Africa Entertainment and Media Outlook

2023 – 2027

Our approach

To use a term that E&M consumers may be familiar with, this year's PwC *Africa Entertainment and Media Outlook* Report is a mashup — in the best sense of the word. Each year, we gather, examine and question a deep collection of proprietary entertainment and media industry data and forecasts. Next, our global team of experts from more than a dozen countries discuss and debate the trends we see in the market, in our client work and in our daily lives. Finally, we do a deep dive into Africa-specific trends, investigating the future of the E&M industry on the continent. The result is a unique body of intelligence and foresight that companies and investors can consider as they plot strategy and action.

Contents

Our E&M experts

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Alinah is a partner with more than 16 years' experience. She is a seasoned JSE accredited partner, with expertise on audits of various listed multinational entities across South Africa and the rest of Africa. She has also spent time on secondment in the USA and Dubai.

Alinah has extensive experience in the entertainment and media industry. Her first contribution to the E&M Outlook was at its inception in 2010 as a manager. She is honoured to serve in the role of the PwC Africa Entertainment and Media Leader.

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Charles has been with PwC for over 20 years. He has experience locally and abroad, having spent two years on secondment in Vancouver, Canada and has worked across a range of clients, both private and listed.

He's passionate about the entertainment and media industry and has been a member of the E&M Outlook editorial team since the 2010 inception of the South African, and later expanded African, publication. He also serves as a member of the Global E&M Outlook Editorial Board (since 2019).

As a father of five, his family life brings with it much entertainment and an increasing amount of media consumption!

Executive summary

Introduction: Resetting expectations, refocusing inward and recharging growth

The steep cost-of-living increases caused consumers in South Africa, Kenya and Nigeria to re-evaluate discretionary spending on entertainment and media (E&M) products. Despite this, strong growth stories in multiple segments are expected, with all markets ahead of pre-Covid 2019 revenue levels.

In many ways, 2022 was a challenging year for the E&M industry. As the global economy struggled to return to normality, the E&M ecosystem faced a series of setbacks. Falling stock markets, rising interest rates and the tapering of pandemic-era growth trends have led to slower rates of expansion as compared to the rebound growth experienced in 2021. The slowdown, caused in large measure by sluggish consumer spending, is pushing companies to reset expectations, refocus inward and seek ways to recharge growth. Still, overall revenue rose in 2022. Despite continued change and disruption, the industry reassessed its strategies, refocused on core operations and revised some key assumptions. Growth in South Africa's E&M market stabilised in 2022, however this growth is still expected to outpace the global average. Nigeria is expected to experience the strongest growth in E&M revenue, with revenue expected to more than double from 2022 to 2027. Whilst newspapers, consumer magazines and books are forecast to continue to decline in South Africa and Nigeria, Kenya is forecast to achieve growth across all segments.

Resetting expectations

The declining influence of consumer spending on E&M products and services and the rising influence of advertising are among the key forces changing the imperatives for industry leaders and forcing a broad reassessment and reinvention. Competition for consumers' attention, and the revenue that follows, is heightening, thanks in part to the steady stream of new entrants. Disney+ launched in South Africa in May 2022 and MultiChoice agreed a partnership with Disney to offer access to Disney+ through its DStv platforms. Meanwhile, in November 2022 Paramount announced that its streaming platform, Paramount+, would launch in Africa by 2024.

Refocusing inward

Broadcast sector remains important for advertisers

The emergence of streaming services has applied pressure to traditional TV services, with many now forgoing them and paying for services that instead provide an abundant amount of on-demand video content. Total TV advertising revenue contracted by -3.3% in South Africa in 2022, predominantly due to falls in terrestrial TV advertising. But this is expected to be temporary, with the segment rebounding in 2024 and forecast to increase at an overall 1.2% compound growth annual rate (CAGR) through to 2027. Meanwhile, in Nigeria and Kenya, TV advertising growth will be much stronger, with CAGRs of 6.7% and 5.4% expected over the next five years, respectively.

Linear TV remains key for brand awareness and reaching audiences, while digital advertising offers short-term boosts. Broadcasters need to engage with younger audiences and make their online video streaming platforms more compelling. As digital linear alternatives like free ad-supported streaming TV grow, traditional broadcasters must incorporate offerings that satisfy both requirements.

Recharging growth

Even as they look inward for rationalisation, companies must scan the horizon for growth. In every year of the Outlook's forecast period, revenues are expected to rise. As is always the case, the increase will be distributed unevenly, with some sectors stagnating while others skyrocket. The Outlook provides a road map to the many hotspots where growth opportunities are compelling. Several are explored in detail below.

OTT platforms look to Africa as other markets slow down

There is significant room for growth within the African over-the-top (OTT) market, with South Africa posting the highest OTT revenue on the continent. South Africa's growth in the coming years will be bolstered by fierce competition between global platforms. African streaming platforms have tailored themselves to African viewers with local content to compete with services that boast an established global footprint.

