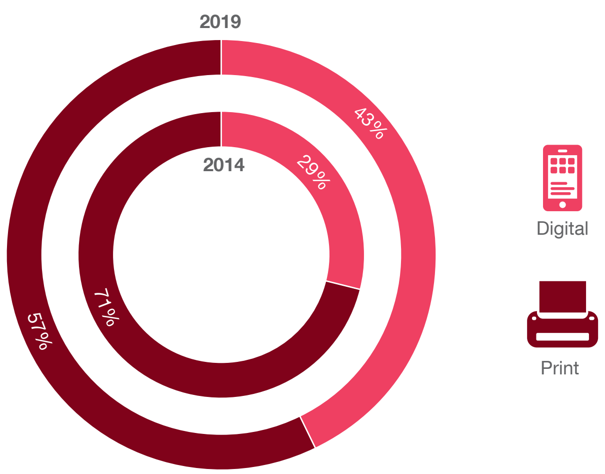
Growth in both print and digital advertising revenues will see the segment reach R1.6 billion in 2019

Fig 4. Directories revenue, 2010-2019 (R millions)



Source: PwC, Ovum

Fig 5. Directory revenue, print vs digital, 2014 vs 2019 (%)



Source: PwC, Ovum

The changing landscape of directories is highlighted by the launch of *Awesome South Africa* in early 2015, an app that promotes businesses across the country. Beyond a conventional directory, it enables vendors to communicate real-time promotions, news and events to a broad range of people. Users can utilise GPS to search for businesses within a set radius. The app works on a subscription basis for businesses rather than taking a commission from each booking.

South African publisher Trudon produces the *Yellow Pages, White Pages* and *Phone Book*. Its publications are still delivered to hundreds of thousands of households in print edition, but the company has gradually enhanced its digital presence. The *Yellow Pages* also offers apps for connected devices, with integrated maps, the ability to build a user profile and GPS navigation.

Trudon has maintained innovation, launching *HereNow*, a site to keep users up-to-date with entertainment in their city, in 2013. In 2014 Trudon launched *Kompare*, designed to compare prices and sources of relevant information for making purchasing decisions, providing competition for Naspers' PriceCheck service, which launched in 2006.

Trudon offers a *Yellow Pages* Live Facebook Chat Application based on the JamiiX platform and MXit ClickFind chat solutions. It has also formed a partnership with Google and sells Google's Adwords to its customers, meaning clients can display their advertisement when consumers are searching for the products or services that they offer. Trudon is able to suggest key search terms to businesses and even create websites for clients.

Digitisation is changing the market

Trade magazine revenues to pass R1 billion over the forecast period

Trade magazines

Trade magazine revenues are forecast to grow at a 4.8% CAGR to reach R1.1 billion in 2019, compared to R844 million in 2014. Circulation revenues will grow at a stronger 7.6% CAGR to reach R280 million in 2019, although advertising revenues will still dominate 74% of the total at this time. Advertising revenues reached a new peak of R650 million in 2014.

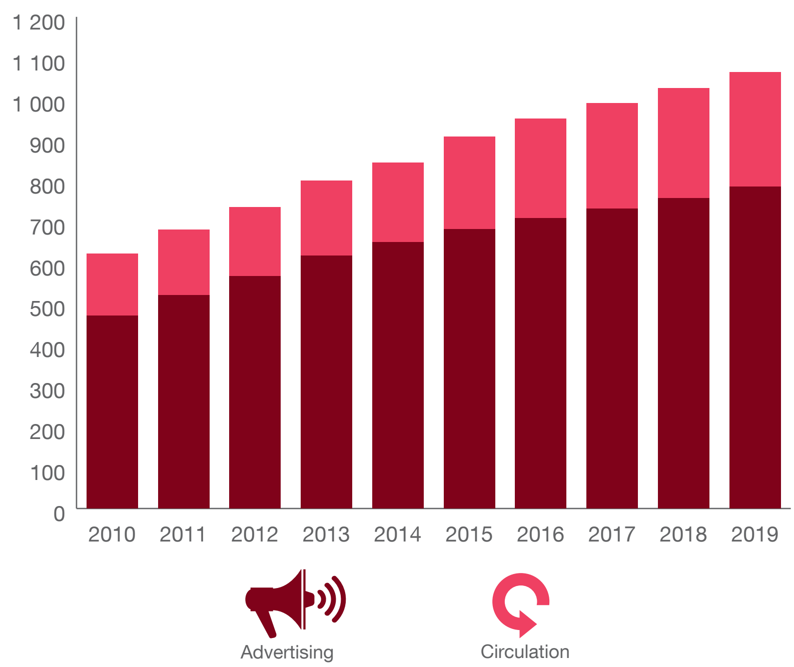
While print editions still dominate with 91% of advertising revenues in 2014, digitisation is changing the market and this will decline to 64% in 2019. Indeed, print trade magazine advertising revenues will be the only sub-segment to decline over the forecast period, at a CAGR of -3.1%.

Meanwhile, digital advertising revenues will expand at over 36% CAGR to reach R281 million in 2019, compared with just R60 million in 2014. The appeal of a wider audience and live links in digital editions to drive website traffic is a strong motivation for advertisers.

South Africa has more than 600 trade magazines. The leading titles include *BigNews*, *Landbouweekblad, Accountancy SA*, *Entrepreneur*, *Finweek* and the *Financial Mail*.

The Audit Bureau of Circulations of South Africa (ABC) reported that trade magazine circulation has remained roughly unchanged among its members, at 1.2 million during 2013 and 2014. However, the majority of these titles are distributed free and rely heavily on advertising revenues, which makes them more susceptible to macroeconomic isruptions.

Fig 6. Trade magazine revenues, 2010-2019 (R millions)



Source: PwC, Ovum

The largest-circulating business magazine in 2014 was *Real Estate Investor* (monthly) with 21 957 readers, followed by *Financial Mail* (weekly) with 19 901 readers. *Business Brief* (monthly), with a circulation of 22 356 units in 2014, was the largest paid-for business magazine title in South Africa. Reflecting a trend across many trade magazines in South Africa, *Business Brief* changed its business model to reflect the shift in reader preferences towards digitised content. Investment in digital editions has brought the addition of enriched media such as video and audio files, while live links to websites provide extra information and benefit advertisers with increased traffic.

ABC reported that *Business Traveller Africa* saw a 4% increase in circulation in 2014, reaching 7 169 units.

A series of postal strikes in South Africa has disrupted the print market. The South African postal workers strike lasted nearly four months in 2014, but further action remains an ongoing possibility in 2015. The lack of a reliable distribution system and the ease of downloading digital editions is likely to accelerate the trend towards digitisation.

Modest growth in professional book revenues as print loyalty remains

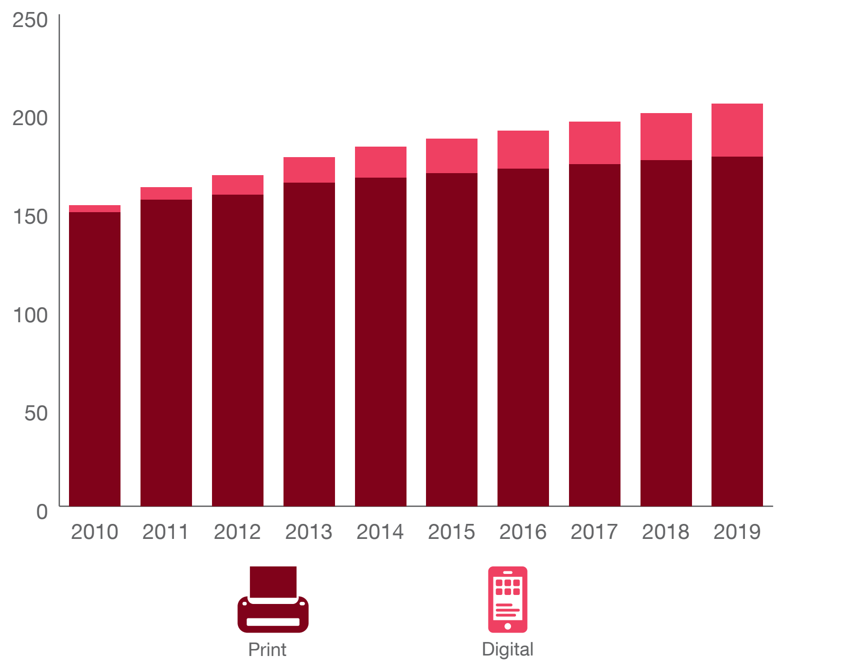
Professional books

Professional books represent the smallest B2B segment in South Africa at just 2% of total B2B revenues in 2014. Despite an estimated CAGR of 2.3%, by 2019 this segment will represent just 1.7% of total B2B revenues, at R205 million.

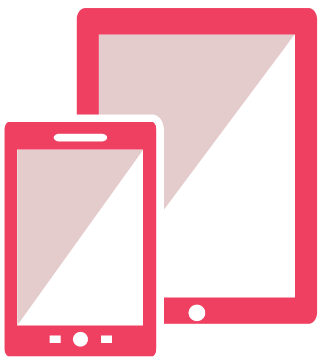
Despite the increasing penetration of tablets and e-readers and the ease of downloading books, customers have remained loyal to the print format. This is partly due to the expense of some publications and the strength of the resale market. In 2014, some 91% of revenues were attributable to print publications. While the e-book market will grow at an 11.5% CAGR to reach R27 million in 2019, printed professional books will still dominate 87% of revenues.

Customers will remain loyal to print in professional books

Fig 7. Professional book revenues, 2010-2019 (R millions)



Source: PwC, Ovum



Soaring mobile Internet and tablet penetration will boost consumer interaction and research opportunities

With South African mobile Internet penetration forecast to rise from 37% in 2014 to 69% in 2019, and tablet penetration experiencing a similar upward surge, these trends will continue to provide growth potential in the B2B segment.

Such interactivity will provide new research opportunities for business, with increasingly large volumes of location- and time-specific information available. People are keen to access information on the move, with up-to-date directory information available on connected devices and trade publications downloaded to tablets and e-readers. The company Money For Jam, for example, pays participants for market research such as survey completion or product location, encouraging more consumers and businesses to engage and provide more timely information.

New consumer markets will also be created as increasing numbers of products and services utilise the Internet. This will require further market research to gauge the most effective investment in the Internet of Things. Connected devices may be used to control a wide range of appliances remotely, while businesses can build brand recognition and interaction with customers through time- and location-specific offers and links to websites.

Investment in business information will continue to grow in the long term, as firms manage ever-wider pools of data and analyse how to gain an edge in a dynamic consumer market.

Overall, South Africa's B2B sector, fuelled by wider macro-economic growth and interest from both local and foreign investors, is set to grow at a CAGR of 5.5%, generating revenue of R12 billion in 2019. Business information will remain the largest segment of this, as companies seek the intelligence and insight needed to thrive in the local market.

And despite the popularity elsewhere of digital content and services, trade shows that allow face-to-face interaction and networking will also remain very popular, served by large convention centres in South Africa's main cities. In the world of printed B2B information, while digital is growing in importance, printed information (including directories) will remain a popular option in South Africa into the next decade.

Investment in business information will continue to grow in the long-term as firms manage ever-wider pools of data and analyse how to gain an edge in a dynamic consumer market

Nigeria


Jones Industrial Aver... 17,402.84
-1.21% -212.33
S&P 500
INDEXSP:.INX
2,084.07
-0.96% -20.11
NASDAQ Composite
INDEXNASDAQ:.IXIC
5,036.79
-1.27% -65.01
SSE Composite Index
SHA:000001
3,886.32
-1.06% -41.59
Nikkei 225
INDEXNIKKEI:NI225
20,392.77
-1.58% -327.98
HANG SENG INDEX
INDEXHANGSENG:HSI
23,901.81
-2.43% -596.40
TSEC weighted index
TPE:TAIEX
8,283.38
-1.32% -110.76
FTSE 100
6,564.48
-1.5% -100.06
9:58 AM

Nigeria's B2B market will grow at a 6.7% CAGR to pass US$30 million

Business-to-business revenues, 2010-2019 (US$ millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Business information	**2.3**	**2.5**	**2.8**	**2.9**	**3.1**	**3.4**	**3.7**	**3.8**	**4.0**	**4.3**	**6.4%**
Financial	0.8	0.8	0.9	0.9	1.0	1.1	1.2	1.2	1.3	1.4	7.0%
Industry	0.7	0.8	0.9	0.9	1.0	1.1	1.2	1.2	1.3	1.4	6.0%
Marketing	0.8	0.9	1.0	1.1	1.1	1.2	1.3	1.4	1.4	1.5	6.1%
Directories	**0.4**	**0.5**	**0.5**	**0.7**	**0.7**	**0.7**	**0.9**	**0.9**	**1.1**	**1.1**	**10.0%**
Print	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.7	0.7	6.6%
Digital	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	19.7%
Professional books	**2.9**	**3.1**	**3.3**	**3.5**	**3.8**	**4.0**	**4.1**	**4.1**	**4.3**	**4.4**	**2.8%**
Print	2.8	3.0	3.1	3.3	3.5	3.6	3.7	3.7	3.8	3.8	1.9%
Digital	*	0.1	0.2	0.2	0.3	0.4	0.4	0.4	0.5	0.6	11.6%
Trade magazine advertising	**3.0**	**2.9**	**3.1**	**2.9**	**2.8**	**2.7**	**2.5**	**2.2**	**1.8**	**1.4**	**-13.3%**
Print	3.0	2.9	3.1	2.9	2.8	2.7	2.5	2.2	1.8	1.4	-13.3%
Digital	*	*	*	*	*	*	*	*	*	*	*
Trade magazine circulation	**8.5**	**8.5**	**8.6**	**9.4**	**10.1**	**10.9**	**11.8**	**12.9**	**14.1**	**15.5**	**8.9%**
Print	8.5	8.5	8.6	9.4	10.1	10.9	11.8	12.9	14.1	15.5	8.9%
Digital	*	*	*	*	*	*	*	*	*	*	*
Trade shows	**0.2**	**0.2**	**0.2**	**0.9**	**1.6**	**1.9**	**2.3**	**2.8**	**3.4**	**4.0**	**19.7%**
Consumer spend	13.7	14.2	14.7	15.8	17.1	18.3	19.6	20.8	22.4	24.2	7.2%
YOY growth (%)		*3.9%*	*3.1%*	*8.9%*	*7.1%*	*6.9%*	*6.7%*	*7.1%*	*7.7%*	*7.6%*	
Advertising spend	3.6	3.6	3.8	4.5	5.1	5.3	5.7	5.9	6.3	6.5	4.8%
YOY growth (%)		*0.5%*	*6.2%*	*16.7%*	*16.5%*	*4.9%*	*4.8%*	*4.8%*	*5.7%*	*3.6%*	
Total	**17.2**	**17.8**	**18.5**	**20.3**	**22.2**	**23.6**	**25.3**	**26.7**	**28.7**	**30.7**	**6.7%**
YOY growth (%)		***3.2%***	***3.7%***	***10.5%***	***9.1%***	***6.4%***	***6.3%***	***6.6%***	***7.3%***	***6.7%***	

Note: 2010-2014 figures have been updated to reflect most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

Growth outlook

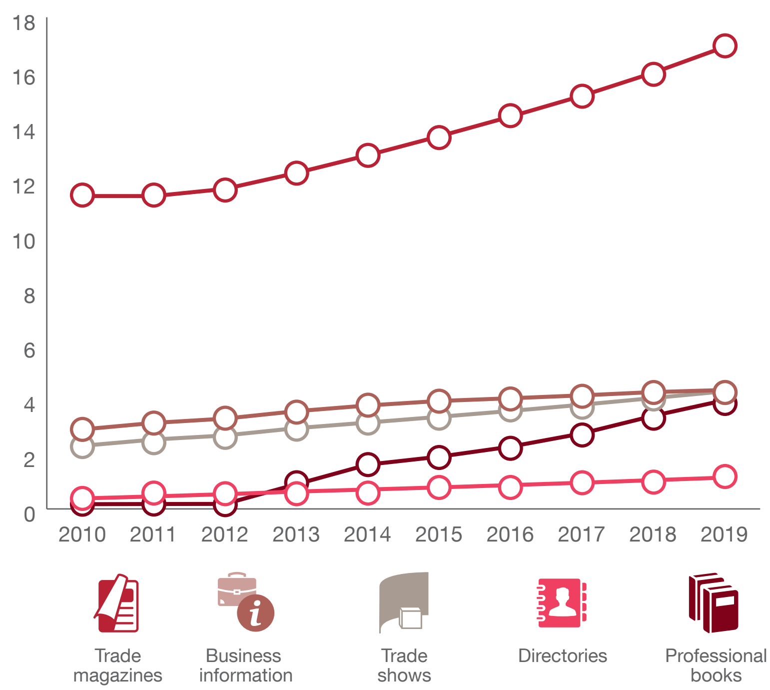
The Nigerian B2B market was worth US$22.2 million in 2014, up 9.1% on 2013. While growth rates will not be sustained at this level, the sector will expand at an estimated 6.7% CAGR to reach US$30.7 million in 2019. This will be supported by real economic growth of 7.0% CAGR over the next five years.

The growth in B2B revenue is being driven by growth in Nigeria's economy, the need for businesses to compete more effectively for a share of growing consumer expenditure and the growing need for market intelligence to inform strategic decision-making.

Nigeria goes against the trends set by more developed markets, with business information accounting for just 14.4% of total B2B revenues in 2014. Some 58.1% of revenues were attributable to the trade magazine segment and while this dominance will decline over the forecast period, it will still produce over half of industry revenues at 55% in 2019, or US$16.9 million.

Nigeria's B2B market boosted by dominant trade magazine segment

Fig 8. B2B revenues by segment, 2010-2019 (US$ millions)



Source: PwC, Ovum

Trade magazines

Growth in the trade magazine segment is more impressive given the decline in advertising revenues. Trade magazine advertising revenues peaked at US$3 million in 2010, but slipped to US$2.8 million by 2014. The trend is set to accelerate, contracting at a CAGR of -13.3% to reach just US$1.4 million in 2019.

Online trade magazine circulation is hampered by the absence of clear digitisation policy and weak security infrastructure to prevent copyright infringements. There is reluctance among both local and international publishers to digitise their content or make digital content available in Nigeria.

Few workable models for managing lending rights and ensuring that digital and online content is secure from illegal distribution exist. For example, digital subscriptions for *Harvard Business Review* are not available in Nigeria. Digital security also presents a big challenge for professional book publishers as photocopying and piracy of books (as well as audio and video discs) is widespread.

The losses in advertising revenue will be offset by gains in circulation revenues, which will grow at an 8.9% CAGR to reach US$15.5 million in 2019, compared with US$10.1 million in 2014. Circulation revenues will account for 92% of trade magazine revenues in 2019.

The growth in B2B revenue is driven by the strong growth of Nigeria's economy, the need for business to compete more effectively for a share of growing expenditure and the growing need for market intelligence for strategic decision making.

One reason for the decline in advertising is the absence of digital editions, which would bring new opportunities to advertisers with increased consumer engagement and drive website traffic with live links.

Digital development is held back by the lack of suitable infrastructure: much of Nigeria is hindered by an unreliable electricity supply, while in 2014, mobile Internet subscribers accounted for just 7% of Nigeria's population. Although this will rise to 31% in 2019, the country will still have one of the lowest rates of Internet subscriber penetration in the region.

In the *Doing Business 2015* rankings published by the World Bank in conjunction with the International Finance Corporation, Nigeria was ranked 170th (out of 189 nations) for ease of doing business, up from 175th a year earlier. However, the ranking for reliable electricity supply slipped to 187th.

Just 3% of total B2B revenues were attributable to digital in 2014, and while segments will continue to adopt new technology, this will expand to just 4% of total revenues in 2019.

Directories and professional books

Some digital progress is evident in other segments, with a 19.7% CAGR expected in digital directory advertising revenues. This has the benefit of providing real-time updates and location-specific data. Print directory advertising revenues are also growing and will reach an estimated US$0.7 million by 2019, accounting for 64% of total directory advertising revenues. There is loyalty to the print format in the professional books segment too. Although digital editions accounted for 8% of revenues in 2014, this will rise to 14% in 2019.

Business information

The business information sector is growing in importance and the world's major players have an interest in the market. Ipsos Mori, Nielsen and GfK all have offices in Lagos, while Kantar Worldpanel expanded into Nigeria in February 2014 through an alliance with TNS RMS. Nigeria has the largest population in Africa and the biggest economy, making it attractive for business research despite the infrastructural problems.

Total business information revenue is set to increase at a CAGR of 6.4% to reach US$4.3 million in 2019, driven by the demand for business intelligence and data analytics. Businesses, especially those in the financial services and telecoms industries, are seeking greater transparency, better understanding of their customers' behaviours and improved performance monitoring to enable more responsive decision-making.

The demand for market intelligence has spurred the development of market research through local companies such as Agusto & Co, BGL Group, international companies like Oxford Business Group, Nielsen and newspaper publishers such as *BusinessDay*. Local market intelligence is primarily available in print form for a one-time or subscription fee.

Trade shows

Trade shows in Nigeria in 2015 include the construction industry's *ConMach Nigeria* in March, *Pharma Manufacturers Nigeria Expo* in September, *Lagos International Trade Fair* and the *Alternative Energy Expo* in October. All four events will take place in Lagos.

Technology trade show *Your Tech Live* debuted in South Africa in May 2015 and has plans for expansion across Africa, with Nigeria initially expected to host an event in 2017. However, this remains dependent on suitable premises.

The Eko International Expo Centre is Lagos is the most prominent venue and can cater for 2 000 delegates, while the Radisson Blu Anchorage Hotel has six meeting rooms accommodating up to 110 persons each. The lack of suitable premises for large-scale exhibitions will remain an impediment to strong growth in the trade shows segment, while levels of corruption, political instability and poor infrastructure and transport means considerable progress is necessary before more companies are attracted to exhibitions in Nigeria.

Total business information revenue is set to increase at a CAGR of 6.4% to reach US$4.3 million in 2019


sensing
dynamic
marketing
capabilities
inspiring
unlearning
PWC
partnering
curiosity
embedding
acknowledging
experimenting
sense-making
humility
mysteries
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One

Kenya

Kenya's B2B market will grow at a 9.6% CAGR over the next five years

Business-to-business revenues, 2010-2019 (US$ millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Business information	**1.9**	**1.9**	**2.3**	**2.8**	**3.2**	**3.6**	**3.9**	**4.3**	**4.7**	**5.0**	**9.8%**
Financial	0.6	0.6	0.7	0.9	1.0	1.1	1.1	1.2	1.3	1.3	6.2%
Industry	0.6	0.6	0.7	0.9	1.0	1.1	1.2	1.3	1.4	1.4	7.3%
Marketing	0.7	0.7	0.9	1.0	1.2	1.4	1.6	1.8	2.0	2.3	14.2%
Directories	**0.6**	**0.9**	**1.0**	**1.3**	**1.4**	**1.6**	**1.8**	**1.9**	**2.0**	**2.2**	**8.4%**
Print	0.5	0.8	0.8	1.0	1.0	1.1	1.2	1.3	1.3	1.4	6.1%
Digital	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.6	0.7	0.8	13.6%
Professional books	**1.3**	**1.4**	**1.6**	**1.6**	**1.7**	**1.8**	**1.9**	**1.9**	**2.0**	**2.0**	**3.4%**
Print	1.3	1.4	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	2.5%
Digital	*	*	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	11.4%
Trade magazine advertising	**1.0**	**1.3**	**1.3**	**1.4**	**1.4**	**1.5**	**1.5**	**1.5**	**1.4**	**1.3**	**-2.0%**
Print	1.0	1.3	1.3	1.4	1.4	1.5	1.5	1.5	1.4	1.3	-2.0%
Digital	*	*	*	*	*	*	*	*	*	*	*
Trade magazine circulation	**2.2**	**2.2**	**2.2**	**2.6**	**2.9**	**3.2**	**3.6**	**4.1**	**4.6**	**5.2**	**12.5%**
Print	2.2	2.2	2.2	2.6	2.9	3.2	3.6	4.1	4.6	5.2	12.5%
Digital	*	*	*	*	*	*	*	*	*	*	*
Trade shows	**0.1**	**0.1**	**0.2**	**0.4**	**0.6**	**0.7**	**0.9**	**1.2**	**1.6**	**2.0**	**28.0%**
Consumer spend	5.4	5.5	6.1	7.0	7.8	8.6	9.4	10.3	11.3	12.2	9.6%
YOY growth (%)		*3.8%*	*8.9%*	*15.5%*	*10.2%*	*9.7%*	*9.6%*	*9.4%*	*9.7%*	*9.5%*	
Advertising spend	1.7	2.3	2.5	3.1	3.4	3.8	4.2	4.6	5.0	5.5	9.5%
YOY growth (%)		*35.6%*	*10.9%*	*20.4%*	*13.4%*	*10.1%*	*9.7%*	*9.3%*	*8.5%*	*10.1%*	
Total	**7.1**	**7.8**	**8.6**	**10.1**	**11.2**	**12.4**	**13.6**	**14.9**	**16.3**	**17.7**	**9.6%**
YOY growth (%)		***11.4%***	***9.5%***	***16.9%***	***11.2%***	***9.8%***	***9.6%***	***9.4%***	***9.3%***	***9.7%***	

Note: 2010-2014 figures have been updated to reflect most recently available financial information.
*less than US$100 000
Source: PwC, Ovum

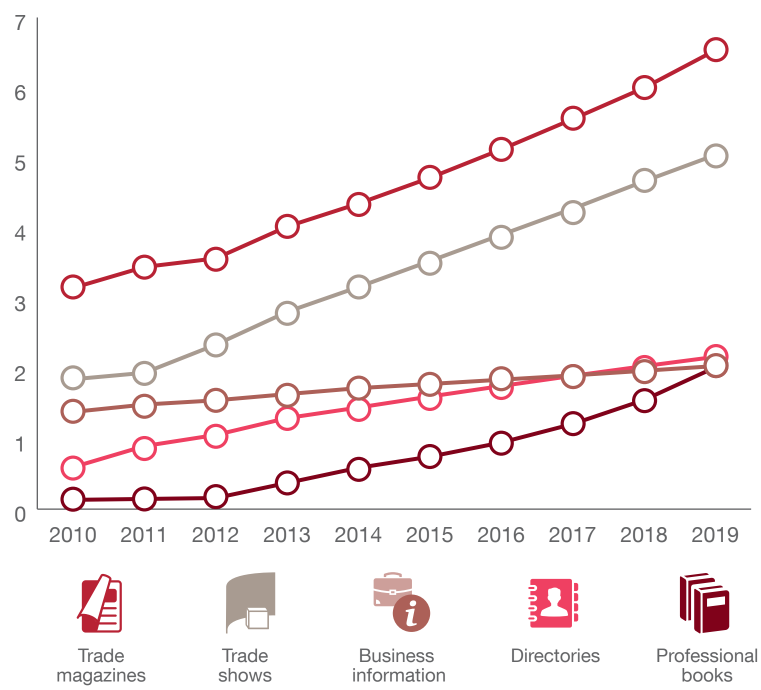
Growth outlook

The Kenyan B2B market will grow at an estimated 9.6% CAGR to reach US$17.7 million in 2019, compared with US$11.2 million in 2014. This will be supported by real economic growth of 6.4% CAGR to 2019, with consumer confidence and business investment rising.