A challenge for OTT companies looking to succeed in Africa will be ensuring their content is easily consumable through mobile devices, given how much more abundant smartphone ownership is. OTT platforms will need to be optimised to ensure that services consume less data while also providing adequate viewing quality. Obstacles that still face OTT across Africa are high price points, unstable Internet connections and a lack of flexibility in payment options.

Mobile is the key driver of Internet access and gaming in Africa

The rollout of fast and reliable fifth-generation technology (5G) networks is progressing in Africa, but quicker rollouts are being prohibited by multiple factors including regulation, affordability, geography and investment. The rollout of 5G will enable consumers to access and engage with data-heavy services and platforms on-the-go. A challenge to the adoption of 5G in Africa is the cost of both modems and smartphone devices. 5G smartphones accounted for 19.3% of global connections in 2022, compared to 3.1%, 2.1% and 1.2% in South Africa, Kenya and Nigeria, respectively.

Africa has uniquely been a mobile-first continent with regards to gaming, as opposed to the developed markets which have historically leaned more towards consoles and PCs. Much of South Africa's gaming revenue stems from mobile gaming, due to the prevalence of smartphones in South Africa. Some of the most popular mobile games include *PUBG Mobile, Clash of Kings and Call of Duty Mobile.*

Africa is home to rapidly expanding digital advertising markets

Digital has accounted for over half of advertising spend in South Africa since 2020, and by 2027, it is expected to take nearly two-thirds of ad spend. This broadly aligns with the global picture, where digital has led since 2019 and will account for 71.8% of ad spend in 2027. South Africa benefits from higher Internet connectivity rates and a higher per-capita GDP than many other African markets, making it a more attractive market for advertisers, thus enabling higher advertising rate cards than Kenya and Nigeria. But of the three African markets profiled, it is Kenya that will see the fastest growth in Internet advertising revenue over the forecast period. The 19.2% CAGR expected to 2027 will also be the fastest rate seen by any market globally, albeit this growth is coming from a low base.

The new growth engine: Technology

The E&M industry is rapidly evolving due to changing customer habits and expectations for comprehensive user experiences, making it crucial to understand trends shaping the future of the industry. Millennials, the largest generation globally, are digital natives who expect high-quality, new experiences in various aspects of life. This has led to businesses, particularly in the E&M industry, becoming technologically disruptive. The shift in consumer expectations has prompted businesses to adapt to the changing landscape.

The rise of generative AI

Generative artificial intelligence (AI), a technology that uses neural networks and deep-learning models to generate synthetic outputs from data, has gained attention in recent years. Start-ups like OpenAI and Stability AI are disrupting the market, with large tech companies like Google, Microsoft, and Meta focusing on protecting their market share. Generative AI has vast potential for businesses to enhance existing products or create new ones, but it requires self-regulation, active governance, ethical leadership, and integrity. Misuse of AI, such as deepfake photos and spam, has raised concerns about job security, data protection, and ethics. The South African Artificial Intelligence Association (SAAIA) aims to promote responsible AI in South Africa, while Nigeria's National Information and Technology Development Agency launched a National AI Strategy in August 2023.

Country highlights

South Africa

South Africa's E&M annual market growth stabilised to 8.8% in 2022, down from **15.4%** in 2021.

Total industry revenue will increase from **R176.7bn** in 2022 to **R231.2bn** in 2027, representing growth at a 5.5% CAGR. This will outpace the global average growth rate.

Revenue gains will be driven by the internet access segment and growth in over-the-top video (OTT) and cinema.

Nigeria

Nigeria will have the strongest rate of E&M growth globally at a 16.5% CAGR to 2027.

E&M revenue in Nigeria will more than double, from **US$6.0bn** in 2022 to **US$12.9bn** in 2027.

Large gains in mobile internet access revenue will be a significant growth driver.

Kenya

Kenya's E&M market saw annual revenue growth of 9.8% in 2022 to total **US$2.3bn.**

All E&M segments in Kenya are set to rise to 2027, with revenue reaching **US$3.2b** in that year (7% CAGR).

Internet advertising and OTT video will be the fastest-rising segments in Kenya.

Segment highlights

OTT platforms look to Africa as other markets slow down.

Nigeria experienced the fastest growth in OTT revenue compared to South Africa and Kenya in 2022, generating **US$45.2m**, a 55% increase on 2021.

South Africa still has the largest OTT sector on the continent, generating **R4.3b** in 2022.

Mobile devices are the key driver of internet access revenue in Africa, accounting for 57.4% of data consumed in 2022 in Nigeria.

Video commands the largest share of data consumption in South Africa, aligning to global trends.

Africa stands out as a mobile-first gaming continent.

South Africa leads the continent in video games and esports revenue with remarkable 2022 growth. Esports soared, with revenue up 30% YoY.

Nigeria's gaming industry is primed to grow rapidly in the coming years.

Digital advertising is expected to take 63.6% of ad spend in South Africa by 2027.

Internet advertising is a key driver of this growth in South Africa, set to increase at a 7.4% CAGR to 2027.

Kenya will see the fastest growth in Internet advertising revenue globally over the forecast period at 19.2% CAGR.

The music streaming market continues its march across South Africa, Nigeria and Kenya.