Kenya has a growing middle class with increasing disposable income, which is boosting the B2B sector. Improved business information and market research is required for companies to understand the changing dynamics of the population and their spending patterns, while more business start-ups will increase demand for trade publications and directories.

Kenya's strong B2B growth underpinned by trade magazines and business information

Fig 9. B2B revenues by segment, 2010-2019 (US$ millions)



Source: PwC, Ovum

Trade magazines

Unlike more developed B2B markets, the trade magazine segment dominates, taking 38% of total revenues in 2014 at US$4.3 million. Although the segment will grow at an 8.5% CAGR to reach US$6.5 million in 2019, it will account for a slightly smaller 36.5% of the total.

Despite strong growth in the segment, advertising revenues are set to decline by a CAGR of -2.0% to US$1.3 million in 2019, compared with US$1.4 million in 2014. Circulation revenues continue to offset this loss, growing at a 12.5% CAGR to reach a new peak of US$5.2 million in 2019. Some 67% of revenues were attributable to circulation in 2014, but the decline in advertising will see this reach 80% in 2019.

The advertising decline is not helped by the lack of digital editions, which would bring new opportunities for advertisers through increased consumer engagement that would drive website traffic with live links. A lack of infrastructure, including low broadband penetration and unreliable electricity supplies, limits the potential for developing digital content in the medium term. Circulation revenues will remain 100% print based in 2019.

Directories

There is some digital presence in the Kenyan B2B sector, with 4.4% of total revenues attributable to digital in 2014, rising to 5.6% by 2019. In the directory segment, 29% of advertising revenues were attributable to digital directories in 2014, growing to 36% in 2019.

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.

However, loyalty to print directories will remain with an estimated CAGR of 6.1% producing revenues of US$1.4 million in 2019. In the professional books segment, despite e-reader penetration being relatively low, 6% of revenues were attributable to digital editions. This will reach 10%, or US$0.2 million, in 2019.

Business information

Business information is the second-largest segment, accounting for 28% of revenues in 2014, or US$3.2 million. It is forecast to grow by a CAGR of 9.8% to reach US$5.0 million in 2019. The segment is benefitting from increased international interest in Kenya as an investment destination, given its location and strong economic growth.

The world's major players have an interest in the Kenyan market. Ipsos Mori, Nielsen and GfK all have offices in Nairobi, while Kantar Worldpanel expanded into Kenya in February 2014 through an alliance with TNS RMS. This was an entirely new panel set up to help FMCG (fast-moving consumer goods) brands find growth sources in Kenya, with detailed information on consumer behaviour by region, social class and household size.

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.

In the *Doing Business 2015* rankings published by the World Bank in conjunction with the International Finance Corporation, Kenya was ranked 136th in terms of doing business, up from 137th in 2014 (out 189 nations). Infrastructure remains an impediment to B2B development, with Kenya ranked 143rd for starting a business and 151st for reliable electricity supply.

Trade shows

The trade show segment accounted for just 5.3% of B2B revenues in 2014, but is set to be the fastest growing segment with a CAGR of 28% producing estimated revenues of US$2.0 million in 2019, representing 11.2% of total revenues.

The Kenyatta International Conference Centre in Nairobi's business district is the main destination for exhibitions in Kenya, with over 9 290m^2 of exhibition space. Popular events held in 2015 include the *18th Kenya International Trade Exhibition* in May, *Med Expo International Trade Fair Africa*, also in May, the *2nd International Fashion Fair* in August, and the *10th World Trade Organization Ministerial Conference* in December.

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.

In September 2015, *The Oil and Gas Africa* event will bring together scientists, engineers, environmentalists, technocrats and entrepreneurs in the oil sector in South Africa. Following the discovery of large oil reserves in Kenya, there are plans for this event to be held in Kenya in 2016. Technology expo Your Tech Live takes place in South Africa in 2015 and has plans to launch in Kenya in 2016.

The trade show segment accounted for just 5.3% of B2B revenues in 2014, but is set to be the fastest growing segment with a CAGR of 28%

Global trends in B2B publishing

The following is extracted from PwC's *Global Entertainment & Media Outlook 2015-2019*

Business-to-business revenues, 2010-2019 (US$ millions)

	Historical data					Forecast data					CAGR %
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014-19
Business information	**82 402**	**86 873**	**89 627**	**94 899**	**98 737**	**103 096**	**107 983**	**113 463**	**119 620**	**126 592**	**5.1%**
Financial	29 699	31 257	32 230	34 211	35 621	37 273	39 170	41 339	43 822	46 690	5.6%
Industry	26 059	27 534	28 515	30 322	31 688	33 189	34 862	36 760	38 905	41 332	5.5%
Marketing	26 644	28 082	28 882	30 366	31 428	32 634	33 951	35 364	36 893	38 570	4.2%
Directories	**26 036**	**24 367**	**23 033**	**22 302**	**21 767**	**21 407**	**21 174**	**21 029**	**20 951**	**20 912**	**-0.8%**
Print	19 755	17 093	14 682	12 619	10 967	9 542	8 315	7 258	6 350	5 589	-12.6%
Digital	6 281	7 274	8 351	9 683	10 800	11 865	12 859	13 771	14 601	15 323	7.2%
Professional books	**21 134**	**21 377**	**21 709**	**21 953**	**22 397**	**22 543**	**22 817**	**23 147**	**23 693**	**24 269**	**1.6%**
Print	18 982	18 739	18 369	17 875	17 503	17 119	16 797	16 446	16 097	15 738	-2.1%
Digital	2 152	2 638	3 340	4 078	4 894	5 424	6 020	6 701	7 596	8 531	11.8%
Trade magazine advertising	**11 092**	**11 405**	**11 720**	**11 815**	**11 957**	**12 111**	**12 232**	**12 333**	**12 419**	**12 481**	**0.9%**
Print	9 923	9 524	9 184	8 883	8 621	8 334	7 994	7 621	7 216	6 785	-4.7%
Digital	1 169	1 881	2 536	2 932	3 336	3 777	4 238	4 712	5 203	5 696	11.3%
Trade magazine circulation	**8 150**	**7 821**	**7 519**	**7 252**	**7 252**	**7 379**	**7 585**	**7 811**	**8 006**	**8 165**	**2.4%**
Print	8 128	7 782	7 355	6 920	6 669	6 446	6 261	6 103	5 967	5 858	-2.6%
Digital	22	39	164	332	583	933	1 324	1 708	2 039	2 307	31.7%
Trade shows	**27 050**	**27 679**	**29 189**	**30 546**	**31 832**	**33 242**	**34 739**	**36 356**	**38 101**	**39 992**	**4.7%**
Consumer spend	111 686	116 071	118 855	124 104	128 386	133 018	138 385	144 421	151 319	159 026	4.4%
YOY growth (%)		*3.9%*	*2.4%*	*4.4%*	*3.4%*	*3.6%*	*4.0%*	*4.4%*	*4.8%*	*5.1%*	
Advertising spend	64 178	63 451	63 942	64 663	65 556	66 760	68 145	69 718	71 471	73 385	2.3%
YOY growth (%)		*-1.1%*	*0.8%*	*1.1%*	*1.4%*	*1.8%*	*2.1%*	*2.3%*	*2.5%*	*2.7%*	
Total	**175 864**	**179 522**	**182 797**	**188767**	**193 942**	**199 778**	**206 530**	**214 139**	**222 790**	**232 411**	**3.7%**
YOY growth (%)		***2.1%***	***1.8%***	***3.3%***	***2.7%***	***3.0%***	***3.4%***	***3.7%***	***4.0%***	***4.3%***	

Source: PwC, Ovum

The global B2B market will grow at a 3.7% CAGR to 2019

Global total B2B revenue is forecast to reach US$232.4 billion in 2019, rising from US$193.9 billion in 2014. This will be fuelled by the US, which will account for 44.7% of global total B2B revenue in 2019. China, India and Indonesia will all see notable growth, rising at CAGRs of 6.1%, 7.2% and 8.4% respectively.

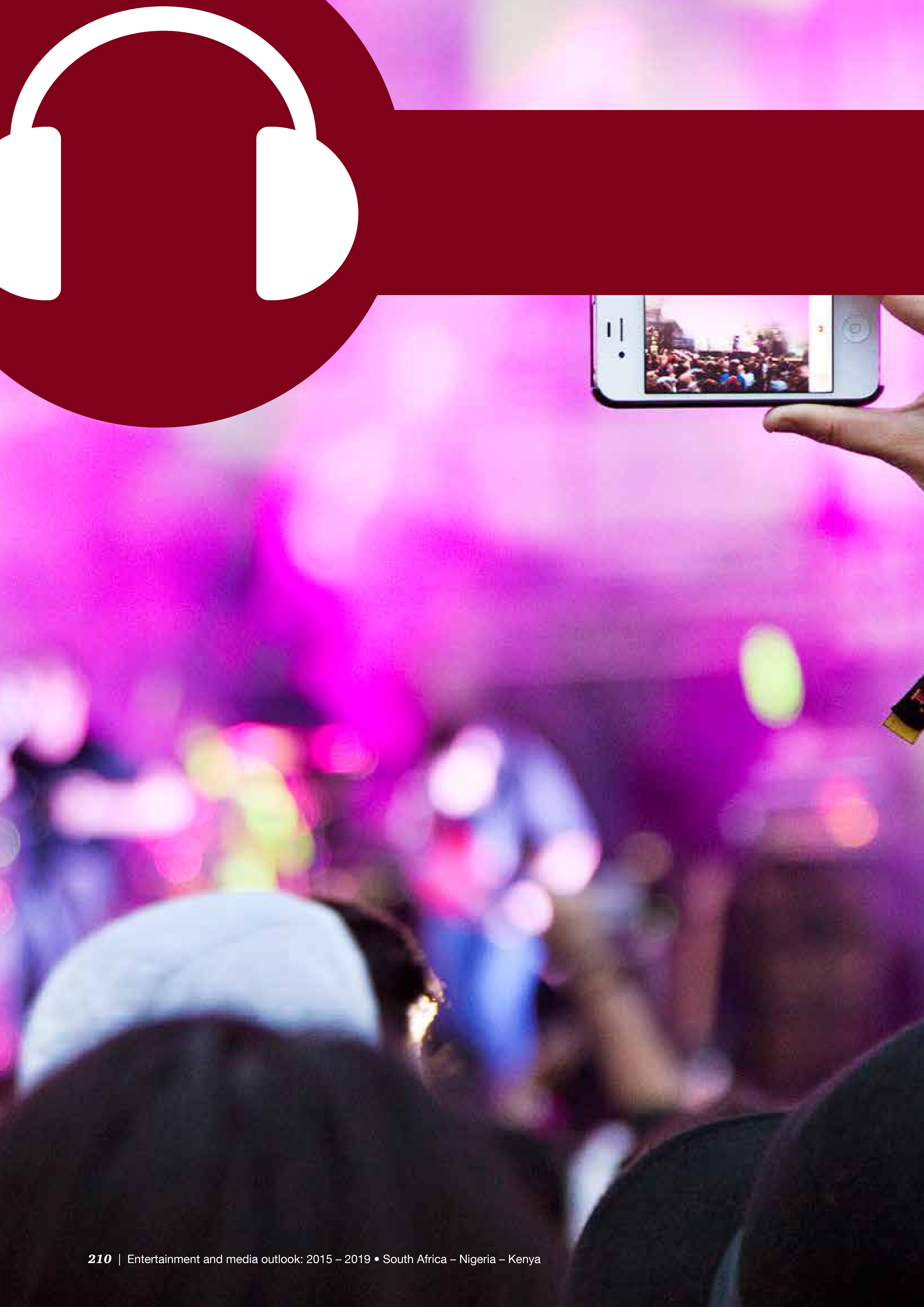
Global total business information revenue will reach US$126.6 billion in 2019, from US$98.7 billion in 2014. The increased volume and complexity of data produced by social media platforms, online surveys and smartphone usage is driving investment in big data analytics as firms try to turn information into actionable strategy.

Global total directory advertising revenue will fall at a -0.8% CAGR to US$20.9 billion in 2019, from US$21.8 billion in 2014, as advertisers continue to abandon print editions and digital growth fails to compensate. Nevertheless, a year-on-year fall of just -0.2% in 2019 points to a return to growth beyond the forecast period.

Taken as a whole, the digital elements of total directory advertising revenue, total trade magazine revenue and total professional books revenue will almost reach parity with their print equivalents in 2019, a rise of more than 17 percentage points from 2014. Digital versions offer wider coverage at a lower cost for businesses, with print markets experiencing a decline as a result. However, only directory advertising will have majority digital revenue in 2019.

The continued demand for face-to-face interaction, debate and networking will see overall attendance at trade shows expand strongly. Widespread investment in expanding venue capacity will push global trade shows revenue to US$40.0 billion by 2019, up from US$31.8 billion in 2014 at a 4.7% CAGR.

Businesses and consumers alike require information on the move, while digital publications and social media provide increased interaction and brand-building potential. Global mobile Internet penetration is forecast to rise from 35.1% in 2014 to 58.5% in 2019, while tablet penetration will surge upwards from 7.4% to 24.4% over the same period; a trend that will provide growth potential in the B2B segment.



Music

At a glance

An increase in live music and digital revenues is unable to compensate for declining spending on physical formats. The music market therefore continued to see a decline in total revenues, with total music income down 3.3% year-on-year in 2014. The music market was worth R2.01 billion in 2014, compared to R2.08 billion in 2013. Annual revenue is expected to rise at a modest 1.3% CAGR over the next five years and will total an estimated R2.1 billion in 2019.

Digital will account for the majority of spending on recorded music in 2019. Spending on digital music formats and access services will rise at an estimated CAGR of 9.3% in the next five years and total a forecast R309 million in 2019. Revenue from consumer spending on physical formats will stand at R302 million in 2019, less than half the revenue figure in 2014.

Sales of physical units in 2019 are expected to be 60% less than in 2014. The number of physical units sold will drop at a CAGR of 17% between 2015 and 2019, with unit sales forecast at just 3.9 million in 2019, almost one third of the 9.8 million figure in 2014.

Download sales will peak in 2015. Digital unit sales will rise at a CAGR of 2.4% to end 2019 at 12.8 million units. However, sales of downloads will peak in 2015 and fall away annually as consumers switch from ownership to access. Mobile formats provided over half of all digital trade revenue up to 2012. However, lower ringback tone and ringtone sales will reduce the share to just 14% in 2019.

The growth rates of recorded and live music continue to diverge. Consumer spending on live music overtook spending on recorded music in 2014, and the difference in fortunes for the two sectors will result in a widening of the gap in the next five years. Live music revenue will grow at a CAGR of 7.9% in the next five years, reaching R1.5 billion in 2019, up from R1.0 billion in 2014.

Healthy growth in music revenues in Nigeria. Nigeria experienced a 3.8% rise in total music revenue in 2014 to US$51 million, up from US$50 million in 2013, as digital music began to make a larger impact. Annual revenue is forecast to grow by an estimated CAGR of 11.3% to reach US$88 million in 2019.

Digital growth in Kenya will boost overall spending on recorded music. Kenya's total music revenue grew 2.7% in 2014 to US$20 million, largely from higher sales of digital music. Annual revenue is forecast to rise at a CAGR of 7.8% to reach US$29 million in 2019. Digital sales in Kenya will increase at a CAGR of 17.8% to reach US$21 million in 2019. The rise in digital sales will more than offset the drop in spending on physical formats.

Definitions

The music segment consists of consumer spending on recorded music, including recorded music in both physical and digital formats; live music played at concerts; and revenues from sponsorship of live music. It does not include revenues from merchandise or concessions at live music events. It includes both digital and non-digital revenue and revenue from both consumer and advertising spending.

As stated above, the recorded music component comprises both physical and digital formats:

- Physical recorded music covers any retail or online purchase of official physical albums (i.e. CDs), singles or music videos
- 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.
  - Downloads include revenues from any licensed recorded music downloaded via app stores or licensed services.
- Mobile music refers here 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 consists of 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 on 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, singles and paid-for music videos.

South Africa

The South African music market will rise at a CAGR of 1.3% in the next five years

Music revenues, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical	**1 430**	**1 263**	**1 139**	**953**	**769**	**639**	**536**	**450**	**376**	**302**	**-17.0%**
Digital	**83**	**87**	**86**	**152**	**199**	**236**	**249**	**268**	**289**	**309**	**9.3%**
Downloads	11	12	15	85	126	152	149	147	144	141	2.4%
Mobile	42	50	48	45	44	44	43	43	43	43	-0.4%
Streaming	30	25	23	22	29	40	57	78	102	125	33.7%
Total recorded music	**1 513**	**1 350**	**1 225**	**1 105**	**968**	**875**	**785**	**718**	**665**	**611**	**-8.8%**
Live music ticket sales	616	665	712	758	811	869	936	1 011	1 097	1 183	7.8%
Live music sponsorship	186	197	204	219	235	254	274	298	324	350	8.3%
Total live music	**802**	**862**	**916**	**977**	**1 046**	**1 123**	**1 210**	**1 309**	**1 421**	**1 533**	**7.9%**
Total music revenues	**2 315**	**2 212**	**2 141**	**2 082**	**2 014**	**1 998**	**1 995**	**2 027**	**2 086**	**2 144**	**1.3%**
YOY growth (%)		***-4.4%***	***-3.2%***	***-2.7%***	***-3.3%***	***-0.8%***	***-0.1%***	***1.6%***	***2.9%***	***2.8%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

South Africa's music market was worth R2.0 billion in 2014, down from the 2010 figure of R2.3 billion. Annual revenue is forecast to grow by a CAGR of 1.3% and will total an estimated R2.1 billion in 2019.

Although South Africa's close resemblance to Western markets has resulted in a relatively prosperous recorded music industry, the transition from physical to digital has, so far, led to some large contractions in consumer spending on music.

The rise in high-speed Internet access, coupled with telecoms operators' favourable mobile data subscription plans, has provided access to a wealth of unauthorised recorded music, and the local industry continues to battle to convince consumers to pay for what is widely available for free. Some have put the estimates of how much South African artists lose to piracy per year at as much as R500 million[1].

That said, digital music distribution continues to evolve, and spending on the different music formats and services is set to increase in the next five years.

1 Music industry loses R500m to piracy annually, The New Age, 4 May 2015

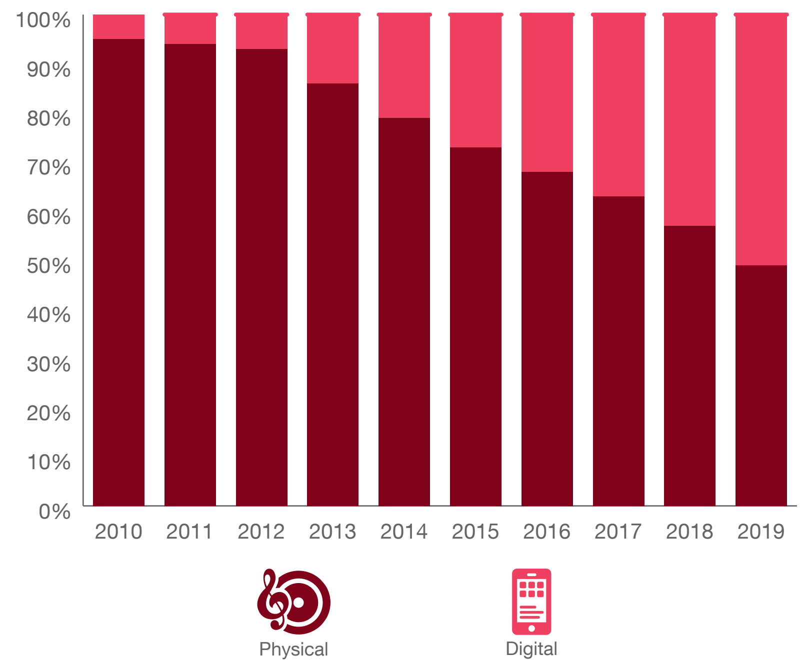
However, although the transition away from physical formats is gathering pace, growth in digital revenues will not fully compensate for the physical decline which will continue throughout the forecast period.

Retail spending on physical formats will continue to fall in the next five years to reach an expected R302 million in 2019, down from R769 million in 2014.

Retail spending on digital music formats and access services will rise at an estimated CAGR of 9.3% in the next five years and will total a forecast R309 million in 2019. Although digital gains will not make up for the physical decline, spending on digital will overtake spending on physical for the first time in 2019.

Retail spending on digital formats and services will overtake spending on physical formats in 2019

Fig 1. Recorded music retail sales by format share, 2010–2019 (%)



Source: PwC, Ovum

The number of physical unit sales will decrease at a CAGR of 17% in the next five years, with unit sales in 2019 expected to total just 4 million, less than half of the 10 million total in 2014. While South Africa is experiencing a similar resurgence of vinyl sales to the rest of the world, the rise will only marginally slow the rate of decline in physical format unit sales. Digital unit sales will rise at an estimated CAGR of 2.4% to end 2019 at 13 million units. Sales of downloads are expected to peak in 2015 and fall away annually as consumers switch from ownership to access models.

South African recorded music unit sales will fall at a CAGR of -4.7% in the next five years

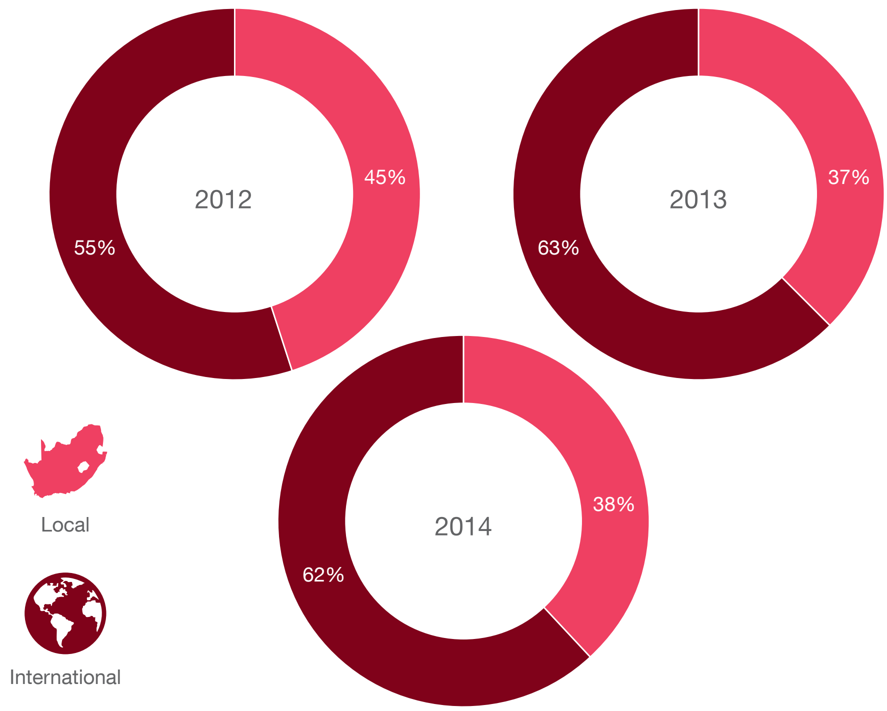
Recorded music unit sales, 2010–2019 (units million)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical	18	16	15	12	10	8	7	6	5	4	-17.0%
Digital	1	1	1	8	11	14	13	13	13	13	2.4%
Total	**19**	**17**	**16**	**20**	**21**	**22**	**20**	**19**	**18**	**17**	**-4.7%**

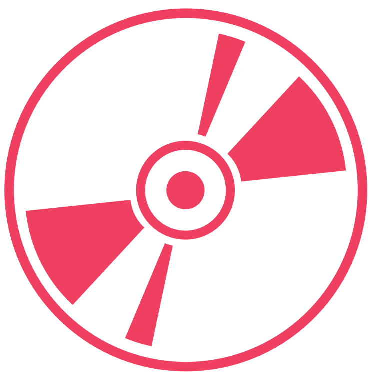
Source: PwC, Ovum

International repertoire accounted for the majority of physical recorded music trade sales in 2014

Fig 2. Physical recorded music trade sales by repertoire share, 2012–2014 (%)



Source: Recording Industry of South Africa



The international repertoire has slowly increased its share of physical recorded music unit sales

In the last few years, international repertoire has dominated recorded music sales. According to the trade body, the Recording Industry of South Africa (RISA), international repertoire accounted for 61.8% of the trade value of physical format sales, down slightly from 62.5% in 2013.