Music streaming subscription revenue in South Africa is set to rise at a 10.5% CAGR to reach **R1.1b** in 2027.

Key report findings

South Africa, Nigeria and Kenya

Supply chain issues and economic headwinds sparked by the conflict in Ukraine have triggered a global cost-of-living crisis. The growing impact of this trend is prompting consumers in South Africa, Kenya and Nigeria, and around the globe to scrutinise their household budgets and re-evaluate their discretionary spend on entertainment and media (E&M) products, subscription services and activities. Concurrently, advertiser budgets have taken a hit as brands and businesses pull back on investments.

Despite this uncertainty, strong growth stories exist in multiple segments and all three markets covered will outpace the global rate of growth, projected to be a 3.6% CAGR. The market disruption caused by the COVID-19 pandemic is also largely in the past, with all three markets ahead of 2019 revenue levels.

This report will examine the drivers and inhibitors of growth in South Africa, Nigeria and Kenya's E&M sectors in 2022, while looking forward to the trends set to shape the five-year forecast period.

South Africa

Fig. 1a: Over R50.0b to be added to South Africa's E&M market to 2027

South Africa, entertainment and media spend by segment, 2018-2027 (R millions)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	22-27 CAGR %
Business-to-business	8,893	9,175	6,382	7,340	8,610	9,153	9,553	9,841	10,048	10,201	3.4%
Cinema	1,758	1,759	305	635	1,142	1,460	1,605	1,732	1,841	1,925	11.0%
Internet access	52,317	61,188	68,002	78,349	86,180	93,850	101,155	107,931	113,941	119,745	6.8%
Internet advertising	11,119	13,074	14,603	20,286	22,897	25,325	27,388	29,299	31,093	32,777	7.4%
Music, radio and podcasts	6,843	6,879	4,829	5,436	6,629	7,406	7,803	8,156	8,506	8,875	6.0%
Newspapers, consumer magazines and books	11,964	11,717	9,619	9,151	8,742	8,522	8,326	8,156	8,001	7,859	-2.1%
OOH	2,735	2,942	2,500	2,626	2,834	2,926	2,984	3,013	3,024	3,034	1.4%
OTT	1,341	1,802	2,379	3,280	4,345	5,181	5,852	6,466	7,075	7,647	12.0%
Traditional TV	31,068	30,367	29,448	32,000	32,268	32,675	33,628	34,456	35,173	35,933	2.2%
Video games and esports	4,017	4,454	4,843	5,943	6,440	7,295	7,955	8,539	9,056	9,517	8.1%
Total	**130,568**	**141,442**	**140,703**	**162,328**	**176,669**	**189,833**	**201,724**	**212,507**	**222,083**	**231,196**	**5.5%**
Annual growth		**8.3%**	**-0.5%**	**15.4%**	**8.8%**	**7.5%**	**6.3%**	**5.3%**	**4.5%**	**4.1%**	

Total excludes double counting

Source: PwC, Omdia

Growth in South Africa's E&M market stabilised to 8.8% in 2022, down from 15.4% in 2021 when the market was rebounding after the end of the COVID-19 pandemic. Growth continues to be healthy and will outpace the global average over each year of the forecast period. Total revenue will increase from R176.7b in 2022 to R231.2b in 2027, at a 5.5% CAGR. The market will see rapid growth in over-the-top (OTT) and cinema, but the largest revenue gains will come from growth in the Internet access segment, as new users take out subscriptions to mobile and fixed broadband services, and existing customers upgrade their packages.

The print-reliant newspapers, consumer magazines and books segment will be the only category to decline over the forecast period. Revenue will fall at a -2.1% CAGR to 2027, as consumers increasingly look to digital alternatives. According to a 2023 survey by the University of Oxford and the Reuters Institute, 90% of South Africans access news content online (including via social media), compared to just 30% who choose print.

Nigeria

Fig. 1b: Nigeria boasts the world's fastest-rising E&M market

Nigeria, entertainment and media spend by segment, 2018-2027 (US$ millions)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	22-27 CAGR %
Business-to-business	11	11	9	10	12	12	13	14	14	14	4.3%
Cinema	11	11	4	6	9	10	11	11	12	12	6.2%
Internet access	1,860	2,618	3,204	3,653	4,137	5,027	6,160	7,447	8,786	10,062	19.5%
Internet advertising	123	193	259	416	516	598	683	775	875	981	13.7%
Music, radio and podcasts	63	78	82	109	137	167	195	218	234	242	12.1%
Newspapers, consumer magazines and books	173	172	157	165	166	166	165	164	164	165	-0.1%
OOH	101	108	81	98	114	123	130	133	134	136	3.6%
OTT	11	15	21	29	45	55	67	75	79	86	13.7%
Traditional TV	581	636	610	655	689	751	794	836	863	888	5.2%
Video games and esports	91	129	189	250	247	275	321	368	417	472	13.8%
Total	**3,012**	**3,952**	**4,588**	**5,350**	**6,015**	**7,116**	**8,451**	**9,940**	**11,468**	**12,932**	**16.5%**
Annual growth		**31.2%**	**16.1%**	**16.6%**	**12.4%**	**18.3%**	**18.8%**	**17.6%**	**15.4%**	**12.8%**	

Total excludes double counting

Source: PwC, Omdia

Of the three markets covered, it is Nigeria that will have the most impressive growth story, with the country set to see E&M revenue growth at a 16.5% CAGR to 2027. This is the strongest rate of growth globally and revenue in the country will more than double, from US$6.0b in 2022 to US$12.9b in 2027. By 2027, the market will still be experiencing double-digit growth in revenue, primarily due to large gains in Internet access revenue, particularly mobile. Over the next five years, the number of mobile Internet subscribers in Nigeria will increase from 54m to 78m, but penetration will still be less than a third of the population in 2027.

At a global level, the Internet advertising segment will see the largest revenue growth in absolute terms, followed by Internet access.

Like South Africa, the only segment in Nigeria's E&M market set to contract, albeit marginally, over the forecast period will be newspapers, consumer magazines and books.

Kenya

Fig. 1c: E&M revenue to hit US$3.2b in Kenya in 2027

Kenya, entertainment and media spend by segment, 2018-2027 (US$ millions)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	22-27 CAGR %
Business-to-business	11	12	11	12	14	16	17	18	19	20	7.7%
Cinema	5.3	5.6	2.0	3.1	4.6	5.3	5.7	6.0	6.2	6.4	6.8%
Internet access	1,043	1,107	1,149	1,201	1,295	1,393	1,500	1,616	1,732	1,847	7.4%
Internet advertising	46	67	83	135	181	234	293	348	396	435	19.2%
Music, radio and podcasts	90	98	93	103	118	129	139	146	152	157	5.9%
Newspapers, consumer magazines and books	134	136	127	132	135	137	139	141	143	145	1.4%
OOH	25	26	19	25	28	30	32	32	33	34	3.6%
OTT	2.0	2.7	3.5	4.3	6.0	7.4	9.4	11	13	14	18.9%
Traditional TV	246	286	305	372	412	426	429	430	431	432	1.0%
Video games and esports	74	89	104	111	111	117	125	135	145	155	7.1%
Total	**1,667**	**1,817**	**1,881**	**2,081**	**2,285**	**2,473**	**2,664**	**2,857**	**3,038**	**3,211**	**7.0%**
Annual growth		**9.0%**	**3.6%**	**10.6%**	**9.8%**	**8.2%**	**7.7%**	**7.2%**	**6.3%**	**5.7%**	

Total excludes double counting

Source: PwC, Omdia

Kenya's E&M market saw revenue growth of 9.8% in 2022 to total US$2.3b. Unlike South Africa and Nigeria, all E&M segments are set to rise to 2027, with revenue reaching US$3.2b in that year.

Internet advertising and OTT video will be the fastest-rising segments in Kenya. Netflix reduced its subscription prices in Kenya by -37% on average in early 2023, with basic tier pricing dropping by -57% to encourage existing free-tier subscribers to convert into paid ones. OTT revenue will more than double from US$6.0m in 2022 to US$14.2m in 2027.

Like South Africa and Nigeria, Kenya's Internet access segment will see the largest increase in revenue. By the end of the forecast period, mobile Internet penetration will stand at 58.0% in Kenya, and mobile will take an 83.9% share of Internet access revenue.

OTT platforms look to Africa as other markets slow down

There is significant room for growth within the African OTT market, with South Africa posting the highest OTT revenue on the continent. South Africa's growth in the coming years will be bolstered by the fierce competition between global platforms including Amazon Prime Video and domestic options such as eVOD and MultiChoice's Showmax. African streaming platforms have tailored themselves to African viewers with local content to compete with services that boast an established global footprint.

In March 2023, MultiChoice announced that it would be creating a new Showmax group of which it would own a 70% stake, with the remaining 30% held by Sky and NBCUniversal. The partnership enables Showmax to lean on content from Sky and NBCUniversal, including live football games from the English Premier League. Showmax intends to relaunch in late 2023 and will utilise technology from NBCUniversal's Peacock streaming service.