In unit terms, the difference between international and domestic repertoire is closer. According to RISA, international repertoire accounted for 55.2% of physical format unit sales, compared with 44.8% for local repertoire. The difference in the international share for trade value and units may be ascribed to the fact that releases by international artists are priced higher than releases by local artists.

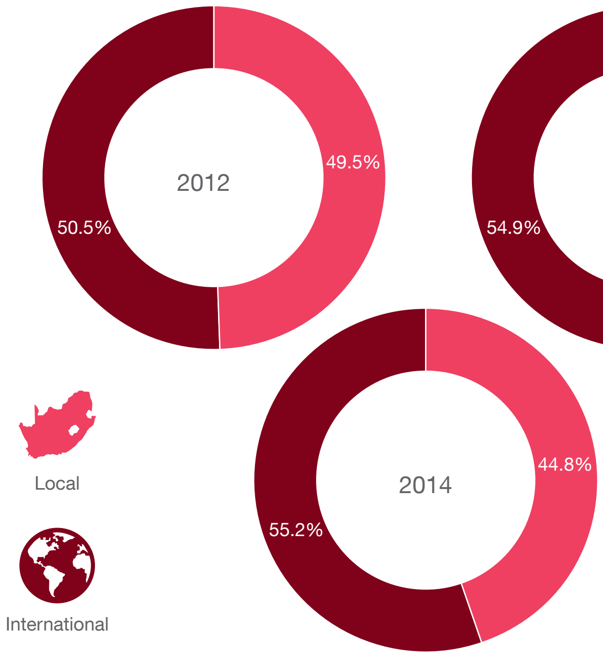
The above situation may change, as Parliament is considering tightening legislation and requiring radio stations to play more local music. A review of the local content policy, currently underway by the Department of Trade and Industry, may give greater airtime and visibility to local artists, which could in the future translate into the repertoire balance shifting in favour of South African artists[2].

Local repertoire is divided among ethnic groups and cities. In the black 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.

2 Local musicians need a lot more support, Parliament told THE STAR on 11 March 2015

Digital retail transition gathers pace

Fig 3. Physical recorded music unit sales by repertoire share, 2012–2014 (%)



Source: Recording Industry of South Africa

Despite the continued dominance of the CD album in South Africa, all future growth will come from digital formats and services, and so the focus of music retail is on all things digital. Inevitably, the demise of the CD album has resulted in the closure of many small independent brick-and-mortar music sellers, leaving just a single retail chain that is responsible for the majority of sales.

No precise data has been published regarding retail splits by store type, but specialist chain store Musica, which is part of the Clicks Group, is the market leader. In the twelve months to end August 2014, total turnover for the chain stood at R874 million, up marginally from R862 million in the preceding twelve months. During the financial year, two stores were closed, leaving 118 operating stores, and Clicks is closing a further five stores in the current financial year.

In its annual report, Clicks said Musica had increased its market share of CD sales in South Africa to more than 50%, compared with 46.2% in the previous financial year. For DVDs, its share rose to just over 33%, from almost 30%.

Because of relatively low Internet penetration, Musica's physical stores have faced limited competition from online retailers of CDs. Its main competitor is Takealot, which merged with online retailer Kalahari in January. The newly merged venture trades under the Takealot brand. Despite the majority of CD and music DVD sales now being made online, the Musica brand has transferred well from the high street to the Internet – but while it sells CDs and music videos online, it has remained absent from the digital sector. It is surprising that Musica has not yet entered the download or streaming sector, given its established brand awareness and the certainty regarding the future transition of music format sales.

Apple's rollout of the iTunes store at the end of 2012 proved there was an appetite for downloads, with retail sales of the format rising more than 450% year-on-year in the first full year of iTunes' operation. Other download stores are operating in the country too, most notably telecoms operator MTN's Play store, but none has been anywhere near as successful as iTunes.

In July 2015, South African artist Karen Zoid set a record by becoming the first performer to reach number one in the iTunes chart with three different songs in three consecutive weeks. The songs were first performed on her weekly television programme, *Republiek van Zoid Afrika*.

The international music subscription services operating in South Africa are Deezer, MixRadio, Rara.com, Rdio Simfy and Tidal. Global subscription service leader Spotify is yet to enter South Africa.

International services lead the streaming charge

Deezer established an exclusive promotional partnership in October 2014 with mobile provider Vodacom. Included in the partnership is a one-month free trial of Deezer's premium tier for certain Vodacom data customers; direct Deezer subscribers only receive an initial 15-day free trial. The price after the trial expires is R59.99 per month. Deezer also offers an advertising-supported tier and offline listening.

MixRadio also offers an advertising-supported tier and a paid-for tier. The service is owned by Microsoft after the technology giant bought Nokia. However, MixRadio is in the process of being spun off as a separate entity. MixRadio is currently tied to the Windows Phone platform and allows users to create radio stations based on artists or genres. The paid-for tier costs R25 per month.

Simfy rolled out in South Africa in August 2012. In June 2014, it partnered with mobile operator MTN in a deal that gives MTN customers access to Simfy's premium tier for a reduced R49 per month: A direct Simfy subscription costs R60 per month. Simfy also offers offline listening. The service said earlier this year that its most streamed track by a local artist was "*Pluto*" by DJ Clock, featuring Beatenberg. The top international track was "*Happy*" by Pharrell Williams.

At the end of 2012, Rara.com entered South Africa, which is, to date, the only African market where the service is available. Rdio followed Rara.com into South Africa twelve months later. Both services offer offline listening.

High-fidelity audio streaming came to South Africa in February with the rollout of Tidal, a subscription service owned by Jay Z. The service offers both a lossless hi-fi tier and a standard audio streaming tier.

Local competition comes from MTN's recently launched Music+, aimed at consumers who want tracks on a pay-as-you-go basis, and The Kleek, a service launched in early 2013 by Universal Music Group (UMG) in partnership with Samsung specifically for the African market. The price of the MTN service varies depending on the plan selected by the subscriber. However, the service is paired with data plans so the user can gauge what plan to take based on their anticipated level of use. The service also offers an offline mode. Currently, The Kleek is only available on Samsung Android handsets as the deal between UMG and Samsung is for two years. Neither company has commented on whether the deal will be extended or rolled out to other platforms.

With so many subscription services now operating in South Africa, there will be pressure on some to quickly attract users. Elsewhere in the world there have been service casualties, with operating costs too high to sustain only gradual subscriber growth. Most of the services offer very similar features and track numbers, and so attracting consumers at a rate that makes operating a subscription service financially viable is essential for longer-term survival. Moreover, consumers are facing a whole new way of buying music, so vitally important to the services will be simplicity in their service offerings and ease of use.

The artists who provide the music are another critical factor in the equation. Reimbursement rates for streaming are a hot topic, as shown by Taylor Swift's criticism of the newly launched Apple Music for not paying royalties during its three-month free trial period – Apple reversed its decision in response. If too many artists baulk at the royalty rates being paid, streaming services simply won't have a product, so they must work to secure an arrangement that benefits all parties.

All of the music subscription services in South Africa are available either online or through mobile devices. Although revenue from downloads currently dominates the digital total, high levels of mobile penetration and an expected increase in smartphone ownership will drive subscription sales upward and fuel the estimated CAGR of 33.7% through to 2019.

Smartphones account for around one-third of handsets in use in South Africa, and this share is going to increase over the next five years. At the end of 2014, there were 22.8 million smartphones in use, equivalent to 31.3% of the mobile handset total.

Pressure is growing on music subscription service leaders to limit free access to music

Access services need to introduce more paid-for tiers to drive consumer spending on subscriptions

Despite protests from music subscription service leaders that free tiers are essential to both pull in new users and show off what subscription services offer, major record companies have started to question whether the level of music available on advertising-supported tiers is too high.

Tempting users of the many unauthorised music distribution networks into using legal services is a major part of creating a thriving recorded music industry. Some consumers have remained loyal to the industry and continue to buy recorded music in one of the currently available formats or, more recently, through the use of a music streaming service. However, large numbers of consumers have stopped buying music altogether, resulting in a global contraction in spending on recorded music over the last 15 years or so.

Crucially, a number of studies have suggested that consumers who previously turned away from using legal music services in favour of pirate networks, have been attracted to streaming services by the offer of advertising-supported tiers. Subscription services, most notably Spotify, have claimed that the majority of their paid subscribers are converts from the advertising-supported tiers, and so to limit free access would make it much more difficult to raise the number of paid users.

The problem for subscription services is that the major record companies are starting to make public comments that free access to music is not the way forward. Record companies are able, through licensing deals, to influence what music is available through the free tiers and so appeasing the record companies is essential for the future success of the access model. However, record companies are well aware that their industry is finely balanced at the moment in terms of securing profitability, and to introduce restrictions at a time when digital music streaming revenue is becoming an increasingly important source of record company earnings could have pronounced effects on consumer spending.

Spending levels are still short of the peak years, but to question the access model of music distribution at a time when it is starting to turn things around may turn out to be counterproductive.

Despite the increasing number of consumers taking up music subscription services, the range of paid-for tier options is limited at the moment. In a number of Northern European countries, streaming is already accounting for the vast majority of spending on recorded music. Subscriber growth is inevitably slowing and so the introduction of a range of access tiers is essential to boost average revenue per user (ARPU) and consumer spending.

Revenue from paid-for subscription services such as Deezer and Spotify, coupled with revenue from advertising-supported tiers offered by those services, is rising faster than download sales are falling, keeping digital on a positive curve. However, although digital music streaming revenue is set to keep rising beyond the current forecast period, there is a fear that the lack of paid-for tier options will limit future growth. Currently, global market leader Spotify offers a single subscription rate for its advertising-free tier. Unlike its closest rival Deezer, which offers a more expensive high-definition sound option, Spotify offers no additional tier, meaning there is no way the company can increase ARPU other than by raising prices on the existing tier.

For streaming to continue to offset the fall in download sales and spending on CD albums in the longer term, there must be a broader range of pricing. Having an advertising-supported tier allows consumers to test a service, but the step up to, say, US$9.99 (R108.31) is a big leap. Moreover, for enthusiastic consumers accustomed to paying more than US$9.99 per month on recorded music, moving them from ownership to access with a set price ceiling will result in lower spending per head.

Needletime rights moving forward

The introduction of lower-priced tiers would bring in more consumers not wanting to pay US$9.99 per month. Available content would need to be limited to prevent subscribers switching down tiers, maybe through the use of windowing. At the same time, services could introduce a more expensive tier that includes extras beyond better sound quality, such as exclusive content and photos. This would allow consumers used to spending more than US$9.99 per month on music to continue to do so, while at the same time increasing streaming's ARPU.

For the twelve months to 30 June 2014, revenue earned by the Southern African Music Rights Organisation (SAMRO) increased by 8.7% to R464 million, from R427 million in the previous financial year. Music rights collections were also up, rising 6.1% to R394 million, from R371 million.

Total income generated by performing rights licences increased by 5.6% in the 12 months to 30 June 2014, to R375 million, from R355 million in the previous financial year. The growth rate was less than half the 13.8% year-on-year rise the previous year.

Collections from TV grew by 18.8% to R180 million, from R152 million. The big rise boosted TV's share of total music rights income to 46.3%, from 40.9% in the previous financial year. Radio collections also grew sharply, rising by 20.5% to R126 million, from R104.5 million. Radio's share of total music rights income increased to 32%, from 28.2%.

General licensing was the biggest disappointment for SAMRO. In the previous financial year, general licensing income was up 22.9% to R99 million, with collections benefitting from the issuing of more music licences. However, for the year through June 2014 general licensing income slumped 32.3% to R67 million. SAMRO said it experienced very low new business revenue growth as most of the new business opportunities took the form of smaller licensees.

Record year for authors' rights collections

In September 2014, an agreement was reached regarding needletime rights royalties between the South African Music Rights Organisation (SAMRO) and the South African Music Performance Rights Association (SAMPRA). Needletime rights are royalties earned by record companies and the recording artists who perform on recordings used in broadcasting and communications to the public. As a part of the agreement, SAMPRA will take over the activities of POSA Trust (Performers' Organisation of South Africa) to create a single needletime rights society representing both record companies and performers.

The aforementioned developments regarding the administration of the needletime royalties follow the resolution of the needletime royalty rate debate. A Copyright Tribunal ruling in 2012 was appealed against by the NAB and the decision of that ruling further appealed against by SAMPRA. The Supreme Court of Appeal (SCA) rejected the NAB's argument that audience reach or the time of day when a recording is broadcast should have any bearing on the royalty rates. Instead, it held that rates should be a based on the broadcaster's revenue and the extent of its usage of music content.

The SCA ruled that the rate should be reduced in order to prevent excessive negative currency outflow arising from the radio stations' extensive use of foreign recordings and to compensate stations for being compelled to meet local content quotas. SAMPRA initially demanded a maximum royalty rate that would equate to 5% of revenue for 50% music usage (which is a general average of music usage across all radio broadcasters), which was then reduced to a comparable 3.5% by the Copyright Tribunal and then further reduced to a comparable 1.5% by the SCA.

Consumer spending on live music will account for an increasing share of total music revenue

Live music

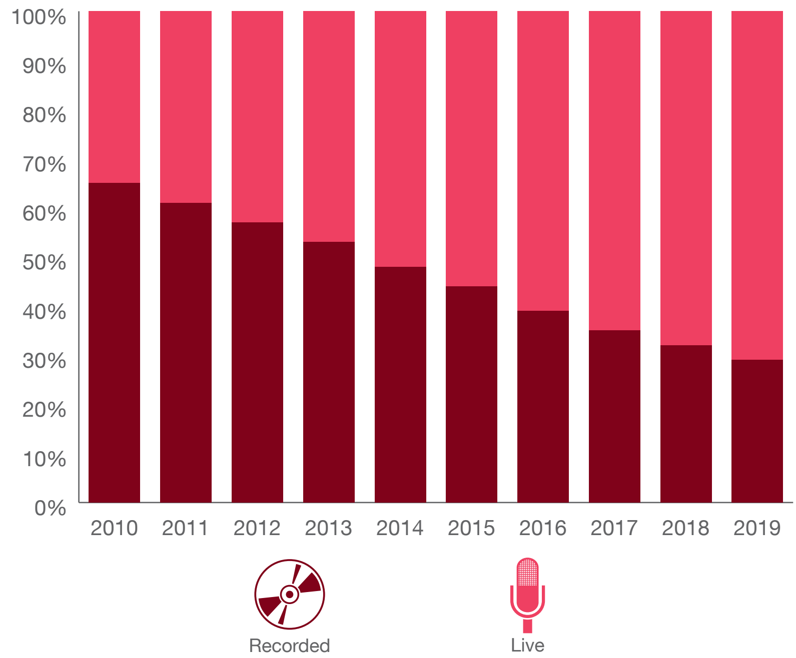
South Africa's live music sector is much more stable than its recorded music sector. Live music revenue overtook spending on recorded music in 2014, and the difference in fortunes for the two sectors will result in a widening of the gap in the next five years. Live music revenue will grow at a CAGR of 7.9% in the next five years, reaching R1.5 billion in 2019, up from R1.0 billion in 2014.

In line with its recorded music sector, South Africa's live music industry is also more similar to a Western-based model than that of its African neighbours. The staging of live events is dominated by a small number of promoters, most notably global events company Live Nation, which operates in the country in alliance with local promoter Big Concerts.

Big Concerts promotes concerts in large South African cities such as Johannesburg, Durban and Cape Town. Big Concerts was behind two One Direction performances at the FNB Stadium in Johannesburg and a single performance in Cape Town in March 2015. In June, the promoter staged two One Republic performances; one at The Dome in Johannesburg and the other at the Grand Arena in Cape Town. Pharrell Williams is also touring the country in September.

It was announced in August 2015 that Mumford & Sons will be touring South Africa in early 2016, with live performances in Cape Town, Durban and Pretoria. The tickets to all performances were sold out in a couple of minutes after the online booking site opened, once again proving the popularity of live performances!

Fig 4. Consumer spending market shares, live and recorded music, 2010–2019 (%)



Source: PwC, Ovum

In addition to tours by high-profile international artists, smaller artists also appear in South Africa. For example, promoter Seed Experiences is behind shows by the likes of Ben Howard and George Ezra, with the former giving three performances in July (two in Cape Town and one in Johannesburg) and the latter making three appearances in August (one each in Durban, Cape Town and Johannesburg).

In early 2014, Concerts South Africa published a report on the South African music industry. Funded by Rikskonsertene (Concerts Norway), the Norwegian Ministry of Foreign Affairs and authors' society SAMRO, the report was a follow-up to a 2010 study by the Moshito Music Conference and Exhibition.

Concerts South Africa's report, titled *Song Lines: Mapping the South African Live Performance Landscape,* found that the live sector had made significant progress since 2010, with more venues providing backline PA systems and three-quarters being able to accommodate credit card payments. But performance opportunities remained concentrated around metropolitan centres and tourism areas, with Mpumalanga, the Northern Cape, the Free State and North West each hosting less than 5% of the country's festivals. The Western Cape was home to 43% of festivals, with Gauteng hosting 22%. The study also found that promoters were taking advantage of the availability of portable equipment, staging live music events outside traditional music venues and in much smaller places such as community centres.

Technology will play a major role in the growth of live music revenue

South Africa's most notable music festivals are the Cape Town International Jazz Festival and the electronic dance music (EDM) event, Ultra Music Festival. The 16th annual Jazz Festival, staged over two days at the end of March 2015, featured more than 40 local and international artists on five stages. Notable artists included Amel Larrieux, Courtney Pine, Al Jarreau and the Gerald Clayton Trio. The second Ultra Music Festival was held over two days in February 2015 in Cape Town and Johannesburg. A total of 50 000 people attended the event.

Ramfest is a rock festival traditionally staged in Cape Town and Johannesburg in March. At the end of 2014 the organisers decided to postpone the 2015 event, citing problems securing top-name acts. The festival is scheduled to return in 2016.

South African artists can receive funding for their live performances from the Music Mobility Fund (MMF). Each year musicians in the country are invited to apply for funding from a National Mobility Fund (for projects in South Africa), and a Regional Mobility Fund (for projects taking place in other Southern African Development Community (SADC) countries). The fund is administered by Concerts SA, a joint South African/ Norwegian project administered by the SAMRO Foundation. Concerts SA receives financial, administrative and technical support from the Norwegian Ministry of Foreign Affairs, SAMRO and Concerts Norway. The aim of the project is to support the growth of the live music sector in South Africa through partnerships with venues and promoters. Last year the fund received 118 applications, compared with 66 in 2013.

Although, at a global level, live music revenue is set to rise in the next five years, income from ticket sales is forecast to grow faster than sponsorship revenue, aided by technological innovations such as smart wristbands. Smart wristbands made a major breakthrough in 2014 as they were rolled out at a number of live music events, particularly festivals. Fans have quickly taken to these new wearables that offer easy access to events as well as cashless on-site payments.

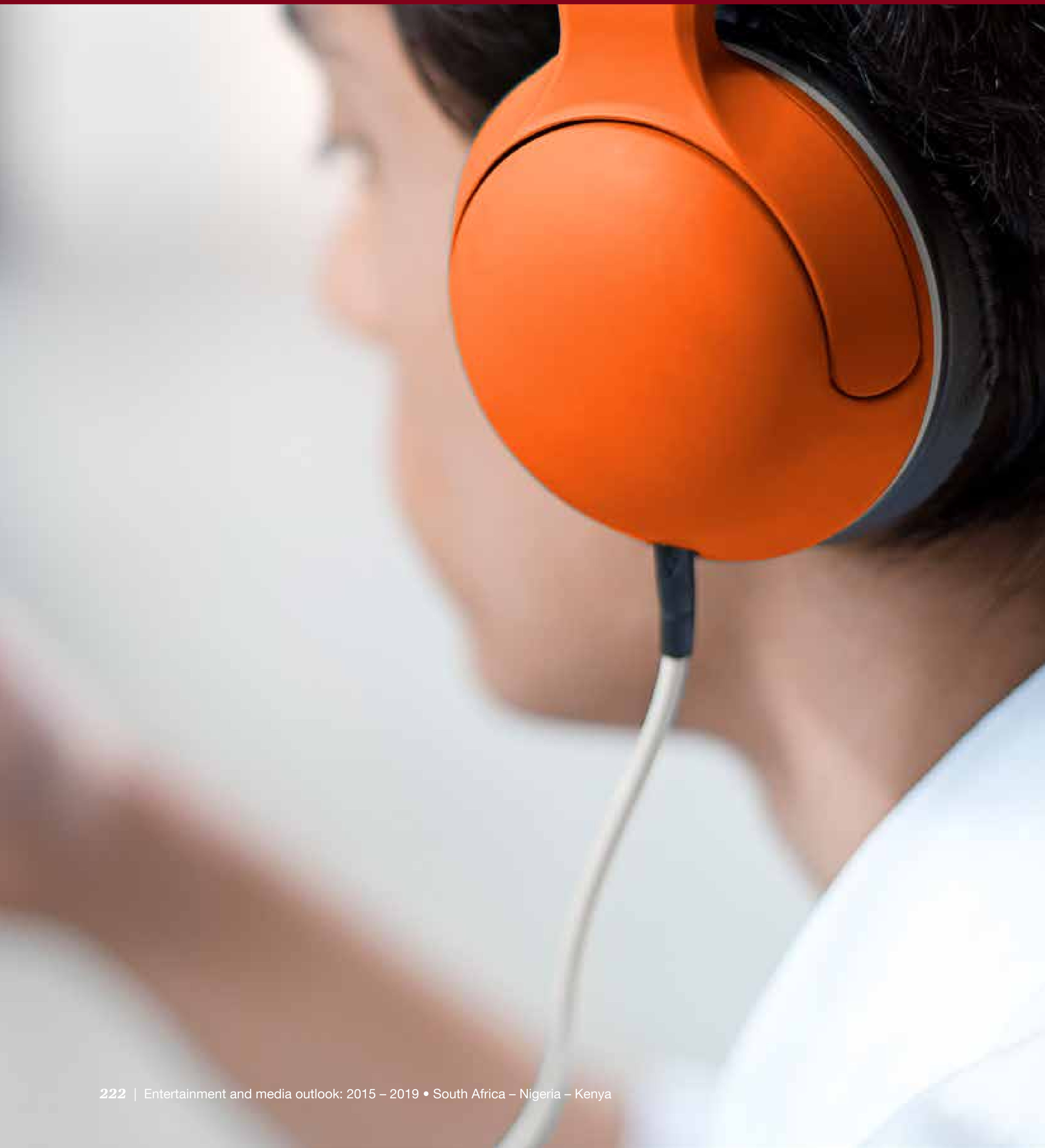
There are already turnkey wristband systems available to promoters in certain countries. For example, US-based Front Gate, a unit of Lollapalooza festival operator C3 Presents, offers a comprehensive system to operators that facilitates ticket sales, scans the wearable tech at the gates, runs the box office and the cashless system, and offers full reporting. Belgium's Tomorrowland EDM festival used wristbands in 2014 that functioned as digital wallets and tickets, but then added social media functionality by allowing attendees to link the wearable gear to their Facebook accounts.

Promoters have seen benefits in terms of improved operating efficiencies and security, along with higher earnings from festivals. Particularly valuable for promoters is the amount of data that wristbands provide. This granular information has enabled promoters to refine their marketing efforts and engage in location-based and behavioural targeting to achieve better return on investment. It is innovations such as these that will ensure live music continues on a healthy growth path, something for South African promoters to consider in the years ahead.

Taken as a whole, South Africa's music market too reflects the sharp decline in physical music sales witnessed in many developed countries, but relatively low fixed broadband and mobile Internet connections mean that digital music hasn't yet had the chance to correct the balance. It is, then, the healthy performance of South Africa's vibrant live sector that helps the country into positive forecast territory to 2019, but as digital gradually makes more of an impact, the industry should be able to rely on twin streams of healthy growth beyond the forecast period.

Live events proving to be music's saviour – for now

Nigeria



The Nigerian music market will expand at a CAGR of 11.3% over the next five years

Music revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical	**24**	**23**	**22**	**19**	**17**	**15**	**14**	**12**	**11**	**9**	**-11.4%**
Digital	**15**	**17**	**20**	**23**	**26**	**32**	**39**	**48**	**59**	**70**	**21.4%**
Downloads	0	0	0	0	0	1	1	1	0	0	0.0%
Mobile	15	17	20	23	26	31	38	47	59	70	21.6%
Streaming	0	0	0	0	0	0	0	0	0.1	0.1	41.6%
Total recorded music	**39**	**40**	**42**	**42**	**43**	**47**	**53**	**60**	**70**	**79**	**12.7%**
Live music ticket sales	7	7	7	7	7	8	8	8	8	8	1.9%
Live music sponsorship	1	1	1	1	1	1	1	1	1	1	2.2%
Total live music	**8**	**8**	**8**	**8**	**8**	**9**	**9**	**9**	**9**	**9**	**1.9%**
Total music revenue	**47**	**48**	**50**	**50**	**51**	**56**	**62**	**69**	**79**	**88**	**11.3%**
YOY growth (%)		***2.7%***	***2.8%***	***1.6%***	***3.8%***	***6.3%***	***9.0%***	***12.1%***	***15.6%***	***13.5%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

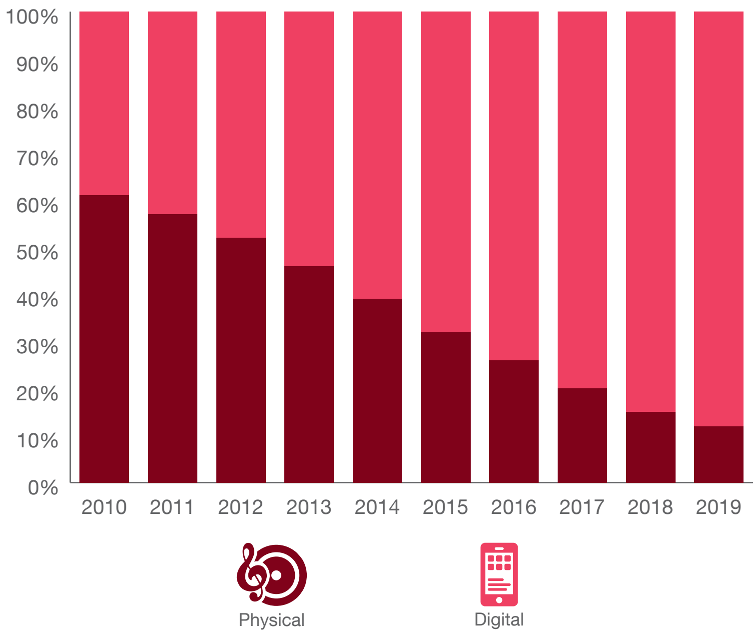
The dynamic Nigerian music industry produces over 550 albums of different kinds of music annually. Nigeria's music market generated revenue of US$51 million in 2014, up from US$47 million in 2010. Annual revenue is forecast to grow by an estimated CAGR of 11.3% to reach US$88 million in 2019.

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 just US$9 million in 2019, down from US$17 million in 2014 and US$24 million in 2010.

Retail spending on digital music, which overtook spending on physical music in Nigeria in 2013, will increase at a forecast CAGR of 21.4% in the next five years to reach approximately US$70 million in 2019. 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 12.7%.

Digital sales will account for almost 90% of Nigeria's recorded music sales in 2019

Fig 5. Recorded music retail sales by format share, 2010–2019 (%)



Source: PwC, Ovum

Nigeria's recorded music unit sales will fall at a CAGR of -8.8% in the next five years

Recorded music unit sales, 2010–2019 (units million)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical	4.9	4.7	4.4	4.0	3.5	3.1	2.8	2.5	2.2	1.9	-11.4%
Digital	0.5	0.6	0.7	0.7	0.8	0.9	0.9	0.9	0.8	0.8	0.1%
Total	**5.4**	**5.3**	**5.1**	**4.7**	**4.3**	**4.0**	**3.7**	**3.4**	**3.0**	**2.7**	**-8.8%**

Source: PwC, Ovum

Unit sales of physical formats of recorded music will follow retail spending and also decline over the next five years. Digital unit sales are expected to show a small amount of growth, though. The number of physical unit sales will decrease at a CAGR of 11.4% in the next five years, with unit sales in 2019 forecast at 1.9 million, while digital unit sales are expected to remain below one million each year through 2019.

Nigeria is one of the wealthiest and most populous countries in Africa. However, despite its relative wealth and size, per capita recorded music sales are very low. For a long time now, legitimate retailers have struggled to compete with organised criminal gangs that sell high-quality CD copies for a fraction of the price of their legitimate copies. Artists, who often complain of the small return on the release of albums, rely almost solely on live performances as their source of income. In some cases, artists provide pirate music sellers with CDs to sell, with revenues being split between artist and pirate.

In the last two years, over 80% of Nigerian music industry earnings have come from mobile network operators (MNOs) such as MTN, Globacom and Etisalat, and other corporate giants such as players in the brewing industry. This has helped musicians increase their earnings through brand endorsements, shows, music downloads and caller tunes.

The Nigerian Copyright Commission (NCC) continues to execute strategic programmes to combat piracy. In 2014, the NCC confiscated US$1.9 million worth of pirated copyright works. However, overall these programmes have yielded little. The physical recorded music sector has been lost to pirates and there is no hope of increasing sales of CDs.

But rising digital sales do suggest that establishing a viable recorded music sector is a possibility. Broadband household Internet penetration is low, and so almost all digital sales have been of mobile ringtones and ringback tones.

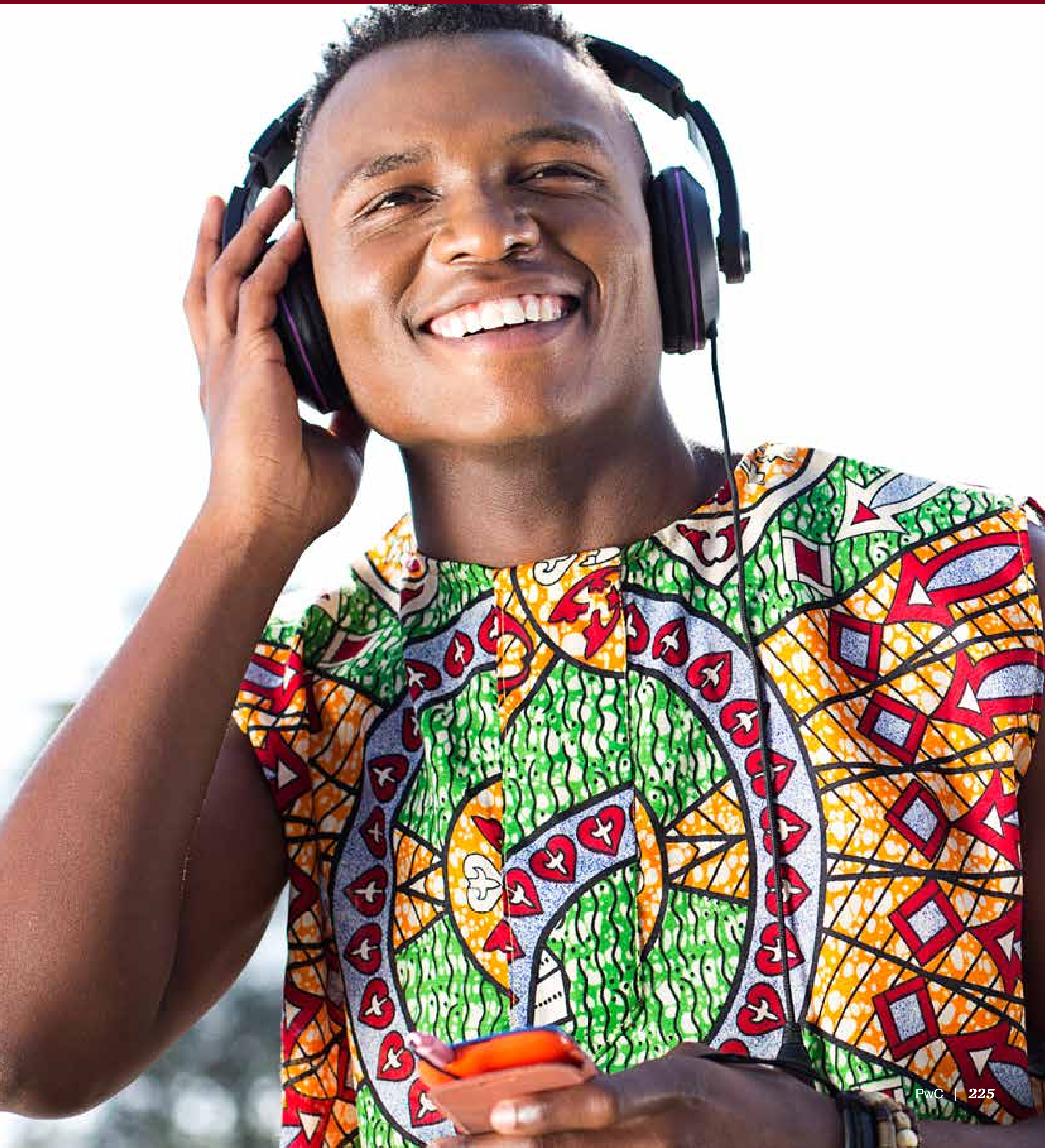
The launch of Apple's iTunes store in Nigeria at the end of 2012 provided Nigerians interested in buying downloads with a legal option, but there is competition from music sites and unauthorised services offering free downloads and unlicensed music. Other international digital music service providers have also expanded their reach to Nigeria.

As at the last count, the iTunes store has more than 26 million songs available to buy, while Spotify, Deezer and Google Play Music all have large online music stores as well for purchase and streaming. Local legal alternatives have also emerged, such as iRoking, Spinlet, Gidilounge, notjustok and MTN Music+, although such services are finding it easier to monetise from Nigerian expats in Europe and North America than from local users. iRoking has been identified as the most popular digital music service in West Africa and has attracted US$8 million worth of investment from Tiger Global Management.

Nigeria's music industry has developed new avenues to increase its revenues. Within the telecoms industry, companies such as MTN provide subscribers with caller ringtones consisting of popular local artists' songs for US$0.25. In 2011, a popular local artist was estimated to have earned up to US$350 000 from caller ringtones.

Nigeria's live music sector is small in comparison with recorded music, with the latter being driven more by multi-national organisations and corporate giants. Little growth is forecast for the next five years. With digital sales set to increase in value, live music's share of total music revenue is set to shrink to just over 10%, down from 16% in 2014.

Kenya



Kenya's music market will rise at a 7.8% CAGR in the next five years

Music revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical	**11.1**	**10.8**	**10.5**	**9.7**	**9.1**	**8.5**	**7.9**	**7.3**	**6.8**	**6.3**	**-7.2%**
Digital	**5.2**	**6.1**	**7.2**	**8.1**	**9.1**	**10.4**	**12.2**	**14.5**	**17.6**	**20.7**	**17.8%**
Downloads	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	-0.8%
Mobile	5.1	6.0	7.0	7.9	8.9	10.2	12.0	14.3	17.4	20.5	18.1%
Streaming	0	0	0	0	0	0	0	0	0	0	39.1%
Total recorded music	**16.3**	**16.9**	**17.7**	**17.8**	**18.2**	**18.9**	**20.1**	**21.8**	**24.4**	**27.0**	**8.2%**
Live music ticket sales	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.8	2.7%
Live music sponsorship	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7%
Total live music	**1.5**	**1.6**	**1.6**	**1.6**	**1.7**	**1.7**	**1.7**	**1.8**	**1.8**	**1.9**	**2.6%**
Total music revenues	**17.8**	**18.5**	**19.3**	**19.4**	**19.9**	**20.6**	**21.8**	**23.6**	**26.2**	**28.9**	**7.8%**
YOY growth (%)		*3.7%*	*4.1%*	*0.3%*	*2.7%*	*4.0%*	*5.8%*	*8.2%*	*11.1%*	*10.0%*	

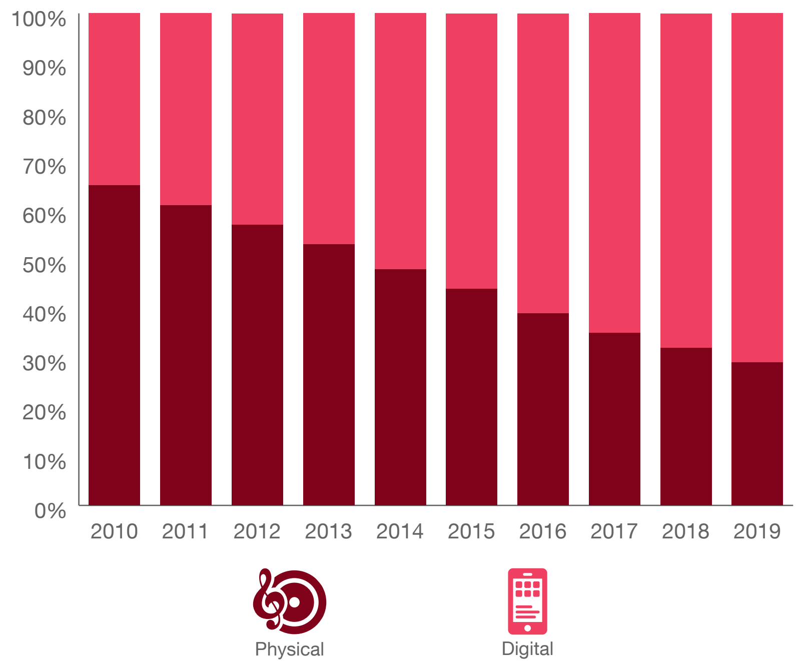
Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

Kenya's music market was worth US$19.9 million in 2014, up from US$17.8 million in 2010. Annual revenue is forecast to rise at a CAGR of 7.8% over the next five years to reach US$28.9 million in 2019.

Physical recorded music revenue continues to decrease, hamstrung by the twin issues of piracy and the rise of digital content. Physical recorded music revenue will total US$6.3 million in 2019, down from US$9.1 million in 2014.

In 2014, however, spending on digital formats more or less equalled physical format spending. Digital sales will increase at a CAGR of 17.8% in the next five years and total an estimated US$20.7 million in 2019. This means that total recorded music revenue overall will see a near US$9 million rise over the forecast period to reach US$27 million.

Fig 6. Recorded music retail sales by format share, 2010–2019 (%)



Source: PwC, Ovum

Digital sales equalled physical sales in 2014 and will pull ahead in 2015

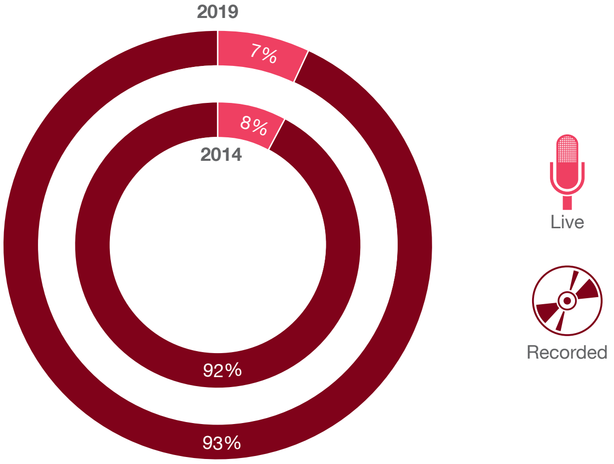
The rollout of digital services in Kenya has been limited to telecoms companies, but as most mobile subscribers have simple handsets that are unable to receive full tracks, the sale of downloads is very small. Ringtones and ringback tones are the most popular digital format. However, the digital sector received a boost at the end of 2012 with the entry into the country of Apple's iTunes store and French subscription service Deezer. Local digital music start-ups such as Mdundo have also emerged.

Live music revenue in Kenya will rise over the next five years, albeit only at a steady 2.6% CAGR. The country's live music sector is small so despite the forecast growth, live music will account for just 6.5% of total music revenue in 2019.

The Kenya Music Festival, which is held at the Kenyatta International Conference Centre in Nairobi over ten days during August, remains the single largest music event in the country. Traditionally, only African artists perform at the event.

Live music will continue to make up a small proportion of total Kenyan music revenues

Fig 7. Consumer spending share, live and recorded music, 2010–2019 (%)



Source: PwC, Ovum

Authors' rights in Kenya remain on an upward path. Total revenue for local authors' society MCSK (Music Copyright Society of Kenya) grew 19.2% to US$3.8 million in the 12 months to the end of June 2014. General licensing collections grew 14.4%, accounting for 88.9% of domestic collections and 85.5% of MCSK's total revenue. Broadcasting collections more than doubled, growing the revenue source's share of domestic collections to 9.9%, and 9.6% of the overall total.

When MCSK revealed its list of the ten highest-paid musicians in Kenya between June 2013 and 2014, composer and arranger Robert Kamanzi came out top, ahead of gospel singers Angela Chibalonza and Gloria Muliro.

Global trends in music

The following was extracted from PwC's *Global Entertainment & Media Outlook 2015–2019*

Music revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical	**15 245**	**13 904**	**12 224**	**10 858**	**9 921**	**9 078**	**8 368**	**7 765**	**7 239**	**6 734**	**-7.5%**
Digital	**7 109**	**7 574**	**8 495**	**9 220**	**9 412**	**9 652**	**9 906**	**10 181**	**10 444**	**10 647**	**2.5%**
Downloads	4 608	4 975	5 639	5 867	5 455	5 109	4 802	4 538	4 307	4 106	-5.5%
Mobile	1 860	1 587	1 362	1 200	1 132	1 101	1 087	1 085	1 093	1 095	-0.7%
Streaming	641	1 012	1 494	2 153	2 825	3 442	4 017	4 558	5 044	5 446	14.0%
Total recorded music	**22 354**	**21 478**	**20 719**	**20 078**	**19 333**	**18 730**	**18 274**	**17 946**	**17 683**	**17 381**	**-2.1%**
Live music ticket sales	18 314	19 172	19 693	20 115	20 459	20 878	21 394	22 026	22 830	23 639	2.9%
Live music sponsorship	5 788	5 842	5 936	6 025	6 089	6 162	6 318	6 432	6 554	6 683	1.9%
Total live music	**24 102**	**25 014**	**25 629**	**26 140**	**26 548**	**27 040**	**27 712**	**28 458**	**29 384**	**30 312**	**2.7%**
Total music revenues	**46 456**	**46 492**	**46 348**	**46 218**	**45 881**	**45 770**	**45 986**	**46 404**	**47 067**	**47 693**	**0.8%**
YOY growth (%)		***0.1%***	***-0.3%***	***-0.3%***	***-0.7%***	***-0.2%***	***0.5%***	***0.9%***	***1.4%***	***1.3%***	

Source: PwC, Ovum

Falls in global total recorded music revenue will continue to 2019, albeit at a slowing pace. By comparison, global total live music revenue will rise at a rate that will more than compensate for recorded music losses, boosting total music revenue to a 0.8% CAGR over the forecast period.

Over the forecast period, the sharp decline in global physical recorded music revenue will not be offset by total digital recorded music revenue's growth. However, consumer spending on digital formats and services will overtake spending on physical format in 2015.

At the end of 2014, the number of countries in which total digital recorded music exceeded physical recorded music revenue stood at 22. By the end of 2019, that figure will have risen to 40. Nine countries will have a digital share above 90% in 2019, with Singapore the highest, just ahead of China. Venezuela will have the lowest digital share.

Global digital music streaming revenue grew by an impressive 31.2% in 2014, from US$2.2 billion in 2013 to US$2.8 billion. But despite protestations from music subscription service leaders that free tiers are essential to both pull in new users and show off what subscription services offer, major record companies have started to question whether the level of music available on advertising-supported tiers is too high.

Despite the increasing number of consumers taking up music subscription services, the range of paid-for tier options is limited at the moment. In a number of Northern European countries, streaming is already accounting for the vast majority of spending on recorded music. Subscriber growth is inevitably slowing and so the introduction of a range of access tiers is essential in order to boost ARPU and consumer spending.

Although live music revenue is set to rise in the next five years, income from ticket sales is forecast to grow faster than sponsorship revenue. Live music ticket sales revenue will generate US$30.3 billion in 2019, compared with US$26.5 billion in 2014, equivalent to a CAGR of 2.7%, aided by technological innovations. Smart wristbands made a major breakthrough in 2014 as they were rolled out at a number of live music events, particularly festivals. Fans have quickly taken to these new wearables that offer easy access to events as well as cashless on-site payments.

The global music industry to grow from 2016 onwards


MARRY ME?”
VISIT NETFLORIST.CO.ZA FOR MORE PERSONALISED GIFTS
Net Florist

Out-of-home advertising

At a glance

3.5% CAGR

South Africa's OOH advertising market will grow steadily over the next five years at a CAGR of 3.5%. It will reach an estimated total value of R5.1 billion by 2019. Of this amount, DOOH will generate approximately R1.7 billion. With 33.1% DOOH revenue, South Africa will be the most digitised market in the region and in the top 30 worldwide.

The global market-leading provider, JCDecaux, has decided to invest in South Africa. The company's purchase of Continental Outdoor Media demonstrates the potential of the market.

Interactivity of DOOH will come to the fore. DOOH advertisements will become increasingly interactive to engage with consumers, as South Africa's smartphone connections double to 52.3 million by 2019. This growth, together with that of DOOH advertising, will offer opportunities to interact with these devices, increasingly including technologies such as near-field communications (NFC) and ad beacons, allowing advertisements to act as points-of-sale.

Challenges remain for the OOH sector. Poor measurement and reporting systems hamper the OOH market, although new tools and digitisation will help to negate this weakness. Stricter regulation will also continue to be a challenge, with the proposed ban on alcohol advertising expected to have a significant effect on revenue, if implemented. With respect to DOOH, electricity supply, slow Internet connections and large initiation costs pose significant barriers to obtaining the full potential which the medium can deliver.

7.2% CAGR

Nigeria's market will rise at a 7.2% CAGR. The country's economic growth and rapid urbanisation are proving beneficial to the OOH sector, with billboards being by far the most popular format.

US$150 million

Kenya's total OOH revenue will near US$150 million. Kenya's OOH market will rise at a 7.7% CAGR, from US$101 million in 2014 to US$146 million in 2019. Transport locations and shopping malls are leading the way for the country's nascent DOOH sector.

Definitions

The out-of-home (OOH) advertising market consists of advertiser spending on all formats of OOH media, and is split between physical and digital. Advertising spend is tracked net of agency commissions and production costs.

Traditional physical OOH media includes billboards, street furniture (bus shelters, kiosks), transit displays (bus sides, taxi toppers), sports arena and retail mall displays, and captive ad networks (in venues such as elevators).

Digital OOH ('DOOH') includes any OOH advertising media that is Internet-connected (e.g. smart billboards or digital screens at airports, stations, taxi ranks and retail malls).

South Africa

OOH revenue, 2010–2019 (R millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical OOH	2 567	3 281	3 705	3 439	3 450	3 433	3 417	3 406	3 398	3 394	-0.3%
Digital OOH	293	16	31	666	821	968	1 125	1 298	1 481	1 677	15.4%
Total	**2 860**	**3 297**	**3 736**	**4 105**	**4 271**	**4 401**	**4 542**	**4 704**	**4 879**	**5 071**	**3.5%**
YOY growth (%)		***15.3%***	***13.3%***	***9.9%***	***4.0%***	***3.0%***	***3.2%***	***3.6%***	***3.7%***	***3.9%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

While the growth of the Internet has challenged other traditional advertising media, the audience for OOH advertising has not been affected. As a result, OOH revenue will continue to grow steadily, particularly due to rapid urbanisation and the new OOH advertising space being created by improvements in infrastructure.

To capture the ongoing attention of consumers and drive consumer engagement, the OOH industry constantly innovates. For example, to celebrate 20 years of the 'Rainbow Nation', Coca-Cola produced a Johannesburg billboard which created the illusion of a rainbow visible over the skyline, and NetFlorist, South Africa's leading flower and gifting service, gave South Africans the opportunity to make the 'grandest of grand gestures' by making two billboards in Gauteng available for personalised messages. No other advertising medium can offer this type of compelling spectacle.

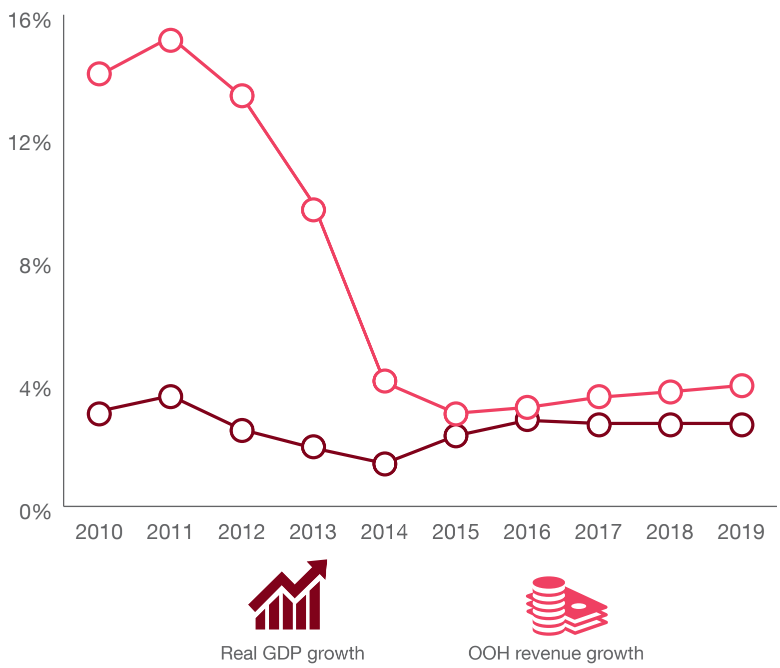
The South African OOH advertising market was valued at R4.3 billion in 2014, an increase of 4% on the previous year. While no longer growing at the very rapid rate seen in the past, in keeping with reduced expectations of real GDP growth from the IMF, South Africa's OOH market will manage steady growth with a CAGR of 3.5% over the next five years, reaching a total of R5.1 billion in 2019. This will make South Africa the 16th-largest OOH market in the world, a shift representing South Africa's transition from an emerging OOH market to an established one.