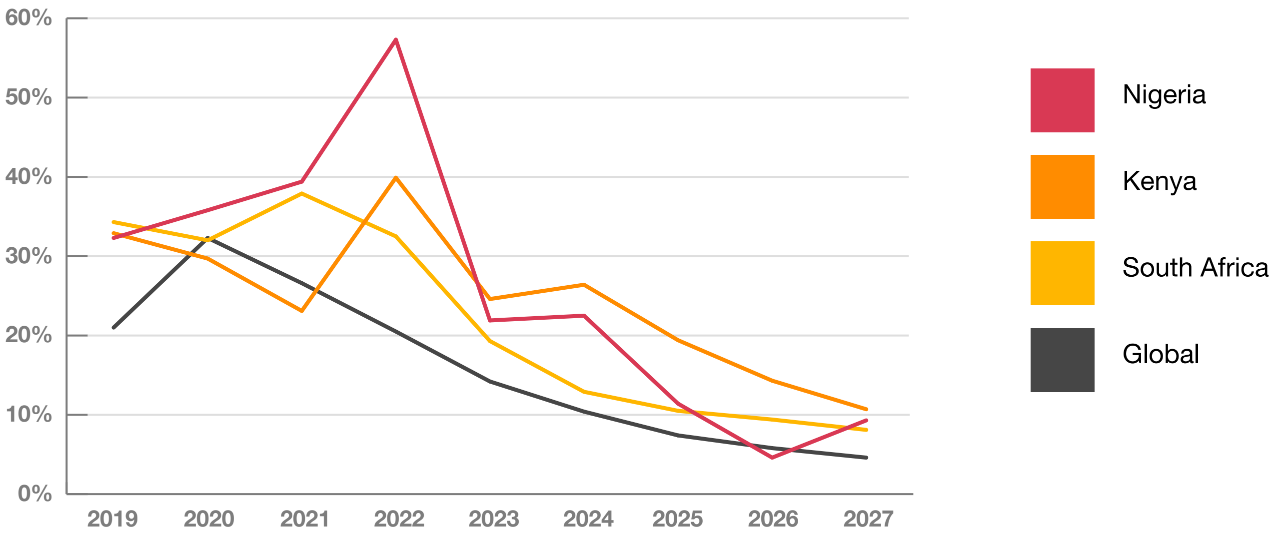
Nigeria experienced the most significant growth in OTT revenue compared to South Africa and Kenya in 2022, generating US$45.2m. Between 2016 and 2022, it has been reported that these three nations received a collective US$175m investment into producing content, the bulk of which went towards South Africa. US$23.6m of the collective funding was invested in Nigerian entertainment, involving the production of more than 250 pieces of nationally produced video content.

Data from Pulse revealed that the series Blood Sisters, Netflix's first original Nigerian production, peaked at ninth on the platform in terms of viewership, with 11m views in its first week. Netflix has also invested money into the Kenyan market to increase its market share, with growth in North America and Europe slowing.

A challenge for OTT companies looking to succeed in Africa will be ensuring their content is easily consumable through mobile devices, given how much more abundant smartphone ownership is. OTT platforms will need to be optimised to ensure that services consume less data while also providing adequate viewing quality. Obstacles that still face OTT across Africa are high price points, unstable Internet connections and a lack of flexibility in payment options.

Fig. 2: Growth in African OTT markets broadly outpaces the global average

Global vs selected African markets, total OTT revenue, annual growth, 2019-2027 (%)



Source: PwC, Omdia

African gaming and esports to see future growth

South Africa leads the three markets covered in terms of video games and esports revenue, with strong growth being recorded in 2022. This was especially prominent within the esports category, with total esports revenue up almost a third year-on-year. Ticket sales for events and consumer spending on battle passes for esports events rose by over 200% thanks to the post-COVID-19 rebound of live events. Several of the continent's largest esports teams including ATK and Bravado Gaming hail from South Africa, while major esports team Cloud9 signed two South African players to their Counter-Strike roster in 2020, highlighting the wealth of talent in the market. General growth has also been contributed to by increasing Internet penetration across the country, which has greatly aided general connectivity for online play.

Much of the country's gaming revenue stems from mobile gaming, due to the prevalence of smartphones in South Africa. Some of the most popular mobile games include *PUBG Mobile, Clash of Kings* and *Call of Duty Mobile.*

Africa has uniquely been a mobile-first continent with regards to gaming, affording quicker implementations of systems like digital currency, as opposed to developed markets which have historically leaned more towards consoles and PCs.

With a young population and the growing adoption of smartphones, Nigeria's gaming industry is primed to grow rapidly in the coming years. However, esports remains a struggle, with regular power cuts and poor-quality networks affecting the development of players, even though more have emerged since COVID-19. The same issues have also impacted Kenya's growth in the sector, but firms like Rubiks Digital are attempting to pioneer Kenya's development in esports by focusing on developing games based on African folklore and heritage.

Live events and box-office continue their recovery

There has been a general rebound across the different categories of live events in South Africa, Nigeria and Kenya since the COVID-19 pandemic.

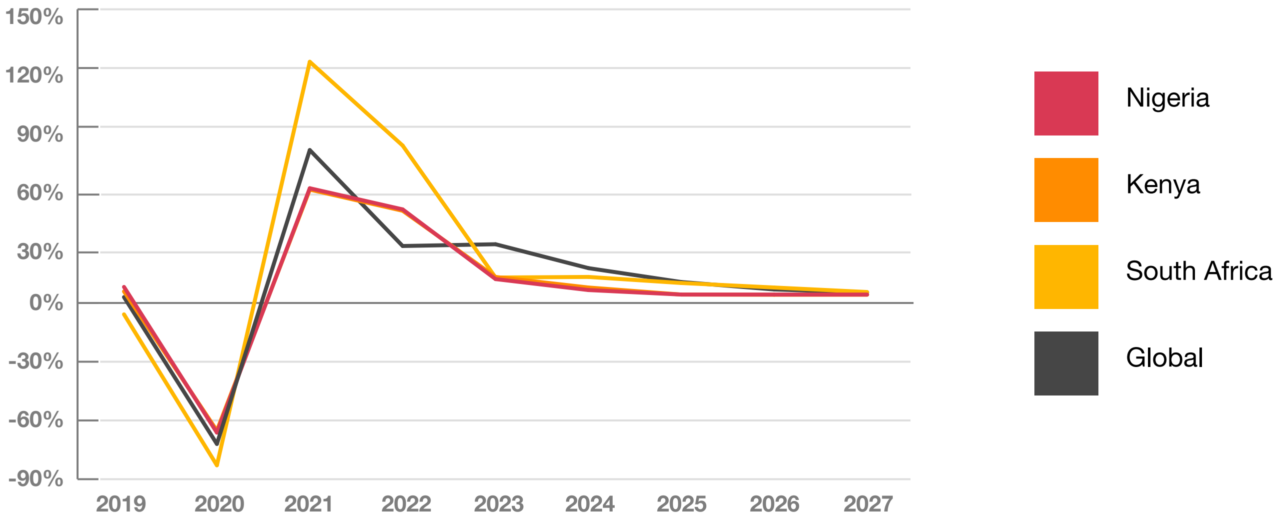
Live music ticket sales revenue is performing strongly. In South Africa, live music ticket sales revenue in 2022 was not far off matching levels seen in 2019 thanks to an abundance of events in the later months of the year, including a concert by American pop rock band OneRepublic in November. Further growth is expected in the coming years as other global artists make a return to the region. Live music ticket sales revenue in Nigeria more than doubled between 2021 and 2022 and further recovery is expected in future years, with these events still being one of the primary revenue generators for artists due to significant issues with piracy. Live music ticket sales revenue in Kenya also recorded substantial growth in 2022, but challenges remain due to limited venues and competition with other musicians to secure live gigs.

Box office revenue has been recovering since 2021 but has yet to match pre-COVID-19 levels. South Africa was the strongest performing of the three markets in 2022, with total revenue amounting to R862m. This was driven by strong box office performances for international films including *Black Panther: Wakanda Forever, Spider-Man: No Way Home and Minions: Rise of Gru.* Many of South Africa's biggest domestic releases in 2022 were on streaming services, with titles including *Silverton Siege, Amandla* and *Wild is the Wind* all released only on Netflix. This is a potential indication of the future of South African cinema, with domestic productions being funded more by streaming services while international films dominate the box office.

Nigeria had its strongest year revenue-wise since 2019, although forecasts indicate that it will take until 2026 for box office revenue to return to pre-COVID-19 levels. 2022's strong performance was driven by a mixture of international films performing strongly combined with domestic productions including *Battle on Buka Street, Brotherhood* and *King of Thieves* all featuring among the country's highest ever grossing productions. Kenya recorded a 47.1% increase in box office revenue for 2022, although these results were driven more by international films including *Minions: The Rise of Gru, Jurassic World Dominion* and *Puss in Boots: The Last Wish.*

Fig. 3: South Africa is experiencing a strong rebound in box office revenue

Global vs selected African markets, box office revenue, annual growth, 2019-2027 (%)



Source: PwC, Omdia

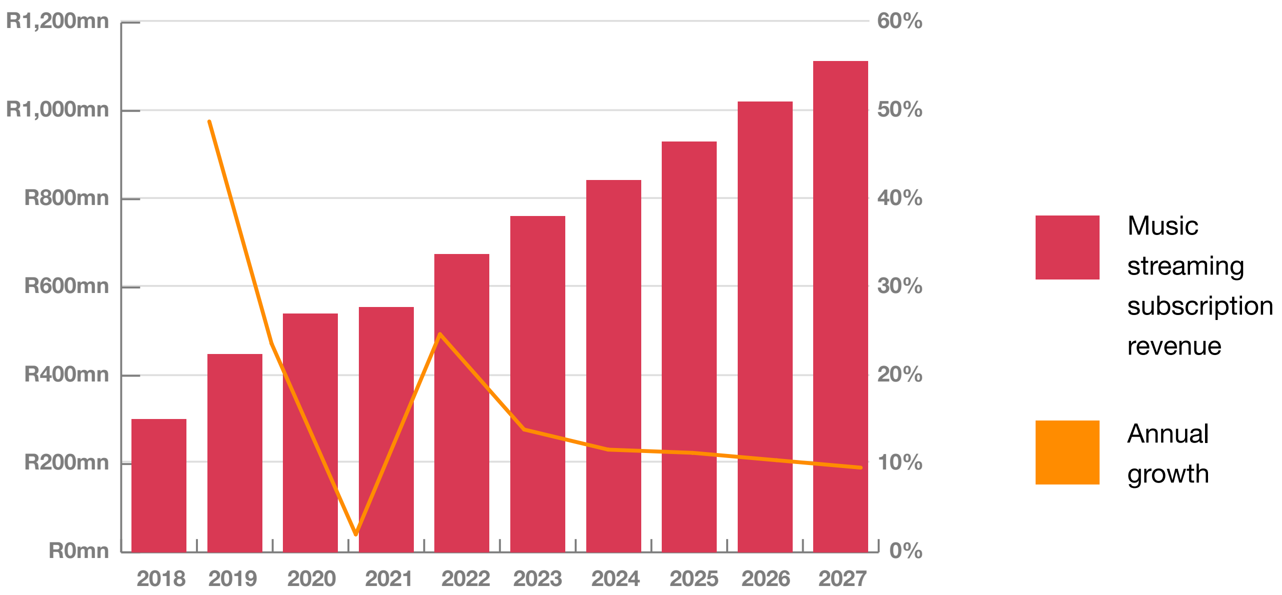
Music streaming adoption is rising

The music streaming market continues its march across South Africa, Nigeria and Kenya, with strong growth being experienced in music streaming subscription revenue.