The South African OOH market will experience steady growth throughout the forecast period

The market in the past year has been affected by a number of different factors, which have to some degree cancelled each other out. The very high growth rate of recent years has been dropping off as the benefits of the World Cup-related construction boom fade. Compounding this, weak GDP growth in 2014 further hampered the underlying position of the market. However, the general election of May 2014 served to stimulate OOH revenue. This was particularly true of physical (non-digital) formats, which grew slightly in 2014 despite a longer-term declining trend. The net effect of these trends was the moderate revenue growth of 4%. In 2015, without the cushioning effect of election spending, growth is expected to slow to 3%.

OOH revenue growth will slightly exceed real GDP from 2015

Fig 1. Year-on-year growth in South Africa's OOH revenue and real GDP (%)



Source: PwC, Ovum

Thereafter, revenue growth will pick up slightly as the economic situation improves. South Africa's economy is forecast by the IMF to grow at a CAGR of 2.6% in real terms over the next five years. Consequently, revenue growth in OOH will be maintained by a combination of factors that include growing GDP and advertising budgets, and the transition to digital formats. OOH revenue will slightly exceed the rate of real GDP growth in each year, but it will broadly track the growth trend of the economy as a whole, which is set to gradually accelerate over the next few years. This marks a break with the recent past, when OOH revenue growth greatly exceeded GDP growth.

The primary driver of growth in the past decade was the creation of new advertising space through construction, particularly in the wake of the 2010 FIFA World Cup. The construction of new stadiums and infrastructure projects such as the Gautrain, the Gauteng Freeway Improvement Project and improvements to OR Tambo International Airport and Cape Town International Airport provided a huge boost to the OOH industry, which was sustained for several years after the event as providers fully exploited the new facilities. At the same time, a great deal of latent advertising space in locations such as bus shelters was exploited, further boosting revenue.

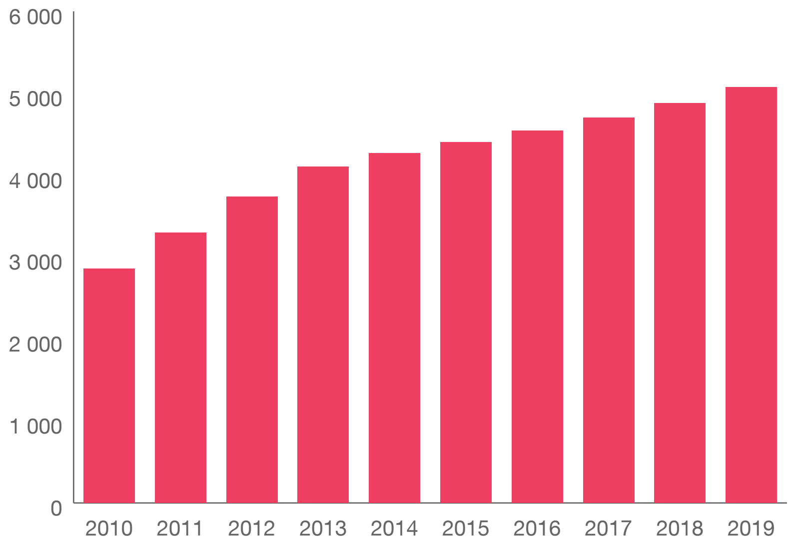
Now that this boom has largely subsided, the era of sustained double-figure growth rates for the South African OOH industry is likely to be over. Nonetheless, plenty of room remains to keep growing. OOH advertising is one of the most effective means for advertisers to reach consumers. Virtually everybody is exposed to outdoor advertising, regardless of their viewing or entertainment choices, so it is one of the surest ways of communicating to a wide range of consumers. The locations with the highest value are those which see high densities of visitors, such as airports and train stations.

This is particularly true in South Africa, where increasing urbanisation and changing commuting patterns are growing the audience for OOH advertising every year. According to the World Bank, South Africa's urbanisation rate reached 63.8% in 2013, up from 59.5% a decade previously. This trend is set to continue into the future, with the urban population increasing by roughly half a million people each year.

In addition, long commute times in South Africa increase exposure to roadside advertisements, which make up the core of the country's OOH inventory. As drivers tend to have a higher disposable income, this format is particularly attractive to advertisers. Additionally, over 20 million South Africans travel to work by public transport. This market remains underexploited and will be a key growth area, particularly as the country improves its mass transit infrastructure, increasing the attractiveness of the network to more affluent consumers. In European markets, high-density public transport locations are hugely lucrative and this will increasingly become the case in South Africa as well. Major OOH advertisers in South Africa include Unilever, Shoprite, Vodacom, Standard Bank and MTN.

OOH advertising revenue will reach R5.1 billion by 2019

Fig 2. Total OOH advertising revenue, 2010–2019 (R millions)



Source: PwC, Ovum

With new tenders having been rolled out by ACSA (Airports Company South Africa), increased interest in this form of advertising is anticipated. The tenders were in response to ACSA's decision to perform a complete overhaul of its advertising model from a multi-concessionaire system to a zone-specific operator system. ACSA's new model separates the advertising space into three opportunities available for tender, namely indoor advertising, outdoor advertising and activation sites. This is further split between four clusters: OR Tambo International, Cape Town International, King Shaka International and a fourth cluster made up of ACSA's six domestic airports in various regions, increasing the available tenders to twelve.

This tender process was open until February 2015, with the implementation of the new model scheduled to take place from July 2015. The tender will last five years and is renewable under certain conditions. Participants were afforded the opportunity to form joint ventures with other media owners in order to bid for a zone as one entity. Lanseria International Airport has also recently put its entire advertising portfolio out to tender and has invited all the major OOH companies to participate. The successful bidder will commence with the Lanseria portfolio in October 2015.

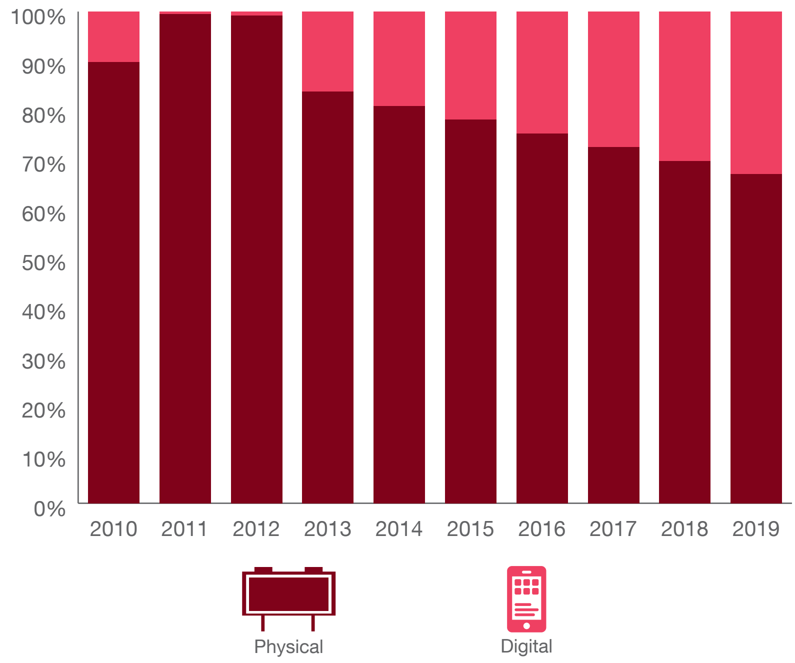
The arrival of JCDecaux shows the potential of South African OOH

The potential of the South African OOH market was underlined in 2014 when global OOH advertising giant JCDecaux decided to pursue a major investment in South Africa and concluded a deal to acquire Continental Outdoor Media, the largest outdoor advertising company in Africa. The deal, announced in December 2014, will significantly increase competition in South Africa's OOH market. JCDecaux now becomes one of the market leaders in South Africa, along with local provider Primedia Outdoor. Neither of the other major global players – Exterion Media (formerly CBS Outdoor) and Clear Channel – operate in South Africa, the latter having exited the market in 2008. The arrival, then, of global market leader JCDecaux can be expected to have a major impact on South Africa's OOH market and may lead to further consolidation.

The digital revolution in OOH advertising has reached South Africa

DOOH's revenue share is increasing substantially

Fig 3. Share of OOH revenue by format, 2010–2019 (%)



Source: PwC, Ovum

South Africa's DOOH revenue stood at R293 million in 2010, largely driven by the country's hosting of the FIFA World Cup. The following year, digital revenue fell to R16 million as World Cup-driven revenue in and around stadiums largely disappeared. DOOH made a strong return in 2013, however, when South African providers invested strongly in the domestic market for the first time. This caused DOOH revenue to jump to R666 million, far exceeding the revenue of the World Cup year, which was concentrated almost entirely in a single month. Strong growth of 23.2% followed in 2014, bringing the total to R821 million.

This will continue over the next five years at a CAGR of 15.4%, reaching R1.68 billion in 2019. Physical OOH, on the other hand, will enter a period of gentle decline, with a CAGR of -0.3% over the forecast period, resulting in a total drop of R56 million by 2019.

By 2019, South Africa will have achieved a digital revenue penetration of 33.1%. Although this is behind the global average rate of 39.7%, it will be by far the highest digitisation rate in Africa and within the top 30 globally. The rate will even exceed that of several mature European markets, including Italy and Germany.

With higher levels of construction activity and infrastructure investment, South Africa will be creating more new OOH displays, which can be digitised more cost-effectively than retrofitting existing installations. This will enable South Africa to join the digital revolution in DOOH even more rapidly than many more mature markets.

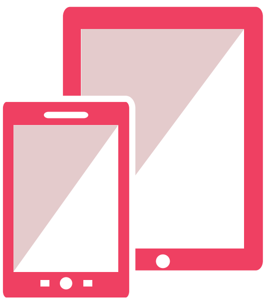
The digital revolution has come at a cost to traditional advertising media as consumers move online. Traditional media formats have struggled, and revenue from new digital formats has often not been enough to compensate. But OOH advertising, while undergoing a major digital transition of its own, is uniquely insulated from this disruption. Consumers will always be exposed to OOH advertising. The strong emergence of digital place-based networks enables media owners to intercept consumers' natural daily movements, even targeting a consumer during the more critical moments of their purchase process. Since more than 70% of a consumer's day is spent out of home, this type of media advertising is proving effective. So, far from threatening OOH advertising, the introduction of digital, Internet-connected formats is a positive development for OOH providers.

The growth of DOOH will be a key factor driving revenue growth in South Africa over the next five years. DOOH advertisements are of a higher quality and more dynamic and eye-catching than their static predecessors. Crucially, from the point of view of providers, digital screens allow multiple advertisements to be shown on a single panel in rotation. While this could be achieved in the past by old-style 'scrollers', advertisers were less willing to pay for space that would be shared with other ads.

Interactivity will become a key element of DOOH advertising

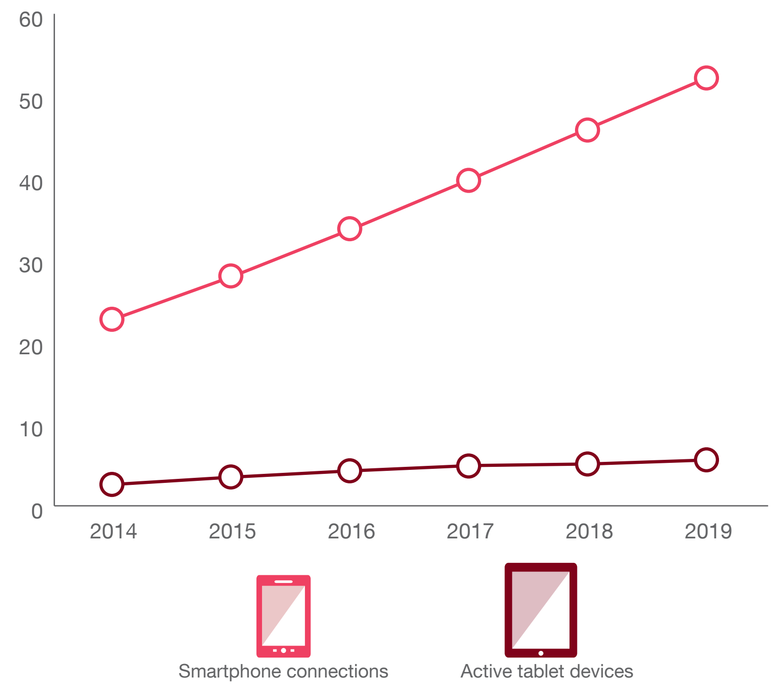
The increase in quality offered by DOOH, however, has enabled providers to charge higher prices per ad even though they are each on display for less time. In some cases, the combination of multiple ads and increased revenue per ad means that a digital panel can increase revenue generated by a factor of ten or more.

Many advertisers in South Africa are already exploiting these opportunities. Examples in recent years have included the launch of Airport.tv, a network of 500 digital screens in nine South African airports, and Transit.tv, a DOOH network initially launched inside taxis (and later taxi stations and train stations), and which is now expanding across bus networks. Following its most recent expansion in early 2015 to the Nelspruit bus terminal, which has over one million monthly passengers, Transit.tv's monthly viewership is now estimated to exceed seven million. The focus on transport is significant as these locations have proved the most successful for DOOH in leading digital markets such as the UK and Singapore. This is due to both the high density of viewers and long viewing times, as ads inside stations and vehicles enjoy captive audiences.



Mobile device penetration is set to grow rapidly in South Africa

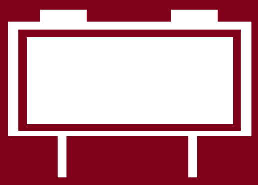
Fig 4. Smartphone connections and active tablet devices, 2014–2019 (millions)



Source: PwC, Ovum

As DOOH becomes a more important part of the South African OOH market, it will become increasingly possible, and indeed necessary, to fully leverage the possibilities of new formats. One of the most important ways in which DOOH can improve on its physical predecessors is by increasing interactivity. There is an opportunity for OOH in South Africa to become more interactive by engaging directly with consumers via their mobile devices. This can be done by including features such as coupons, games, quick response (QR) codes and NFC tags. Even traditional static ads can become more valuable by using features such as QR codes, which instantly link the viewer to the advertiser's website via their smartphone or tablet.

Perhaps the most promising of these technologies is NFC payments. This system, whereby small transmitters permit the sending and receiving of data between compatible devices, allows users to pay small amounts with a swipe of their device. This enables DOOH installations to act not just as ads but also as points-of-sale for the advertised products. This is a particularly exciting prospect for low-cost, digitally delivered products like music, videos or e-books, which can then be sent directly to the purchaser's device.



Measurement and regulation will continue to be inhibiting factors...

In many respects, South Africa is well placed to take advantage of these developments. The focus of the country's DOOH development so far has been on transport networks, where the possibilities for interactivity are strong, rather than on the mega-displays or roadside installations seen in other markets. The country's smartphone penetration is already high by regional standards and set to increase rapidly. By 2019, the number of smartphone connections is forecast to more than double to 52.3 million, while the number of active tablet devices will increase at a similar rate to 5.6 million. In 2014, the final piece of the infrastructure puzzle was put in place with the launch of the country's first NFC network by technology company Gemalto and two of South Africa's largest banks, Absa and Standard Bank. The combination of these factors should see interactive advertisements gaining traction as a key part of South Africa's OOH landscape by the end of the forecast period.

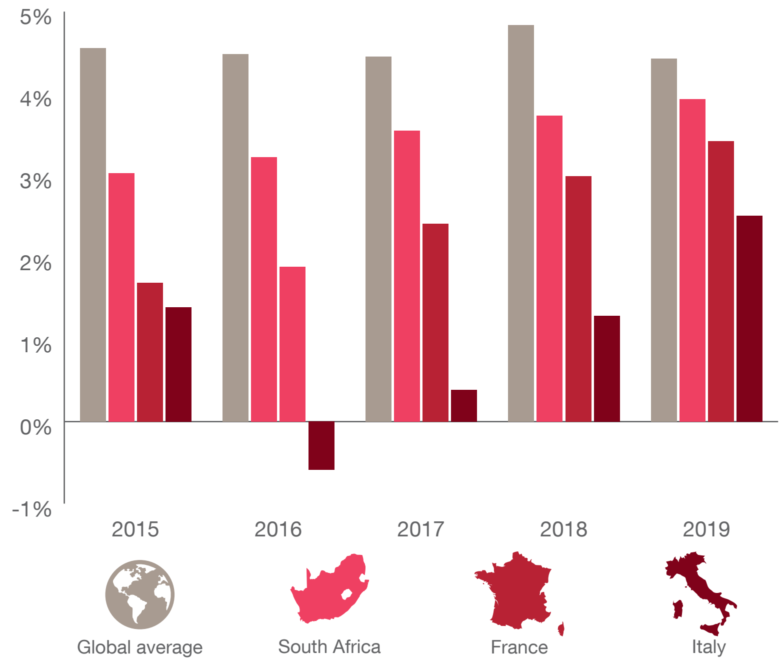
The difficulty of accurately measuring the impact of OOH advertisements is one of the key weaknesses of the medium worldwide, but especially in South Africa. Accurate reporting of OOH spending in South Africa is scarce. This analysis uses a variety of sources to capture spending across the entire OOH sector, including an estimate of unreported spend not included in many official figures. The dearth of analyses that give the full picture of the total OOH market will need to be addressed, as more accurate reporting will be vital to sustaining the growth of the medium and attracting advertising rands over other formats.

Accurate measurement of the impact of OOH, and indeed the revenue deriving from it, remains a problem in townships in particular. Active engagement with township communities is required to gain insight into locals' movement and buying habits.

Global evidence suggests improving measurability has a noticeable effect on growth in OOH revenue as advertisers gain confidence in its effectiveness. Steps have been made in the right direction in South Africa, such as Continental Outdoor's launch of measurement system ROMItrack in 2013, but a comprehensive OOH measurement methodology is not yet in place.

An international consortium comprising APG/SGA, Clear Channel Outdoor, JCDecaux and Exterion Media is partnering up with FEPE to provide the first standardised measure of DOOH audiences. The project will launch at FEPE's World Congress in Budapest in June 2015, where a demonstration will be given of a virtual environment that has been created which, when combined with eye-tracking, aims to provide advertisers with benchmarks in order for them to evaluate the impact of DOOH. A breakthrough in this area could have positive effects on growth in DOOH worldwide.

Fig 5. 2015–2019 year-on-year growth in OOH revenue in South Africa, Italy and France, and the global average (%)



Source: PwC, Ovum

Growth will be more sluggish in markets where regulation is tightening

… but improvements to measurement are on their way

Throughout 2015, a new research tool, created by Ask Africa and the Spanish company Cuende Infometrics, has made significant progress. Its methodology can combine traffic flows and patterns to create a traffic model, and then overlay that with the location of billboard panels to offer a detailed representation of OOH audiences in key areas. Such elements are then modelled to create ratings for reach, frequency and cost per mille (CPM), among others. Sample data for Johannesburg will be tested in June, with data for the top five cities slated for August.

The possibility of credible, consistent data should provide a major boost to the industry. In particular, knowledge about those sites seeing the most consumer attention should help industry players to ascertain where to convert to DOOH, in order to exploit the enhanced opportunities for interaction provided by that medium. This project's creation has also spurred the formation of a new measurement body, the Outdoor Measurement Council (OMC).

Regulations are tightening

The other major structural challenge facing the South African OOH market is the tightening of regulations. As in many markets, billboards are controversial, with detractors claiming that they are ugly, cause light pollution or distract drivers. There is a growing trend globally towards greater restrictions on billboards. Notable examples include Italy, where long-running battles over the use of outdoor advertising in the country's historic cities are a constant problem, and France, where the city of Grenoble took the radical step in 2014 of banning billboards altogether, becoming the first city in Europe to do so. The inhibiting effect of regulation in these markets will contribute to their growth rates significantly trailing the global average.

Similar issues already exist in South Africa, as evidenced by a court ruling in 2014 ordering the removal of a billboard in Durban on the basis that it risked distracting drivers. The potential for similar rulings will be of particular concern as digital billboards begin to be rolled out in South Africa, since the greater potential for distraction caused by these installations has attracted increased restrictions or outright bans elsewhere.

On a related note, in Johannesburg in November 2014, a banner was erected criticising mobile provider Cell C. Although Cell C's interdict to have the banner removed was unsuccessful, the City of Johannesburg did issue a notice of removal, as the banner failed to comply with the municipality's by-laws on outdoor advertising.

A major problem that the OOH industry faces is the different interpretation and implementation of OOH regulations between the major cities. Cape Town, for example, has adopted a very strict and minimalistic view on OOH media which has had a negative impact on the amount of OOH media in the city; Johannesburg, on the other hand, has been very slow in enforcing OOH media compliance, leading to clutter and an oversupply of OOH media. Whilst over-regulation is certainly a burden on the industry, the enforcement of regulations remains critical to ensure that exclusive advertising space bought and paid for by OOH providers is respected and is not encroached upon. Currently, the reporting of such infringements does not always produce the desired outcome.

The greatest current regulatory challenge, however, is undoubtedly the proposed Control of Marketing of Alcoholic Beverages Bill. If enacted, this law will prohibit all advertising and promotion of alcoholic beverages. The bill was originally proposed in 2013 and was delayed again in 2014 when an independent regulatory impact assessment was commissioned by the South African Department of Health. At the time of writing, it remains under review. As alcohol advertising makes up a substantial proportion of South Africa's OOH spending, the bill threatens to significantly impact OOH revenue. This is one of the main reasons why, despite many underlying strengths, South Africa's OOH growth, at a 3.5% CAGR, will trail the global average of 4.6%.

Innovative advertising and campaigns

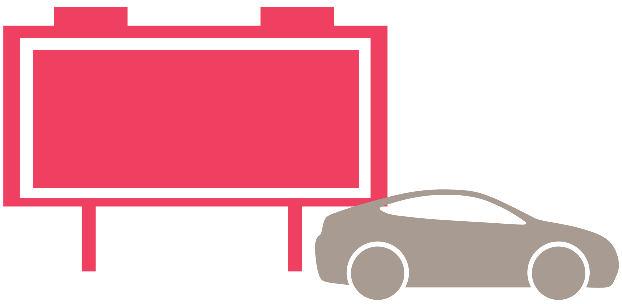
Big data will likely also find its place as far as OOH measurement, research and efficacy goes. The existence of data such as ticket sales at transport nodes, EPOS (electronic point-of-sale) data for in-store environments, mall footfall figures, airport traffic information and stadium attendance figures presents an opportunity to derive valuable data sets by combining the data with classical research methodology and demographic analysis to create a very detailed and exciting audience picture for advertisers. DOOH has a further advantage in that digital installations are inherently better placed to provide real-time feedback to providers, especially with the implementation of interactive elements which will, for the first time, provide solid proof of engagement rates, similar to click-throughs in Internet advertising.

Ad Outpost has established its own in-house creative division, the Imagination Lab, to best exploit the space of a billboard in an eye-catching campaign, thus enhancing return on investment. Commenting that, too often, print campaigns were just replicated as OOH campaigns, meaning the potential of the OOH space has not been exploited, Ad Outpost CEO Dinesh Diar added: 'It's about telling a story on giant storyboards which are able to engage with consumers even as they drive past at 120kms per hour.'

Car manufacturer Lexus was faced with the challenge of demonstrating its new adjustable headlights on a billboard, which was achieved via 'reverse perspective'. As consumers moved past the billboard, which contained a picture of a tunnel lit by headlights, the tunnel seemed to shift along with their movement, creating the illusion of depth.

A customised message on the back of car licence discs was designed to promote better road safety among drivers. Chevron/Caltex's campaign, named 'Licence to Live', enabled drivers to print photos of loved ones with personalised messages after research showed that the presence of a loved one encouraged drivers to drive more safely.

In July 2015, Primedia Outdoor switched on its Super LED billboard on the Danie Joubert freeway between Johannesburg and Pretoria. The billboard, which has the capacity to change its messaging almost instantly, was first used by Telkom.



"It's about telling a story on giant storyboards which are able to engage with consumers even as they drive past at 120kms per hour."

Dinesh Diar – Ad Outpost CEO

Nigeria


INSURE YOUR GARAGE
AND THE STUFF IN IT
INSURE YOUR GARAGE
AND THE STUFF IN IT
Hollard.

Nigeria will be Africa's leading source of OOH growth

OOH revenue, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical OOH	149	158	170	184	196	205	214	221	227	234	3.6%
Digital OOH	1	2	3	4	7	11	17	25	37	53	51.1%
Total	**150**	**160**	**173**	**188**	**203**	**216**	**231**	**246**	**264**	**287**	**7.2%**
YOY growth (%)		***6.6%***	***8.0%***	***8.9%***	***7.9%***	***6.3%***	***6.7%***	***6.7%***	***7.6%***	***8.6%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

OOH advertising is a primary media vehicle in Nigeria, having been around for 80 years. It has over the years been a source of livelihood for many Nigerians and has contributed heavily to gross domestic product (GDP).

Nigeria's OOH advertising market was worth US$203 million in 2014, an increase of 7.9% on the previous year. Strong growth is set to continue throughout the forecast period at a CAGR of 7.2%, with total revenue reaching US$287 million in 2019. With absolute revenue growth of US$84 million over the forecast period, this makes Nigeria the biggest source of OOH growth in Africa, ahead of South Africa (US$74 million).

Nigeria's OOH market is benefitting from a strong economy, with compound annual real GDP growth set to average 7.0% over the next five years. The country's rapid economic growth has attracted international firms to invest in its OOH market. A prime example is South African-based Primedia Outdoor which, in partnership with local company Deluxe Colour Productions, will focus on advertisements on bridges and commuter routes.

Rapid urbanisation is also a boon for Nigerian OOH. Lagos, the largest and one of the fastest-growing cities in Africa, accounted for 42% of Nigeria's OOH advertising market in 2013. Lagos' large consumer base, accounting for 12% of the country's population, makes it an attractive market for advertisers, particularly for the telecoms, food and drinks, and financial services companies, which are the biggest buyers of OOH advertising in Nigeria.

Billboards are by far the most common form of OOH advertising in Nigeria, with solar-powered billboards becoming a common sight in recent years. The country's other commonly used formats include wall-mounted boards and bus and taxi branding, as well as informal formats such as posters mounted on lamp posts. In total, there are estimated to be over 21 000 OOH displays in the country.

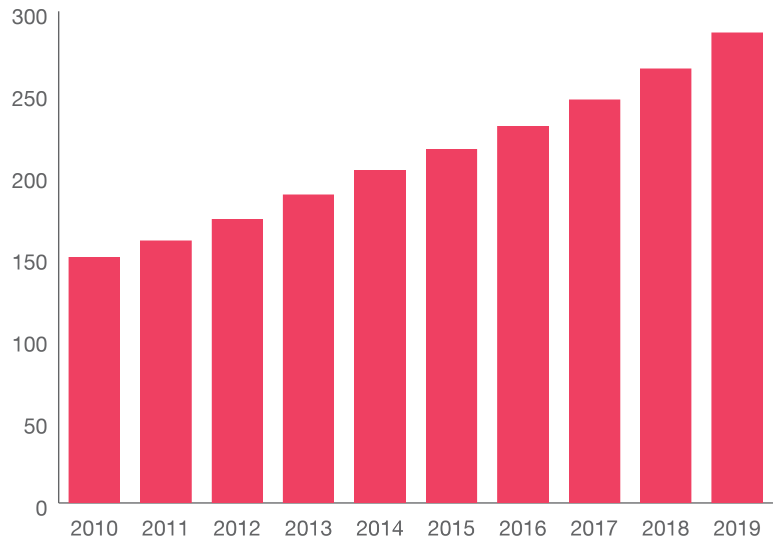
OOH advertising in Nigeria has seen some dramatic changes since the arrival of DOOH over four years ago, although LED is the topmost format of OOH by spend. Top agencies such as New Crystal Communications have been incorporating LED advertising across the country.

Optimum Exposures, a leading outdoor agency, recently unveiled the biggest outdoor site in Nigeria, while Luzomedia Limited, another Lagos-based outdoor agency, launched a mobile LED advertisement. DOOH generated revenue of just US$7 million in 2014, almost all in Lagos. Revenue is forecast to grow very rapidly, however, at a CAGR of 51.1% to reach US$53 million in 2019. Although only a small percentage of OOH inventory will be digital, the much greater revenue generated by these displays means they will make up 18.6% of all OOH revenue.

Nigeria's smartphone penetration is low, with the number of smartphone connections at 23 million compared to the 143 million total mobile phone connections, but set to increase rapidly. By 2019, there will be 95 million smartphone connections in Nigeria, the most of any country in Africa. In 2014 the first trial of NFC payments in the Nigerian market took place, but the technology remains niche. The growth of these technologies in the future has the potential to stimulate DOOH revenue considerably, but it remains to be seen whether they can gain traction in Nigeria within the forecast period.

Nigeria's OOH revenue will grow strongly at a CAGR of 7.2%

Fig 6. Total OOH advertising revenue, 2010–2019 (US$ millions)



Source: PwC, Ovum

OOH advertising revenue will reach US$287 million by 2019

Political advertisements were a major revenue earner for the industry in 2014 and early 2015 as political candidates utilised billboards, banners and posters to declare their intentions, campaign and increase outreach. As at April 2015, advertising spend on political campaigns was estimated at US$24.5 million. With increased Internet access, advertisers are beginning to utilise mobile avenues to campaign as they drive more direct and interactive consumer engagement.

Regulation is a major problem in Nigeria. There are a number of regulatory bodies, and the industry struggles with competing and sometimes contradictory regulations from federal, state and local governments, with a lack of clarity about who the appropriate authority is. The Advertising Practitioners Council of Nigeria (APCON) is in charge of the control and regulation of all forms and aspects of advertising practices in Nigeria. Other regulatory bodies include the Association of Advertising Agencies of Nigeria (AAAN) and the Lagos State Signage and Advertisement Agency (LASSAA). However, much OOH advertising is effectively unregulated, especially in rural areas, with fees being paid unofficially to site owners or touts.

Further problems include multiple taxes, an erratic power supply and corruption. Political instability is also an issue, although the relatively smooth progress of elections in 2015 was a welcome development.

On-going violence in the north-east of the country is a concern for international investors but is unlikely to have a major impact on the development of OOH in Lagos and most parts of the country.

Kenya

Kenya is set to be the fastest-growing OOH market in the region

OOH revenue, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical OOH	55	73	78	83	90	94	98	100	102	103	2.9%
Digital OOH	2	4	5	8	11	15	20	27	35	43	31.6%
Total	**57**	**77**	**83**	**91**	**101**	**109**	**118**	**127**	**137**	**146**	**7.7%**
YOY growth (%)		***34.5%***	***8.0%***	***8.3%***	***11.2%***	***8.8%***	***8.0%***	***7.6%***	***7.6%***	***6.7%***	

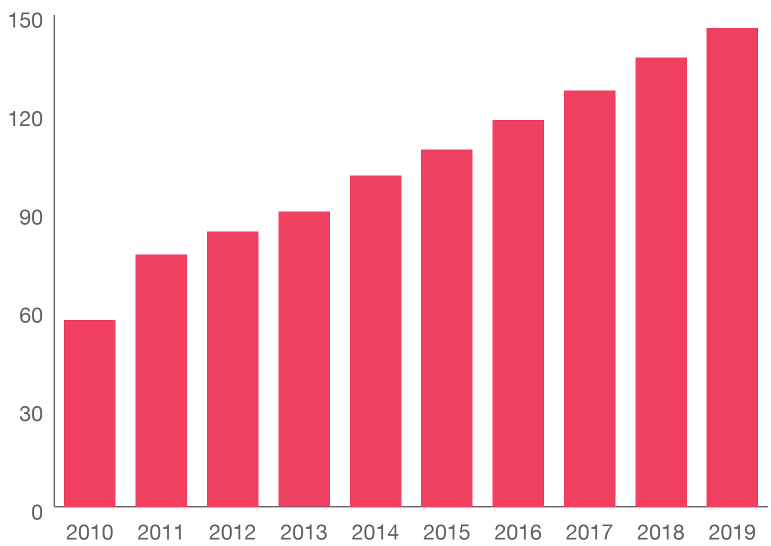
Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Source: PwC, Ovum

Total OOH advertising revenue in Kenya was valued at US$101 million in 2014, up from US$57 million in 2010. Growth is forecast to continue at a CAGR of 7.7% to reach total OOH advertising revenue of US$146 million in 2019. The very strong growth in Kenya's OOH advertising market is driven by a number of factors. The economy is booming, with compound annual real GDP growth averaging 6.4% throughout the forecast period. Kenya is also experiencing rapid rates of urbanisation, with 29% of the population forecast to live in urban areas in 2017, up from 19% a decade earlier.

Transport is a major growth area in Kenyan OOH, with billboards, the leading format, benefitting greatly from increasing car ownership. According to the International Road Federation, passenger car ownership per capita increased 81% in the decade to 2011 (the last year for which data is available) and this growth rate is certain to continue apace. Mass transit infrastructure is also a key revenue channel. Airports in particular are performing very strongly, with departures by both national and international carriers increasing sharply in recent years, producing an attendant increase in revenue from airport-based OOH displays. Public transport infrastructure in Kenya remains very limited, but OOH providers are increasingly making use of the bus network, advertising in stations and on vehicles.

Kenya will see very strong OOH growth with a CAGR of 7.7%

Fig 7. Total OOH advertising revenue, 2010–2019 (US$ millions)



Source: PwC, Ovum

OOH advertising revenue will reach US$146 million by 2019

Transport locations are well suited to digitisation and, along with shopping malls, are leading the way in Kenya. DOOH advertising generated modest but significant revenue of US$11 million in 2014. This will grow strongly at a CAGR of 31.6% to reach US$43 million in 2019. This will be an impressive 29.2% of all OOH advertising revenue as the large revenues generated by digital displays in locations such as airports and upmarket shopping malls become a key part of the market.

Kenya is uniquely placed to bridge the physical-digital divide in OOH advertising as mobile phones offer the industry ways to integrate online and physical campaigns. The country has a very successful SMS-based mobile payments system, M-Pesa. This can be exploited by advertisers to leverage the possibilities of interactivity and direct sales without the need for the more expensive technologies required elsewhere. Additionally, Kenya's smartphone penetration is high by regional standards (and increasingly rapidly), and it already has an NFC payments system which trialled in 2013 and launched fully in 2014. Taken together, these factors make Kenya one of the most exciting DOOH markets in the region.

On the downside, political unrest is a recurring problem in Kenya, and while largely peaceful elections in 2013 were encouraging for investors, any ongoing unrest has the potential to undermine confidence and is likely to hamper international investment. There are also a number of regulatory issues affecting the market. Examples include an attempt by the local government in Nairobi to increase fees for OOH advertisers, which resulted in a court battle in 2013, and a deal for advertising on Kenyan highways which was struck down by the courts in 2014. On the whole, however, regulatory issues in Kenya are less serious than in most markets in the region and are unlikely to seriously impede the growth of OOH revenues.

Transport locations and shopping malls are leading the way in Kenya


NEWS
HEADLINES
Marikana activists: Ruling an insult

Global trends in OOH

The following is extracted from *PwC's Global Entertainment & Media Outlook 2015–2019*

OOH revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Physical OOH	25 484	25 616	25 701	26 048	26 613	26 907	27 118	27 230	27 402	27 335	0.5%
Digital OOH	5 015	6 277	7 230	8 376	9 709	11 068	12 559	14 214	16 047	18 036	13.2%
Total	**30 499**	**31 894**	**32 931**	**34 424**	**36 322**	**37 975**	**39 677**	**41 444**	**43 449**	**45 371**	**4.6%**
YOY growth (%)		***4.6%***	***3.3%***	***4.5%***	***5.5%***	***4.6%***	***4.5%***	***4.5%***	***4.8%***	***4.4%***	

Source: PwC, Ovum

Global total OOH advertising revenue stood at US$36.3 billion in 2014 and is set to grow at a 4.6% CAGR to reach US$45.4 billion in 2019. The key growth driver will be infrastructure investment, which creates increased and improved OOH advertising space. The strongest growth will be seen in countries with high levels of infrastructural development, including Turkey, China and Brazil, which have forecast CAGRs of 12.8%, 9.8% and 9.1%, respectively.

DOOH advertising revenue totalled US$9.7 billion globally in 2014. This will grow strongly to reach US$18.0 billion in 2019. However, in mature markets like Belgium and the UK, this growth will largely come at the expense of physical formats, with physical OOH advertising revenue declining by CAGRs of -8.2% in Belgium and -6.3% in the UK.

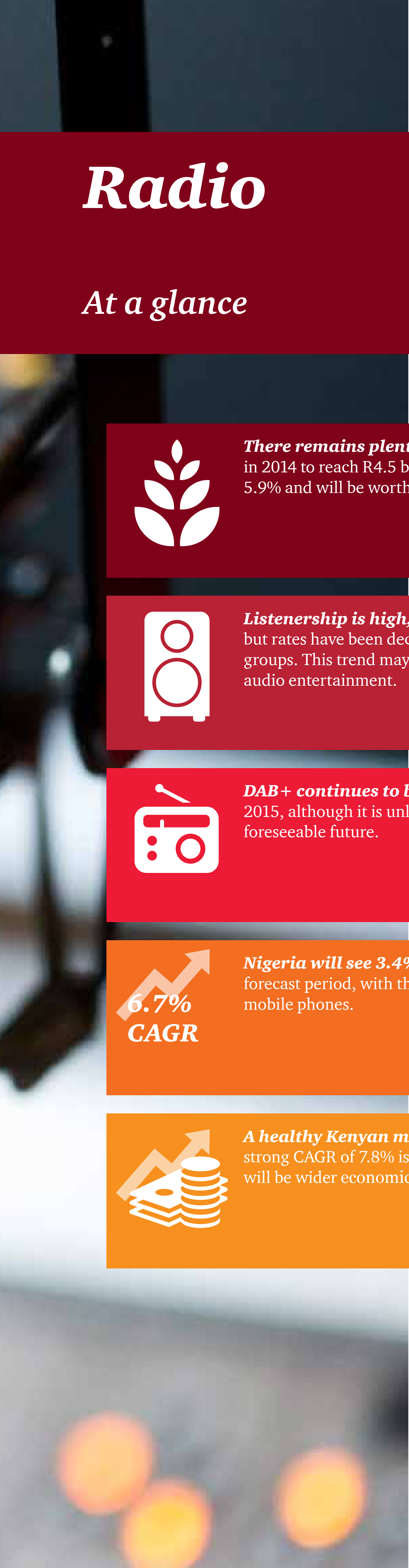
With the high cost of upgrading to digital formats, DOOH advertising will be concentrated in large cities, with the most urbanised markets seeing the highest digital penetration. By 2019, the city state of Singapore will see DOOH advertising revenue account for 60.4% of total OOH advertising revenue, while exceptional growth in London will help the UK reach 53.7%.

OOH advertising will increasingly feature interactive elements to engage with consumers. By 2019, there will be 3.85 billion smartphone connections and 1.46 billion active tablet devices worldwide. This growth will offer opportunities to the growing DOOH advertising industry to interact with these devices, increasingly including technologies such as NFC that allow advertisements to act as points of sale.

Digitisation has affected many traditional advertising media. For instance, global newspaper advertising revenue is set to decline at a CAGR of -1.0% over the next five years. In OOH, however, digitisation has made a positive impact. By converting panels to digital, providers can vastly increase their revenue by displaying multiple ads of higher quality in the same space. This process will drive an impressive CAGR of 13.2% in DOOH advertising revenue.

Steady global growth in OOH


Guaranty Trust



Radio

At a glance

There remains plenty of room for growth in South Africa. South Africa's radio market grew by 6.8% in 2014 to reach R4.5 billion. Total radio revenue will continue to grow over the forecast period at a CAGR of 5.9% and will be worth an estimated R5.9 billion in 2019.

Listenership is high, but falling. Average national listening time remains above three hours a day, but rates have been declining in recent years. Listening times have dropped the most among younger age groups. This trend may be amplified further with growing Internet access and greater competition for mobile audio entertainment.

DAB+ continues to be trialled. A DAB+ trial started in November 2014 and will run to October 2015, although it is unlikely that the government will announce a date for a full FM switch-off in the foreseeable future.

6.7% CAGR

Nigeria will see 3.4% CAGR growth. The country's radio market will surpass US$100 million over the forecast period, with the market benefitting from the growing number of Nigerians who access radio via mobile phones.

A healthy Kenyan market continues to improve. Kenya's total radio revenue rose 9.0% in 2014, and a strong CAGR of 7.8% is predicted for 2015. Radio is currently Kenya's largest advertising medium; key drivers will be wider economic growth, increased urbanisation and greater audience reach.

Definitions

A – Z

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.

Historic data is derived primarily from the Radio Advertising Bureau Revenue Reports.

South Africa

Radio advertising set to grow by a CAGR of 5.9% between 2014 and 2019

Radio revenue, 2010–2019 (R millions)

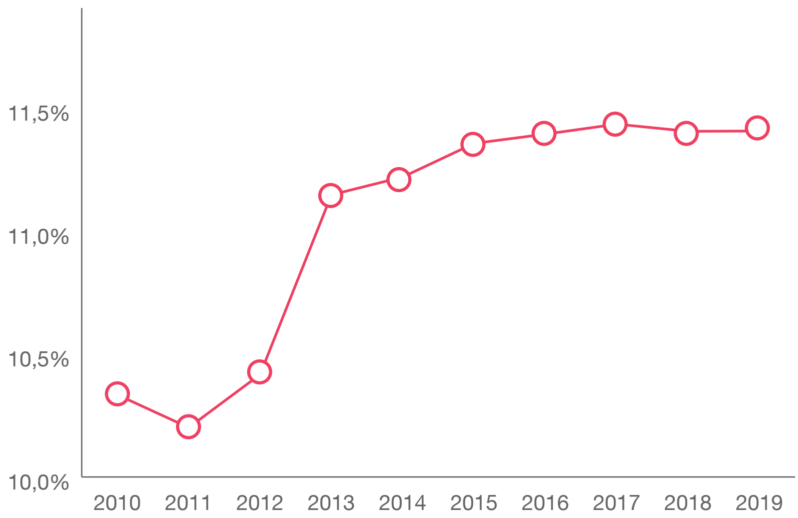
	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**14-19**
Radio advertising revenue	3 019	3 243	3 612	4 170	4 452	4 750	5 048	5 346	5 643	5 941	5.9%
Total radio revenue	**3 019**	**3 243**	**3 612**	**4 170**	**4 452**	**4 750**	**5 048**	**5 346**	**5 643**	**5 941**	**5.9%**
YOY growth (%)		***7.4%***	***11.4%***	***15.4%***	***6.8%***	***6.7%***	***6.3%***	***5.9%***	***5.6%***	***5.3%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

South Africa's radio market, which consists of advertising revenue only, expanded 6.8% in 2014, with total advertising spend on the medium reaching R4.5 billion. This will rise to an estimated R5.9 billion by 2019, a CAGR of 5.9%, as investments continue to flow into radio advertising, making it the largest market of its kind in the Middle East and Africa.

Sectors with the highest advertising spend in South Africa are telecoms, food and beverages, and consumer goods. Radio comprised 11.2% of total advertising spend in 2014, and this will increase very slightly to 11.4% by 2019. Radio's increased share of advertising spend is only bettered by Internet advertising, which will see its share grow by more than five percentage points. On the whole, radio is a very popular medium and will remain the third-largest advertising medium in South Africa, after TV and newspapers, throughout the forecast period. The proposed advertising restrictions on alcoholic beverages and unhealthy food by the Department of Health might have a considerable impact on revenue streams across a number of segments, in particular TV, radio, OOH and newspapers, as these categories make up a significant part of broadcasters' and publishers' advertising revenues.

Fig 1. Radio as a proportion of total advertising revenue, 2010–2019 (%)



Sources: PwC, Ovum

Radio's share of total advertising spend will edge upwards

Average daily listening has declined by almost half an hour over five years

According to the *State of the Broadcasting Industry Report* of the National Association of Broadcasters (NAB), published in November 2014, radio advertising revenues are, as expected, highest during the commute rush hours of 6.00am–9.00am and 3.00pm–6.00pm.

The South African radio audience

According to the June 2015 RAMS release, South Africans listened to the radio, on average, for three hours and 16 minutes daily. This represents a fall of 26 minutes from the same month in 2011. The downward trend over the past few years can be attributed to newly empowered consumers increasingly deciding to allocate their leisure time to alternative sources for news and entertainment such as watching TV, playing video games or browsing the Web.

Radio remains a key source of news and entertainment in areas with limited access to more mainstream media, with data suggesting that listening is notably greater in small urban and rural areas compared to the larger cities. For example, the gap in radio listening time between Limpopo and the urbanised Western Cape region spans more than one hour a day.

Community radio is popular in rural areas and still plays an important role in keeping people informed and connected, and in creating jobs. According to the June 2015 RAMS data, these stations collectively account for 8.8 million listeners. Most community radio stations rely on funding from the government, as advertising and other forms of funding are more challenging to access.

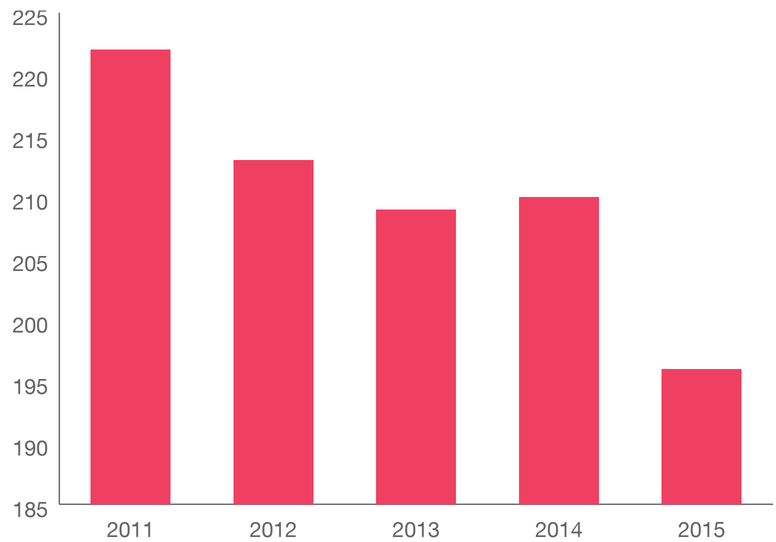
Yet advertising on community radio stations has advantages, such as establishing awareness and trust within the community, targeting particular language-speakers, and relatively cheap production and spot costs.

Nonetheless, the fact that the average South African reports daily radio listening in excess of three hours a day implies that radio still takes up a notable share of total leisure time.

Advertisers are aware of this and will continue to invest heavily in the medium over the next five years.

While the majority of South Africans tune into the radio at least once a day when at home, 15% also report that they listen to radio at least once a day while driving, and 12% when using a taxi or other public transport. Greater urbanisation and growing car ownership has led to more traffic and time being spent in cars.

Fig 2. National average radio listening (minutes), South African adults, June, 2011– 2015

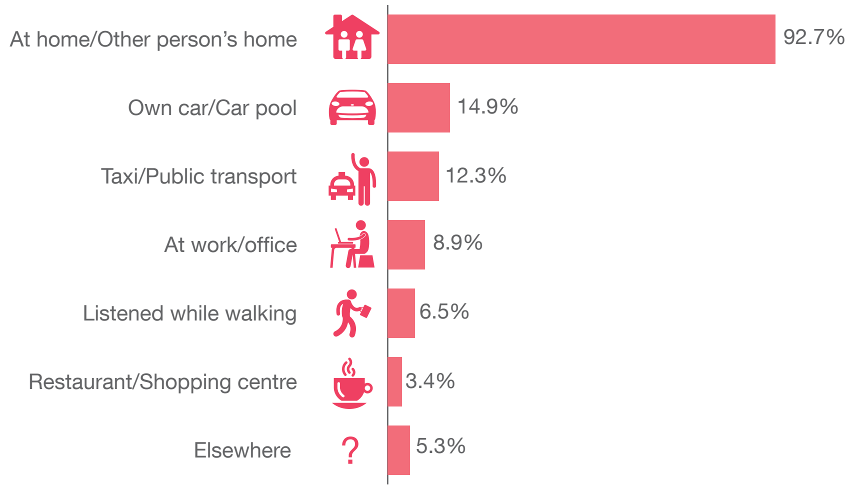


Source: SAARF RAMS

Radio benefits, as it remains the core in-car entertainment medium. This may change in the long run as interactive dashboards that enable music to be streamed via apps become more widespread, although this is not an immediate threat for South African broadcasters.

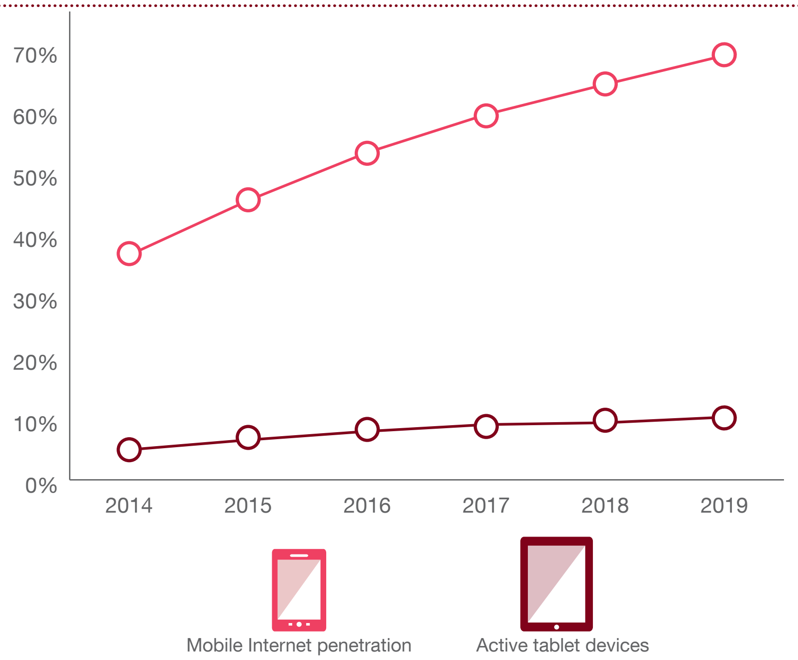
Listening in vehicles remains popular

Fig 3. Places where respondents listened to radio 'yesterday' (%)



Note: Totals may exceed 100% as respondents indicate listening to radio in multiple locations.
Source: SAARF RAMS (Feb 2015)

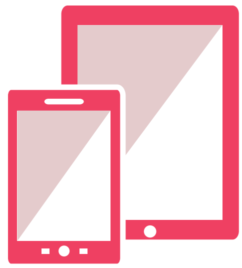
Fig 4. Mobile Internet penetration and active tablet devices as a percentage of the population (%), 2014–2019



Sources: PwC, Ovum

Greater access to the Internet, in particular mobile Internet, will change audience behaviour in the coming years. Around 6.5% listen to radio while walking, and this will likely increase over the next five years as an additional 18.5 million people become mobile Internet subscribers. By then, almost seven in every ten South Africans will have mobile Internet access, and this will further shape how and when people listen to the radio.