Spotify has grown a sizeable foothold in South Africa since it launched there in 2018. South African users have streamed more than 1.2b hours of music since then. The service has also benefited more local artists, with South African producers Kabza de Small and DJ Maphorisa featuring in the top five streamed artists in the country since 2018. Despite this, as is the case globally, South African musicians have struggled to generate significant sums of money from music streaming, with very little trickling-down to performers. Issues with load-shedding — a series of rolling blackouts that prevents the country's national grid from overloading — have also hampered access to streaming, particularly for artists whose fanbases primarily live in smaller towns which are less likely to have access to reliable connections. Music streaming subscription revenue is, nonetheless, set to rise at a 10.5% CAGR over the next five years to reach R1.1b in 2027.

Fig. 4: Music streaming subscription revenue set to surpass R1.0b from 2026

South Africa, music streaming subscription revenue (R millions) vs annual growth (%), 2018-2027



Source: PwC, Omdia

Music streaming growth in Nigeria has been aided by the success of domestic services including Boomplay and Notjustok. Both are go-to services for Nigerian artists to promote their music and feature curated playlists specifically for Nigerian music. Despite this, Spotify remains the most popular service in the country, having launched a dedicated 'Afro Hub' in 2018 dedicated to African music. Similarly, Kenya has been bolstered by the launch of Mdundo Music which has seen success in featuring local music.
The service was launched in response to the lack of prominent streaming services in Kenya back in 2013 and has become enormously popular across the continent.

Mobile is the key driver of Internet access in Africa

The rollout of fast and reliable 5G networks is progressing in Africa, but quicker rollouts are being prohibited by multiple factors including regulation, affordability, geography and investment.

MTN Nigeria announced in May 2023 that since launching 5G in 2022, it had rolled out over 700 5G sites across 13 cities in Nigeria. Meanwhile, Kenya's Airtel announced it had 370 sites in July 2023, and Safaricom stated that it intends to add 595 new sites in Kenya by the end of March 2024.

Telecommunications companies (Telcos) are bringing 5G to market in different ways in Africa. Vodacom and MTN South Africa bundle phones with postpaid plans to try and drive smartphone sales and offer SIM-only postpaid plans for smartphones. MTN Nigeria offers prepaid and postpaid 5G plans, while Safaricom Kenya is prepaid-only for 5G, but offers large data allowances.

In Kenya, smartphone taxes are impeding device take-up. Nonetheless, Safaricom sells 5G smartphones in its Masoko online store and its brick-and-mortar stores. Payment options include M-PESA, Bonga Points, or credit card.

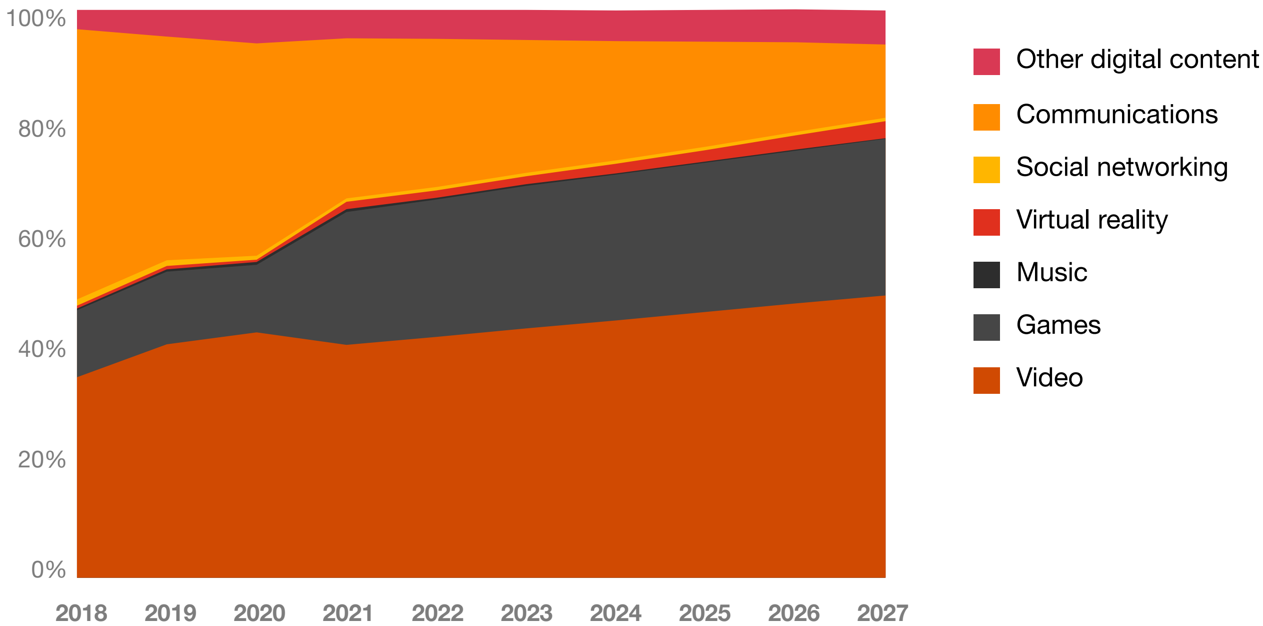
The rollout of 5G will enable consumers to access and engage with data-heavy services and platforms on-the-go. For example, Vodacom South Africa added Amazon Prime Video to its 5G bundle, as the Amazon Prime Video app is 5G-rich (it includes 4K streaming). Other 5G-rich apps include cloud games, augmented reality (AR) and virtual reality (VR). These use cases will drive data consumption, which is set to increase from 19.5k petabytes (PB) in 2022 to 61.5k PB in 2027 in South Africa, and 8.5k PB to 47.2k PB in Nigeria.