Almost seven in every ten South Africans will have mobile Internet access in 2019



New technology offers important distribution channels for radio, as more people can access content via mobile phones or desktops. Multi-platform content provision allows for greater audience reach and new potential long-term revenue growth opportunities, such as online banner advertisements. Many stations are evolving into multimedia businesses by successfully incorporating podcasts, polls, competitions and comment platforms linked to social media through their webpages or apps. Many stations also offer real-time studio webcams to their audiences as well as online news articles and traffic updates.

Mobile strategies will be an area of growing importance with exciting future opportunities

The audience can also interact directly with radio presenters via their personal social media accounts. For example, Power 98.7 presenter Pabi Moloi has more than 335 000 Twitter followers, Barry Bateman (senior reporter at Eyewitness News) has more than 270 000 followers, and 702 and Cape Talk presenter Bruce Whitfield has over 100 000. Radio personalities with a substantial number of followers benefit radio stations in several ways. They strengthen the radio's brand value and arguably minimise issues related to inappropriate or false reporting, as presenters want to avoid reputational damage on social media.

Such measures allow stations to better interact with their audience by creating an online community, and broadcasters are looking for more ways to monetise this strengthened relationship. Advertisers benefit as they get more information about who the audience is. They are also in a better position to potentially measure the response a promotion generates in real time through audience engagement via "likes" or retweets.

Mobile strategies will be an area of growing importance with exciting future opportunities. Geo-targeting technology is evolving and although not yet implemented by broadcasters, integrated radio apps with geo-targeting will ensure that local ads are directly targeted to listeners in a specific area.

The South African radio landscape

The South African radio landscape comprises 21 commercial, 16 public broadcast and around 240 community stations, including over 20 new community stations launched in the past year. The radio market continues to grow and a wide range of choice creates competition between radio stations, with people listening to an average of two stations a week. Continued focus on branding, securing the most popular presenters, targeting a niche audience and generating consumer engagement across multiple platforms can be effective strategies for channels to cement greater audience loyalty.

The Durban-based nationwide station Ukhozi FM is the most popular radio station in South Africa with over 7.5 million weekly listeners. The majority of broadcasting is in isiZulu. The station covers both news and entertainment in the form of current affairs, traffic information, talk shows and music. Ukhozi FM primarily targets adults, but also offers several programmes aimed at a younger audience.

April 2015 saw the sixth annual MTN radio awards. SABC's Thobela FM won the award for the best public broadcaster, and its presenter Skhumbuzo Mbatha was crowned the best afternoon drive show presenter. Station of the year in the commercial category went to Jacaranda FM, with the best community station going to Pretoria's Radio Pulpit. This year's MTN radio awards was the last under CEO Lance Rothschild, who was appointed as head of programming at Power 98.7 in May.

Looking ahead, there may be some consolidation within the industry as single or dual station operators seek to merge or possibly be acquired by some of the larger operators who have capacity from a regulatory perspective to accommodate additional stations.

South African radio landscape comprises

21 *commercial*

16 *public broadcast and around*

240 *community stations*

Ukhozi FM continues to lead with 7.5 million weekly listeners

Radio stations in excess of one million listeners (millions), public/commercial, national/regional, June 2014 and June 2015

Top 10 Radio Stations	June 2014	June 2015	Public/ Commercial	National/Regional
Ukhozi FM	7.62	7.52	Public Broadcast	Regional
METRO FM	6.31	6.36	Commercial	National
Umhlobo Wenene FM	4.47	4.65	Public Broadcast	Regional
Lesedi FM	3.97	3.63	Public Broadcast	Regional
MOTSWEDING FM	3.32	3.00	Public Broadcast	Regional
THOBELA FM	3.34	2.99	Public Broadcast	Regional
Jacaranda 94.2	2.09	1.96	Commercial	Regional
RSG	1.89	1.85	Public Broadcast	National
5FM	1.88	1.72	Commercial	National
Ikwekwezi FM	1.86	1.70	Public Broadcast	Regional
GAGASI FM	1.86	1.64	Commercial	Regional
KAYA FM 95.9	1.58	1.58	Commercial	Regional
LIGWALAGWALA FM	1.52	1.47	Public Broadcast	Regional
East Coast Radio	1.66	1.44	Commercial	Regional
99.2 YFM	1.55	1.39	Commercial	Regional
94.7 Highveld Stereo	1.46	1.24	Commercial	Regional
Munghana Lonene FM	1.05	1.19	Public Broadcast	Regional

Source: SAARF RAMS (June 2015)

SABC stations like Ukhozi FM and Umhlobo Wenene FM are primarily public broadcast stations but do also attract substantial advertising revenue. Their greater audience size does not guarantee the highest revenue, however, with pure commercial stations generating significantly higher advertising revenues. Enforcing a clear future strategy to ensure maximum profitability for its radio stations in the short term will be a priority of the SABC, but one which may be hampered by its recent leadership challenges.

Top ten radio stations by advertising revenue, 2014

1	94.7 Highveld Stereo
2	Jacaranda FM
3	Metro FM
4	702
5	East Coast Radio
6	KFM
7	5FM
8	Ukhozi FM*
9	OFM
10	Algoa FM

Source: Adex, 2014
* Public broadcast station

The steepest drop is witnessed among the youngest listeners

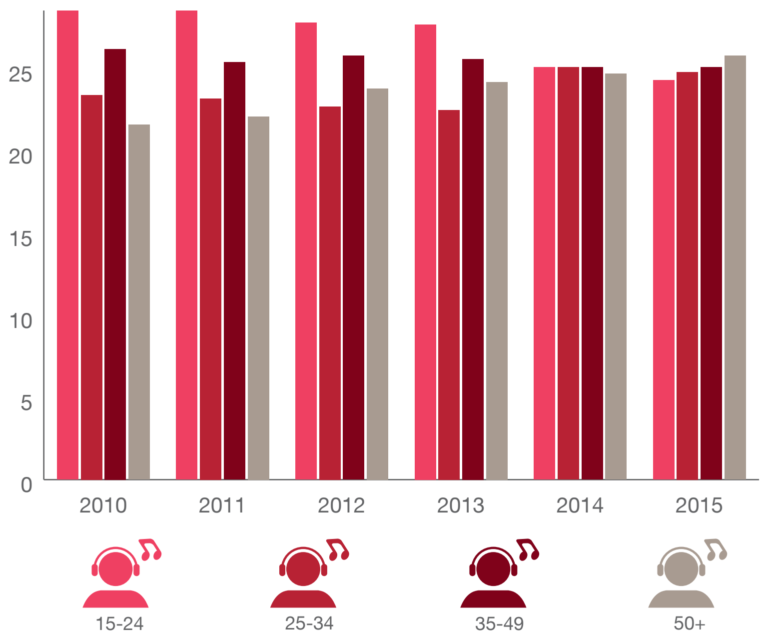
Challenges for the radio sector

While radio remains popular with listeners, the second half of this decade will present a number of challenges for the radio industry. As with any other advertising-dependent medium, radio's revenue fortunes are tied in to the health of the wider economy and advertiser confidence. While radio broadcasters have generally fared well over the last five years in South Africa, they face further disruption in the next decade.

Throughout the twentieth century, radio broadcasters had the benefit of audiences that were "locked in" via dedicated devices. Now smartphones and tablets are empowering consumers with choice and control. In this new environment, radio finds itself competing on an even footing with an array of on-demand media, some of which look or sound nothing like radio but nonetheless compete directly for listening time.

Radio is a popular medium across all age groups with historically strong listening rates among the younger audience, although data suggests this might be changing. SAARF RAMS data shows that listeners aged 15 to 24 are the group with the steepest drop in radio listening over the last five years. Their share has fallen by five percentage points, while the share of the oldest age group, aged 50+, has been gradually rising over the same period. The Internet is likely a contributing reason behind this trend as younger people are typically fast adopters of new technology, giving younger age segments access to a wide range of alternative entertainment as opposed to the older age groups.

Fig 5. Average Monday-to-Friday listeners, split by age group (%), June, 2010–2015



Source: SAARF RAMS

Broadband rates are low in South Africa with only 14% of households being connected in 2014, although this will rise to one fifth of the population by 2019. This is still notably below the expected global average of 48%. But time spent listening to radio has begun to decline annually, and the fast rise in Internet access may further amplify this trend. Easy access to a vast pool of online entertainment such as online music-streaming services is making the competition for listeners increasingly fierce.

Lack of a regulatory framework, combined with low start-up costs and cheaper Internet access, makes it easy for anyone to set up a radio station online, resulting in a more competitive online radio environment. Although the pop-up of new 'amateur' online radio stations intensifies the competition for listeners, the real threat to established broadcasters may come from popular presenters who want to leverage their own brand value and no longer want to be constrained by regulatory guidelines in terms of content and language. Gareth Cliff, a former 5FM presenter and one of South Africa's most followed presenters on Twitter, did just this. He launched the successful online radio platform CliffCentral in 2014, together with the mobile messaging app WeChat.

Talk radio lends itself to a more natural integration with social media platforms

Services such as Spotify, as well as tech giants Apple and Google, are spearheading disruption with their music-streaming innovation and unquestionably compete for radio listenership. Simfy, launched in August 2012, was the first music-streaming service to be made available in South Africa. Competing services that offer monthly subscriptions include Rara, Deezer and Rdio, and most recently Apple Music. The launch of Apple Music in South Africa certainly presents a threat to both other music-streaming services and radio stations due to Apple's powerful market position internationally and its financial power. The demand for music services will grow as more South Africans get access to the Internet, and broadcasters should be aware of the impact this may have on the radio industry. Music stations are likely to be more affected by these developments, as streaming services represent a more direct competitor to music as opposed to talk radio. Furthermore, talk radio lends itself to a more natural integration with social media platforms, which amplify its voice into the public space.

A strength radio holds over music-streaming services is the "human touch" – the ability to connect more personally with an audience. Currently, broadcasters still have an edge in several areas, such as having well-known, professional on-air talent; live celebrity appearances; local news and traffic; and listener loyalty. A radio station leveraging this strength is OFM, which presents 'Celeb Radio' in June and July. During this time a number of celebrities present their own radio shows for a full five-day week.

Another strength radio holds is curatorship, simply allowing listeners to 'passively' enjoy the music chosen by the presenter as opposed to having access to an online library with millions of songs – something which can be overwhelming for consumers. The recent launch of the 'Rock-on' app by Jacaranda's influential rock DJ Barney Simon is an example of how a radio station has responded to competition from streaming services. The app works as a 24-hour rock music channel, and creates that human connection by playing Barney Simon's best playlists.

Radio also has a strong position because it is so heavily rooted in society and remains a trusted channel for advertisers. That being said, stations are aware that they cannot rest on their laurels and need to continue to be innovative to retain and strengthen their position as a prominent advertising medium.

The evolution of in-car consumption is also a concern to broadcasters. Although traditional radio broadcasting still dominates the in-car environment, interactive dashboards are beginning to gain traction. Currently, around 8% of US consumers have an interactive dashboard in their car. Broadcasters have some time to prepare before such features become mainstream, but their revenue could eventually migrate to other online media offerings.

Competitor disruption can be minimised by communicating this value to radio's audience, in combination with active multi-platform consumer engagement. If broadcasters manage to retain relevance in the era of connected devices, they have the potential to drive a golden age of listening with the on-the-go consumer.

DAB developments

The NAB and the South African Digital Broadcaster Association (SADIBA) started running a digital radio DAB+ trial in November 2014. This trial will run to October 2015 and covers around one-fifth of the South African population. The aim is to create a more cost-efficient broadcasting system with extended geographic coverage, ultimately increasing competition in the commercial radio sector. Analogue FM systems are already operating near full capacity in many urban areas.

Those in favour of an FM switchover argue that DAB+ gives consumers improved sound quality and greater station choice. Yet convincing enough listeners to switch over will remain one of the greater challenges for the industry.

Another system is being tested simultaneously, separate from the DAB+ trials, called Digital Radio Mondiale (DRM). While DAB+ is looking to replace the analogue FM band, DRM will enhance the sound quality digitally while still operating on the same AM and FM bands. Although a clear initiative has been taken to introduce DAB+ technology, it is unlikely that the government will announce a date for a full FM switch-off in the foreseeable future.

A strength radio holds over music-streaming services is the "human touch"

Further industry developments

In December 2014, members of South Africa's Radio Advertising Bureau (RAB) voted to dissolve the organisation. The RAB had been in operation for six years, during which time it contributed much to the radio and advertising industries. Highlights included the annual RadioWorks conference and the launch of a multi-disciplinary, highly resourced website complete with category-specific case studies. It also undertook a number of qualitative research studies, including the UK-affiliated RadioGauge report, and provided independent consulting during agency pitch processes on the use of radio in potential advertising campaigns.

Another development in 2014 was the establishment of the Broadcast Research Council of South Africa (BRC) – a body tasked with overseeing audience currency research. The independent non-profit body will contribute to the broadcasting sector by co-ordinating and funding industry-wide television and radio audience currency research, and ensuring proper standards for broadcast media audience research. Recognised official audience research will benefit broadcasters and other stakeholders in the industry. TNS, which operates in more than 80 countries, has signed a five-year contract with the BRC to supply a new radio audience measurement survey in South Africa from 2016 onwards, as the Radio Audience Measurement Survey (RAMS) contract comes to an end. Nielsen continues to conduct the Television Audience Measurement Survey (TAMS) for the BRC.

Needletime rights

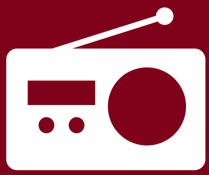
In September 2014, an agreement was reached regarding needletime rights royalties between the South African Music Rights Organisation (SAMRO) and the South African Music Performance Rights Association (SAMPRA). Needletime rights are royalties earned by record companies and the recording artists who perform on recordings used in broadcasting and communications to the public. As a part of the agreement, SAMPRA will take over the activities of POSA Trust (Performers' Organisation of South Africa) to create a single needletime rights society representing both record companies and performers.

The aforementioned developments regarding the administration of the needletime royalties follow the resolution of the needletime royalty rate debate. A Copyright Tribunal ruling in 2012 was appealed against by the NAB and the decision of that ruling further appealed against by SAMPRA. The Supreme Court of Appeal (SCA) rejected the NAB's argument that audience reach or the time of day when a recording is broadcast should have any bearing on the royalty rates. Instead, it held that rates should be a based on the broadcaster's revenue and the extent of its usage of music content.

The SCA ruled that the rate should be reduced in order to prevent excessive negative currency outflow arising from the radio stations' extensive use of foreign recordings and to compensate stations for being compelled to meet local content quotas. SAMPRA initially demanded a maximum royalty rate that would equate to 5% of revenue for 50% music usage (which is a general average of music usage across all radio broadcasters), which was then reduced to a comparable 3.5% by the Copyright Tribunal and then further reduced to a comparable 1.5% by the SCA.

Recognised official audience research will benefit the industry

Nigeria



Nigeria's radio market will expand by a CAGR of 3.4%

Radio revenue, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Radio advertising revenue	77	79	83	87	90	93	97	100	103	107	3.4%
Total radio revenue	**77**	**79**	**83**	**87**	**90**	**93**	**97**	**100**	**103**	**107**	**3.4%**
YOY growth (%)		***2.6%***	***5.0%***	***4.0%***	***4.5%***	***3.2%***	***3.3%***	***3.3%***	***3.6%***	***3.4%***	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

Nigeria's radio market was worth US$90 million in 2014, up 17.1% from 2010 when the market stood at US$77 million. In terms of Nigeria's population, its figures reflect an emerging radio market with low per capita revenue. Traditional radio advertising revenue, which accounts for the entire radio market, will grow at a modest CAGR of 3.4% to a forecast market value of US$107 million in 2019.

Radio's share of total ad spend has seen a downward trajectory since 2012

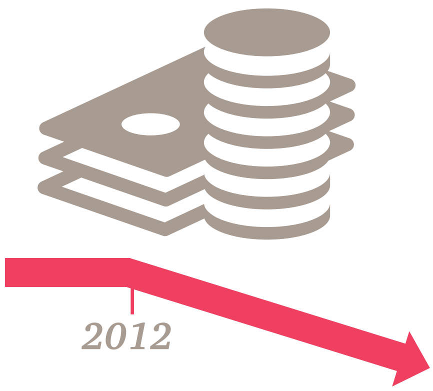
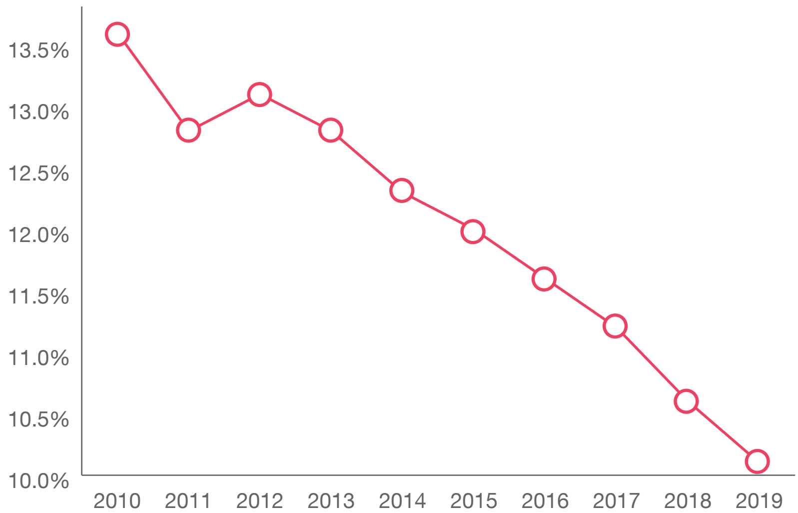


Fig 6. Radio as a percentage of total advertising revenue, 2010–2019 (%)



Sources: PwC, Ovum

Ray Power and Wazobia FM enjoy the greatest audience base

Radio advertising is currently the third-largest media and entertainment advertising category in Nigeria, after television and out-of-home advertising, but its share of total advertising spend has declined since 2012. This is caused partly by notably faster CAGRs in television and OOH, and partly by advertisers' growing interest in Internet advertising. Internet advertising is set to surpass radio advertising in 2018 to become the third-largest advertising platform.

Yet radio remains the most dominant platform for news in Nigeria, and many stations broadcast in local languages, benefitting those living in more rural areas. In 2014, over 77% of the population identified radio as their main source of news at least weekly.

In terms of sectors, the telecommunications industry was the largest radio advertiser in 2014, contributing to 16% of all advertising revenue. Other major advertising sectors include entertainment and finance, as well as religious groups.

Today, the Nigerian radio market comprises over 170 radio stations. Of these, 42 are government-owned, 63 are state-owned, 60 are privately owned and 9 are university-owned. Almost one-fifth of all stations are placed in Lagos, Nigeria's commercial hub.

Top five radio stations, listening market share, February to April 2015

Ray Power FM	13.17%
Wazobia FM	11.59%
Splash FM	6.81%
Brila FM	5.64%
Cool FM	5.45%

Source: GeoPoll Media Measurement

According to research company GeoPoll, the most-listened-to radio station in Nigeria from February to April 2015 was urban contemporary music station Ray Power FM, closely followed by news, music and talk show station Wazobia FM that broadcasts only in Pidgin English.

Although the rise in Internet access is creating more competition for the radio advertising dollar, the Internet also provides important new distribution channels, as more people can access radio online, with the rising ownership of mobile phones increasing such access. Over 143 million active mobile phone connections were recorded in 2014, and according to BBC Gallup, four in ten Nigerians reported listening to radio weekly via a mobile in the same year.

In the wake of the digitisation drive, the Broadcasting Organisations of Nigeria (BON) hosted the first international summit with the theme 'Digital Broadcasting Nigeria –promoting our values, enriching our lives' in the first quarter of 2015 in Abuja, to discuss strategies for the successful rollout of digital radio broadcasting. Issues at the forefront of the discussions included the applicability and affordability of digital radio transmission infrastructure, appropriate policy and regulatory frameworks, and digital radio broadcasting on mobile platforms.

The IMF estimates Nigeria's real GDP growth to be 7.3% in 2015. The radio sector will benefit from this strong economic performance and increasing urbanisation rates. In-car listening, for example, where radio still dominates worldwide, will rise with growing car ownership and time spent in cars due to huge traffic jams experienced in cities such as Lagos.

However, corruption and mismanagement within both the public and private sectors represent potential inhibitors of economic growth, and ultimately the radio industry. The recent fuel shortages in Nigeria, due to a row over subsidiary payments, have resulted in the temporary shutdown or scaling back in operations of several radio stations in order to ration the fuel that powers their generators.

In-car listening will rise with growing car ownership and time spent in cars due to huge traffic jams experienced in cities such as Lagos

Kenya

Strong growth of 7.5% expected in Kenya

Radio revenue, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-19**
Radio advertising revenue	213	250	266	301	328	354	381	409	439	471	7.5%
Total radio revenue	**213**	**250**	**266**	**301**	**328**	**354**	**381**	**409**	**439**	**471**	**7.5%**
YOY growth (%)		*17.2%*	*6.2%*	*13.4%*	*9.0%*	*7.8%*	*7.6%*	*7.2%*	*7.4%*	*7.3%*	

Note: Figures for 2010–2014 have been updated to reflect the most recently available financial information.
Sources: PwC, Ovum

Kenya's total radio market, consisting of advertising revenue only, grew by 9.0% in 2014 to reach US$328 million. Wider economic growth will encourage further development of the radio market, with total radio revenue forecast to rise to US$471 million by 2019, representing a CAGR of 7.5% over the forecast period.

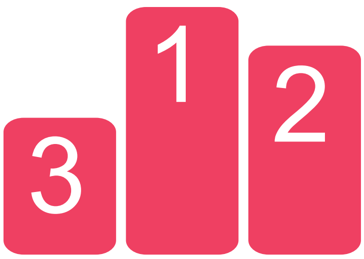
Radio is Kenya's largest advertising medium and will continue to be so until 2017. Then, advertising spend on television is expected to surpass radio, a result of growing TV ownership and time spent watching TV.

Radio's strength in Kenya's advertising landscape is due to the popularity of the medium and the wide audience reach across the country, as radio remains an important source of news and entertainment. Internet access is low in Kenya, and despite rapid growth in the number of mobile Internet subscribers, just 35.4% of the population will have mobile access by 2019. The fixed broadband household penetration rate will also remain negligible, with an estimated 2% coverage by the end of the forecast period. Thus offline media, in particular radio, is still the best way for advertisers to reach people.

The Kenyan economy is growing quickly though, faster than that of many of its neighbouring countries. The radio sector will benefit from greater audience reach as the country sees improvements in poverty rates and increased urbanisation.

Improving real GDP 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 the CIA World Factbook, 25.2% of Kenyans now live in urban areas, with an estimated annual urbanisation rate of 3.79% between 2010 and 2015.

There are over 100 radio stations in Kenya, but the ownership is largely concentrated around a few big media houses and the state-run Kenya Broadcasting Corporation (KBC), which broadcasts in both English and Swahili. Royal Media Service (RMS) is the largest private broadcaster, operating 14 radio stations. According to Ipsos Synovate, a research company, Royal Media Service held 25% of the radio market in 2013.



Citizen Radio takes the lead

Top ten radio stations by listening share (%), Q1 2015

Top ten radio stations	Listenership share (%)
Citizen	21.85%
Jambo	14.12%
Radio Maisha	13.01%
Classic	7.32%
Kameme	5.11%
Kiss 100	4.52%
Milele FM	3.51%
Q FM	3.03%
Radio Taifa	2.97%
Inooro	2.97%

Source: Geopoll Media Measurement

There is strong competition between the commercial channels to secure the most popular radio personalities and DJs. According to GeoPoll, Citizen had the largest listening rate (21.85%) in the first quarter of 2015, followed by Jambo (14.12%), Radio Maisha (13.01%) and Classic (7.32%).

Global trends in radio

The following was extracted from *PwC Global Entertainment & Media Outlook 2015–2019*

Radio revenues, 2010–2019 (US$ millions)

	Historical data					Forecast data					CAGR %
Category	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-2019**
Traditional radio advertising	31 436	32 229	32 768	33 575	34 862	35 815	36 776	37 727	38 747	39 754	2.6%
YOY growth (%)		*2.5%*	*1.7%*	*2.5%*	*3.8%*	*2.7%*	*2.7%*	*2.6%*	*2.7%*	*2.6%*	
Public funding	7 286	7 275	7 305	7 449	7 655	7 547	7 612	7 666	7 727	7 791	0.4%
YOY growth (%)		*-0.2%*	*0.4%*	*2.0%*	*2.8%*	*-1.4%*	*0.9%*	*0.7%*	*0.8%*	*0.8%*	
Total satellite radio	2 613	2 828	3 216	3 536	3 798	4 086	4 406	4 656	4 779	4 916	5.3%
YOY growth (%)		*8.3%*	*13.7%*	*9.9%*	*7.4%*	*7.6%*	*7.8%*	*5.7%*	*2.6%*	*2.9%*	
Total	**41 335**	**42 332**	**43 289**	**44 560**	**46 315**	**47 448**	**48 794**	**50 049**	**51 253**	**52 461**	**2.5%**
YOY growth (%)		***2.4%***	***2.3%***	***2.9%***	***3.9%***	***2.4%***	***2.8%***	***2.6%***	***2.4%***	***2.3%***	

Sources: PwC, Ovum

The global radio market was worth US$46.3 billion in 2014, up 3.9% from 2013 when it stood at US$44.6 billion. The market is forecast to rise at a modest CAGR of 2.5% over the next five years. By 2019 the market will have surpassed the US$50 billion mark, with total global radio revenues of US$52.5 billion.

The continued recovery of advertiser confidence since the economic downturn will see radio advertising revenue extend its share of global total radio revenue from 75.3% in 2014 to 75.8% in 2019. With public radio licence fees progressively contributing relatively less, advertising will be the key driver of global growth.

The US dominates the global radio market with 44.6% of all revenue, but growth is now occurring more quickly in other markets. The combined effect of the continued maturation of the US market and the accelerating growth of large markets in other regions will see the US lose further global share, dropping to 43.2% by 2019.

By 2019, smartphone connections will have risen to 3.85 billion, from 1.92 billion in 2014. Such devices will give more consumers greater opportunity to listen to radio on the go, but will simultaneously expand opportunity and drive competitor services.

Only a handful of radio markets have an established dedicated digital radio platform, though some progress is being made and trials are in advanced stages in many markets. But competition from the accelerating use of portable Internet devices – mobile Internet subscribers are forecast to comprise 58.5% of the population in 2019 – will give consumers greater access to streaming audio alternatives to radio, as well as more choice in accessing available radio content. Broadcasters must ensure they are making new digital radio platforms available to address changes in audience behaviour.

Markets such as China and India will be some of the most significant revenue growth contributors in the five years to come, with total radio revenue CAGRs of 8.7% and 8.9%, respectively. The growing middle classes in these markets and their spending power will be key drivers of radio advertising revenue. By contrast, Japan, known for pioneering technology and one of the most significant music markets in the world, will suffer a -3.5% CAGR fall in total radio revenue to 2019. Key to Japan's decline is a shrinking, ageing radio audience, with younger consumers quickly turning to Web and app alternatives such as music-streaming services.

Although traditional radio broadcasting still dominates the in-car environment, interactive dashboards are beginning to gain traction. Currently, around 8% of US consumers have an interactive dashboard in their car. Broadcasters have some time to prepare before such features become mainstream, but revenue could migrate to other online media offerings.

A 2.5% CAGR expected to 2019 as revenues move past US$50 billion

Cybersecurity

Marthie Crafford – Partner • Jagruti Morar – Senior Manager

As the world changes, our approach to managing cyber risk must change too

In the last two decades, the technology revolution has changed the way we all go about our business. While offering opportunities for innovation and productivity, the cyber era also presents new risks and challenges. As illustrated in the ecosystem diagram in Figure 1, from governments and their citizens to businesses and their employees and customers, we are all connected and affected by cyber risks. The cyber supply chain has removed the traditional security perimeter as enterprises adopt cloud, mobile and social technologies, and invest in third-party business relationships. There's no such thing as perfect security. An agile and commercially pragmatic approach is essential for the growth and innovation required to thrive in the new world.

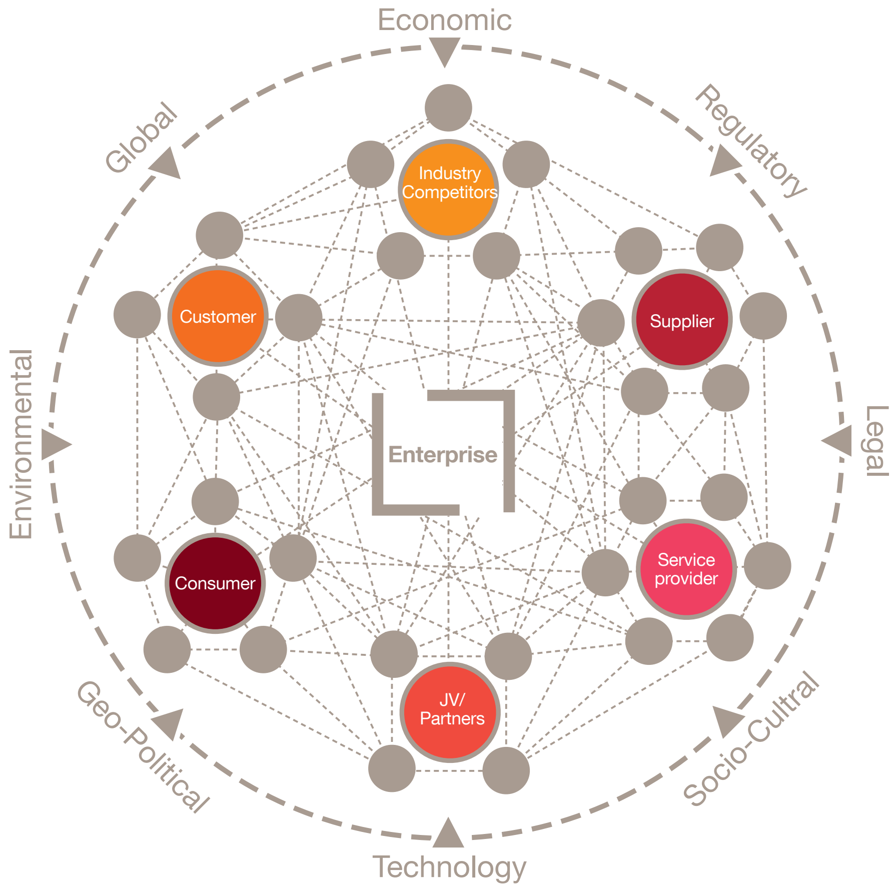
Source: PwC, Cybersecurity Capability Statement

In PwC's 18th Annual Global CEO survey, 60% of E&M CEOs indicated that they were more concerned than the previous year about cybersecurity threats.In light of the recent highly publicised cyber attacks, entertainment and media CEOs' growing concern about cybersecurity is understandable.[1] As entertainment and media companies are in the business of creating and protecting intellectual property, the adequacy of security, which is an integral part of their business, should get the necessary focus.[2]

1 http://www.pwc.com/gx/en/ceo-survey/2015/industry/assets/*ceo-survey-2015-industry-snapshot-entertainment-and-media*.pdf.

2 https://www.thebroadcastbridge.com/content/entry/1085/sony-computer-hack-ignites-widespread-fears-of-content-theft-and-corporate

Fig 1. Ecosystem diagram



Improving cyber readiness in an interconnected world

Key findings from PwC's *The Global State of Information Security® Survey 2015*

Technology organisations, including entertainment and media companies, tend to have comparatively robust and mature cybersecurity programs. This makes sense, given that many have been in the vanguard of developing the systems and tools that have forever altered how businesses operate, market their products, and interact with customers.

The bad news? Cyber-threat actors seem to have the advantage. In the past year, hackers infiltrated the servers of a global software company and stole not only source code but also the personal information of tens of millions of customers. Computers of prominent multinational Internet companies were compromised as a result of watering-hole attacks. Hackers employed key-logging software to steal the user credentials of more than two million social media and email accounts from companies that dominate the Web. A prominent social networking and entertainment website was taken down by a massive distributed denial of service (DDoS) attack. And European Internet service providers were prominent targets of an extremely complex and stealthy espionage tool that has been in use for more than six years.

These are just a few of many attacks against technology companies in the past 12 months. While many breaches resulted in theft of customer information, others were more maleficent in intent. Increasingly, cyber criminals target technology companies to lift intellectual property, sabotage websites and reputations, and modify source code. The result has been worldwide negative publicity, loss of shareholder value, reduced profits, and millions of dollars in breach-mitigation expenses – not to mention an erosion of customer trust.

Businesses and people are becoming more and more connected and empowered by technology, and technology companies in particular – and the customers they serve and the products and services they produce – are becoming increasingly valuable targets. At the same time, the complexities of the global business ecosystem and the evolving threat and compliance landscape are forcing technology companies to re-imagine security. To do so, organisations should invest in security personnel, processes, and technologies that address holistic information security strategies and go beyond outdated, ineffective security models.

Linking information security and risk

As security incidents continue to proliferate, it's becoming clear that cyber risks can never be completely eliminated. Protective measures remain important, of course, but they cannot reliably be guaranteed to stop determined and highly skilled adversaries.

Consequently, many technology businesses may need to reposition their security strategy by more closely linking technologies, processes, and tools with broader risk-management activities. Effective cybersecurity will require up-to-date processes, trained personnel, and tools to detect, analyse, and respond to today's incidents, as noted in Figure 2.

While a well-designed cybersecurity program will not totally eliminate risk, it can enable businesses to better manage threats through an informed decision-making process, boost efficiencies in security practices, and create a more resilient security practice.

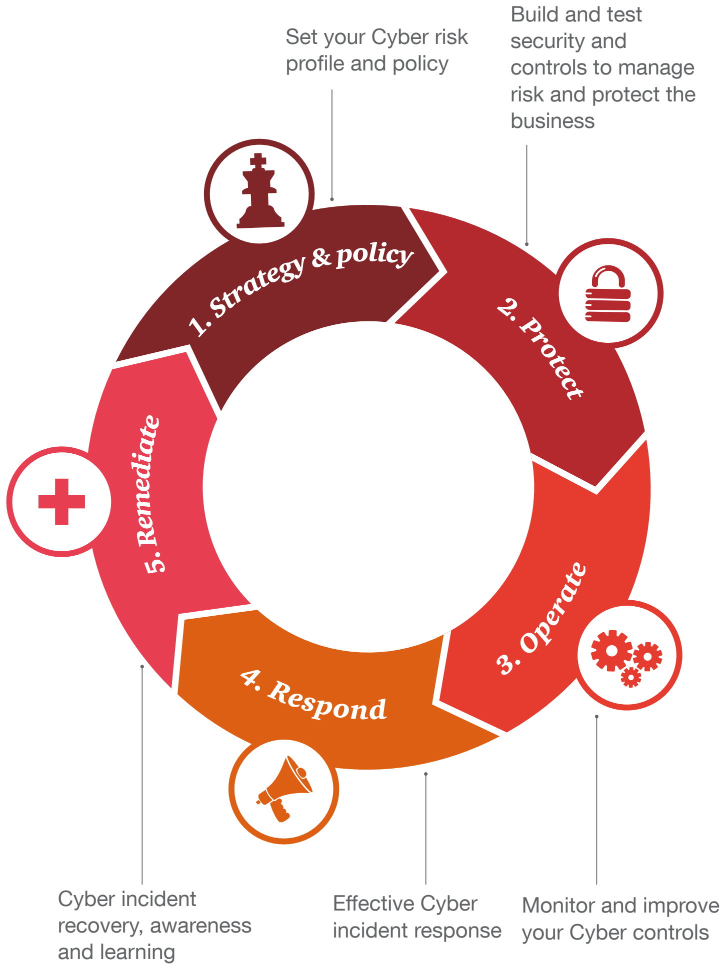
Fig 2. PwC's Cyber life cycle

Being agile and approaching Cyber with a holistic lens

The cyber ecosystem is complex and fast. While it's necessary to invest in protection, incidents will occur. Rapid response is key to minimising brand damage and financial loss.

Protection, detection and response are interdependent. Leading practice needs a cohesive relationship between technology risk, information security, forensics and operational teams.

Our Cyber lifecycle outlines PwC's approach and how they interlink.



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)
4G	Fourth-generation wireless (mobile telecommunications technology)
AAAN	Association od Advertising Agencies of Nigeria
ABC	Audit Bureau of Circulations of South Africa
ACSA	Airports Company South Africa
ADSL	Asymmetric digital subscriber line
AIT	Africa Independent Television
AMPS	All Media and Products Study (South Africa)
APAC	Asia Pacific
APCON	The African Practitioners Council of Nigeria
ARPU	Average revenue per user
B2B	Business-to-business
BBC	British Broadcasting Corporation
BEE	Black Economic Empowerment
BON	Broadcasting Organisations of Nigeria
BRICS	Brazil, Russia, India, China and South Africa (association of major emerging economies)
CAGR	Compound annual growth rate
CAPS	National Curriculum and Assessment Policy Statement
CD	Compact disc
CDMA	Code division multiple access (mobile technology standard)
CEO	Chief Executive Officer
CPC	Cost per click
CPM	Cost per mille
DAB+	Digital Audio Broadcasting
DBE	Department of Basic Education (South Africa)
DLC	Downloadable content
DOC	Department of Communications
DOOH	Digital out-of-home
DRM	Digital Radio Mondiale
DSL	Digital subscriber line
DSO	Digital switchover
DTHTV	Direct-to-home television
DTI	Department of Trade and Industry (South Africa)
DTT	Digital terrestrial television
DVD	Digital versatile disc
EA	Entertainment Arts
EABL	East African Breweries Limited (Kenya)

ECO	Event & Conference Organisers
EDM	Electronic Dance Music
EFC	Extreme Fighting Championship
EMA	Experian MicroAnalytics
EMEA	Europe, Middle East and Africa
EPOS	Electronic point-of-sale
EV-DO	Evolution-Data Optimised (telecommunications standard)
EXSA	Exhibitions and Events Association of Southern Africa
F2P	Free-to-play
FIFA	Fédération Internationale de Football Association
FM	Frequency modulation
FTTH/B	Fibre-to-the-home/building
FTTx	Fibre-to-the-x
Gb	Gigabytes
Gbps	Gigabytes per second
GDP	Gross domestic product
GHz	Gigahertz
GPS	Global Positioning System
GSM	Global System for Mobile Communications
GTI	Globetrack International
HD	High-definition
HSPA	High Speed Packet Access (wireless protocol)
ICASA	Independent Communications Authority of South Africa
IDF	Innovation Distribution on Fund (Nigeria)
IMF	International Monetary Fund
INMSA	Independent News & Media (South Africa)
IPTV	Internet protocol television
ISP	Internet service provider
KBC	Kenya Broadcasting Corporation
KES	Kenyan shillings
LAN	Local area network
LED	Light-emitting diode
LSSAA	Lagos State Signage and Advertisement Agency
LTE	Long-Term Evolution (wireless communication standard)
LTE-A	LTE - Advanced
Mb	Megabytes
Mbps	Megabytes per second
M-commerce	Mobile commerce
MCSK	Music Copyright Society of Kenya

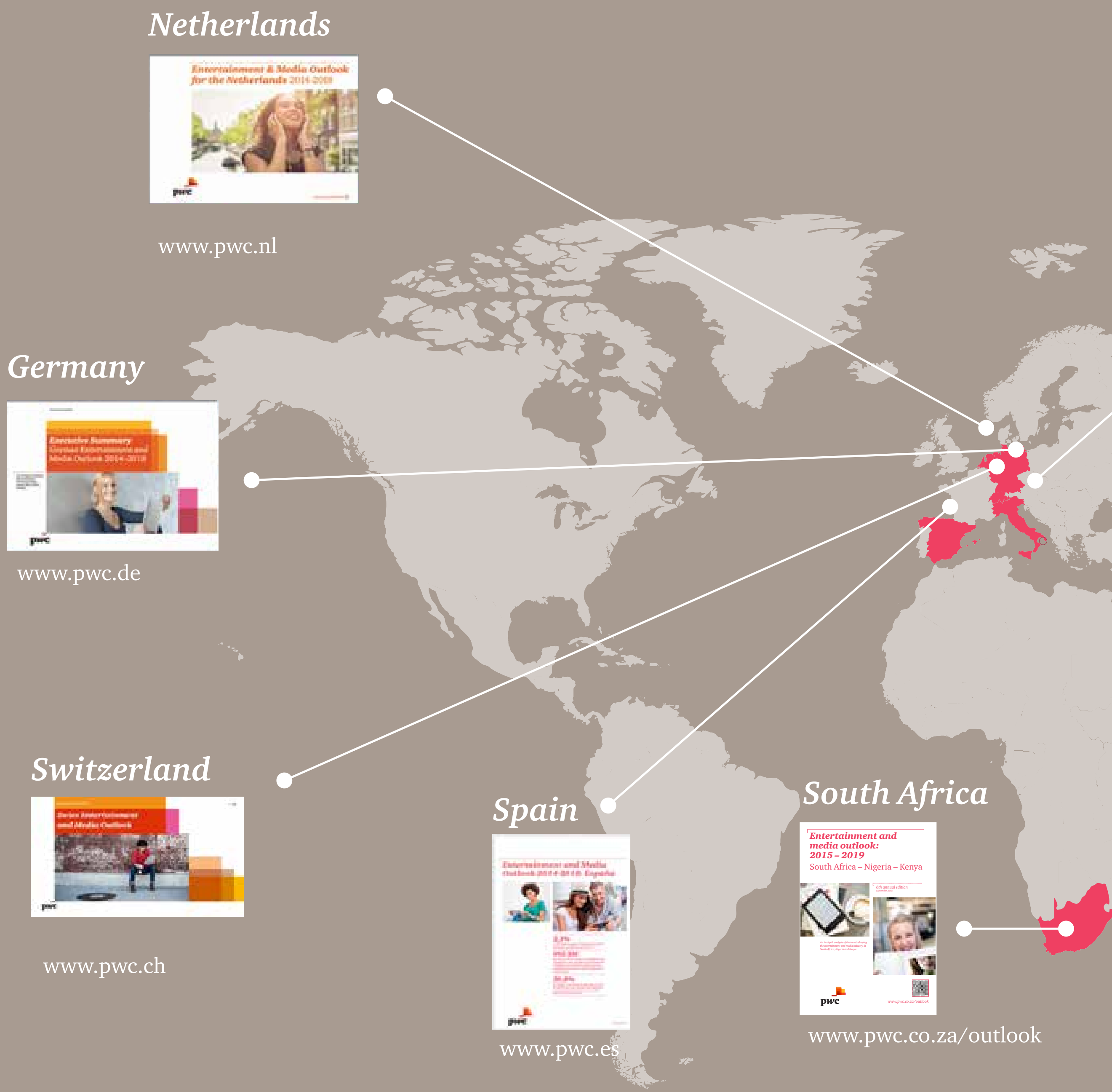
MHz	Megahertz
MMDS	Multichannel multipoint distribution services (wireless telecommunications technology)
MMF	Music Mobility Fund
MMO	Massively multiplayer online game
MMORPGs	MMO role-playing games
MNO	Mobile network operators
MOBA	Multiplayer online battle arena
MTN	Mobile Telephone Networks Limited
MTR	Mobile Termination Rates
NAB	National Association of Broadcasters (South Africa)
NBC	National Broadcasting Commission (Nigeria)
NCC	Nigerian Copyright Commission
NFC	Near-field communications
NFVF	National Film and Video Foundation
NGN	Nigerian Naira
NMG	Nation Media Group (Kenya)
NTA	Nigerian Television Authority
OMC	Outdoor Measurement Council
OOH	Out-of-home
OS	Operating system
OTT	Over-the-top (video content delivered via the Internet)
OTT-SVOD	Over-the-top subscrption on demand
PASA	Publishers' Association of South Africa
PC	Personal computer
POSA	The Performers' Organisation of South Africa Trust
PPV	Pay-per-view
QR	Quick response
R	South African Rand
RAB	Radio Advertising Bureau (South Africa)
RAMS	Radio Audience Measurement Survey (South Africa)
RISA	Recording Industry of South Africa
ROMI	Return on media investment (South Africa)
RTB	Real-time bidding
SAARF	South Africa Audience and Research Foundation
SABC	South African Broadcasting Corporation
SADC	Southern African Development Community
SADIBA	Southern African Digital Broadcasting Association
SAMPRA	South African Music Performance Rights Association
SAMRO	Southern African Music Rights Organisation

SAPA	South African Press Association
SAPO	South African Post Office
SIM	Subscriber identification module
SMATV	Satellite Master Antenna Television
SME	Sony Music Entertainment
SMEs	Small and medium-sized enterprises
SMS	Short Message System
STB	Set-top box
TAMS	Television Audience Measurement Survey (South Africa)
TMG	Times Media Group
UK	United Kingdom
UMG	Universal Music Group
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States
US$ / USD	US dollars
USAASA	Universal Service and Access Agency of South Africa
USP	Unique setting point
VAT	Value-added tax
VDSL	Very-high-bit-rate digital subscriber line
VOD	Video-on-demand
VPN	Virtual private network
WCDMA	Wideband Code Division Multiple Access (3G wireless standard)
Wi-Fi	Wireless Fidelity (wireless standard)
WiMAX	Worldwide Interoperability for Microwave Access
xDSL	Digital subscriber line technologies
YOY	Year-on-year

Further reading

A country franchise

9 countries create their own editions of Outlook



Global entertainment and media outlook: 2015-2019

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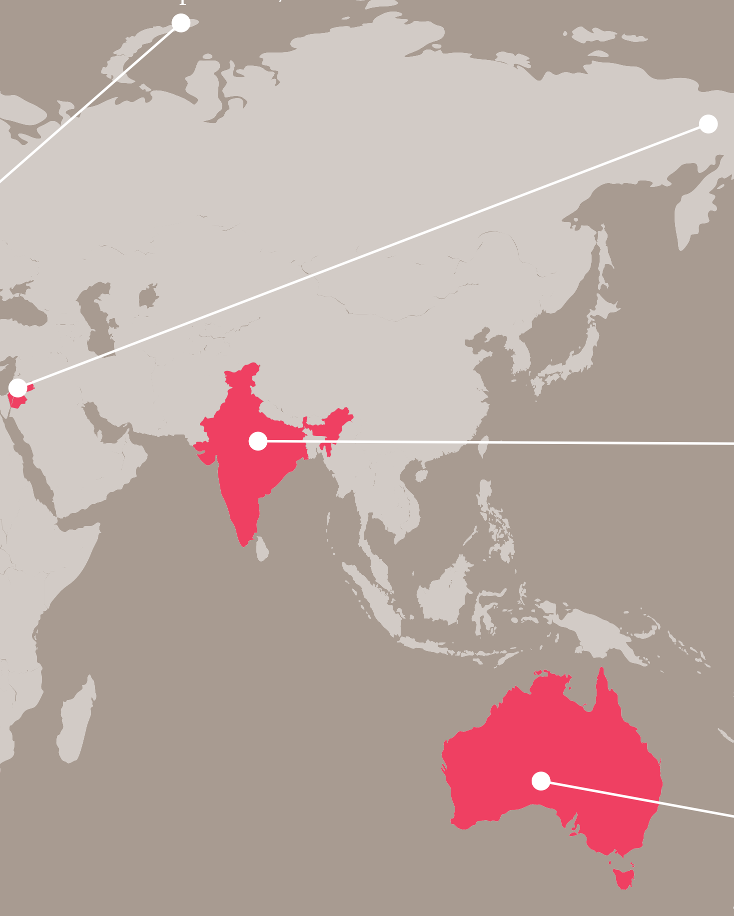

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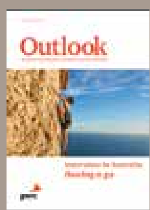

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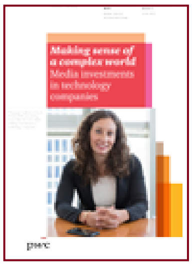
Making sense in a complex world
Media investments in technology companies



This paper explores some of the key IFRS accounting issues that can arise when making investments in technology companies.

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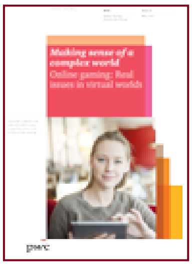
Making sense in a complex world
Online gaming: Real issues in virtual worlds



This paper explores some of the key IFRS revenue recognition issues in the world of online gaming.

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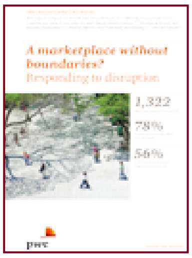
18th Annual Global CEO Survey



While digital disruption remains on the radar, E&M CEOs are more confident in connecting with consumers across digital channels. Cybersecurity is a growing concern, but so too is the competitive threat posed by technology businesses moving into the E&M sector, resulting in an increase in collaboration. Key findings in the entertainment and media industry.

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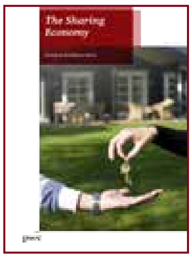
Consumer Intelligence Series
The sharing economy



By unlocking the sharing economy today, can companies transform today's threat into tomorrow's opportunity? What must incumbents and challengers do to position themselves ahead of disruption and to capitalise on new sources of revenue? Through consumer surveys, conversations with influencers, interviews with business executives and social listening, PwC's research presents a holistic view of what's unfolding across business and consumer landscapes.

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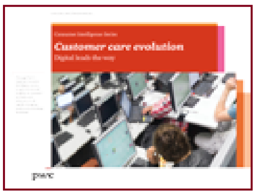
Consumer Intelligence Series
Customer care evolution



For customer care, problem resolution matters most. But there are other factors that shape a consumer's perception of a company. In fact, consumers penalise companies for a poor experience more than they reward them for a good one. PwC studied the consumer attitudes and preferences towards various channels of customer care available today, and identifies areas where companies can take action.

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Consumer Intelligence Series
What kids want

Kids and teens know what they want to watch and when and where they want to watch it. Although parents are the ones pressing play, content consumption is not in slow motion for kids and teens; instead it continues to grow with each age group. PwC studied the consumer attitudes and preferences of kids and teens aged 8-18 (and a group of parents) when it came to discovering and engaging with content and who controls content in the home.

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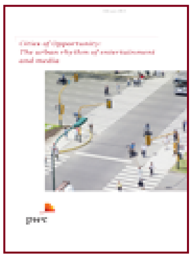
Cities of Opportunity: The urban rhythm of entertainment and media



What is the connection between the entertainment and media industry and today's powerful global tide of urbanisation? What does it mean economically for businesses making distribution and expansion decisions? This report investigates the drivers of growth across 30 cities and identifies pockets of potential from tapping into spending growth to leveraging a skilled workforce.

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