In line with global trends, mobile handsets are the most popular devices in both South Africa and Nigeria, accounting for 47.9% and 57.4% of data consumed in 2022, respectively. Video is the content category commanding the largest share of data consumption in South Africa, as is the case globally. Led by social video, it is expected to take an 87.0% share of all data consumed in the country in 2027, up from 81.7% in 2022.

The picture differs somewhat in Nigeria, where video leads the market but commands a lower share of total consumption, at 42.4% in 2022. Communications and games are the second-and third-largest content categories, with both taking over 20% of data consumed in 2022. By the end of 2023, a tipping point will have occurred with games overtaking communications to become the second-largest category in terms of data consumption in Nigeria, driven by a thriving mobile gaming landscape.

Fig. 5: Games will overtake communications to be the second-largest content category by end-2023

Nigeria, data consumption split by content type, 2018-2027 (%)



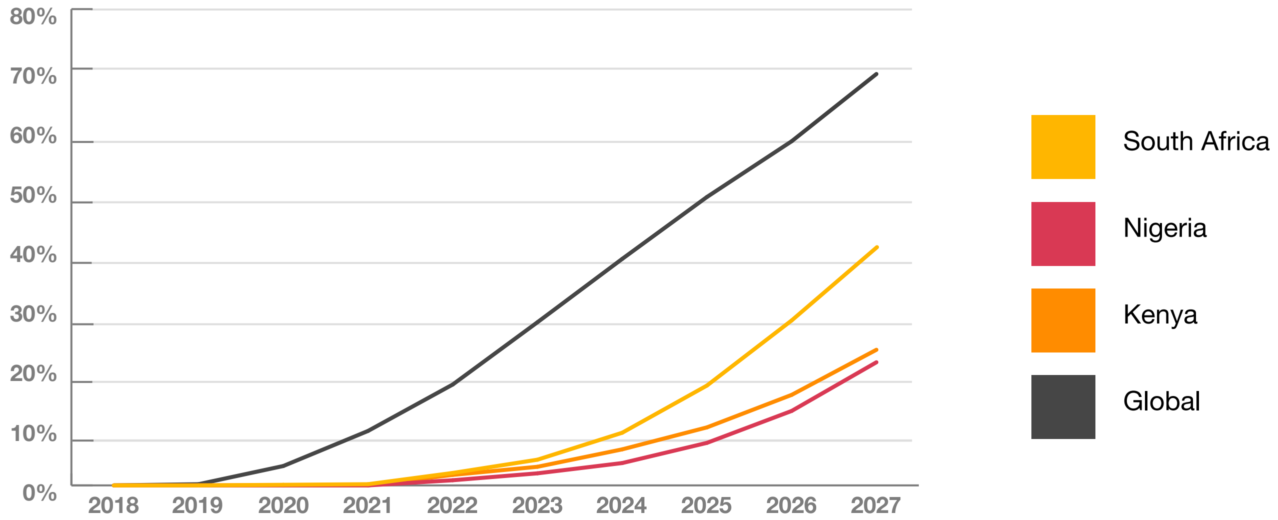
Source: PwC, Omdia

A challenge to the adoption of 5G in Africa is the cost of both modems and smartphone devices. Operators such as Vodacom South Africa have introduced monthly modem payment contracts, while MTN Nigeria is considering a router exchange program where users can swap out old 4G modems for 5G ones.

5G smartphones accounted for 19.3% of global connections in 2022, compared to 3.1%, 2.1% and 1.2% in South Africa, Kenya and Nigeria, respectively.

Fig. 6: 5G uptake in Africa lags the global average

Global vs selected African markets, 5G smartphone connections as a share of total, 2018-2027 (%)



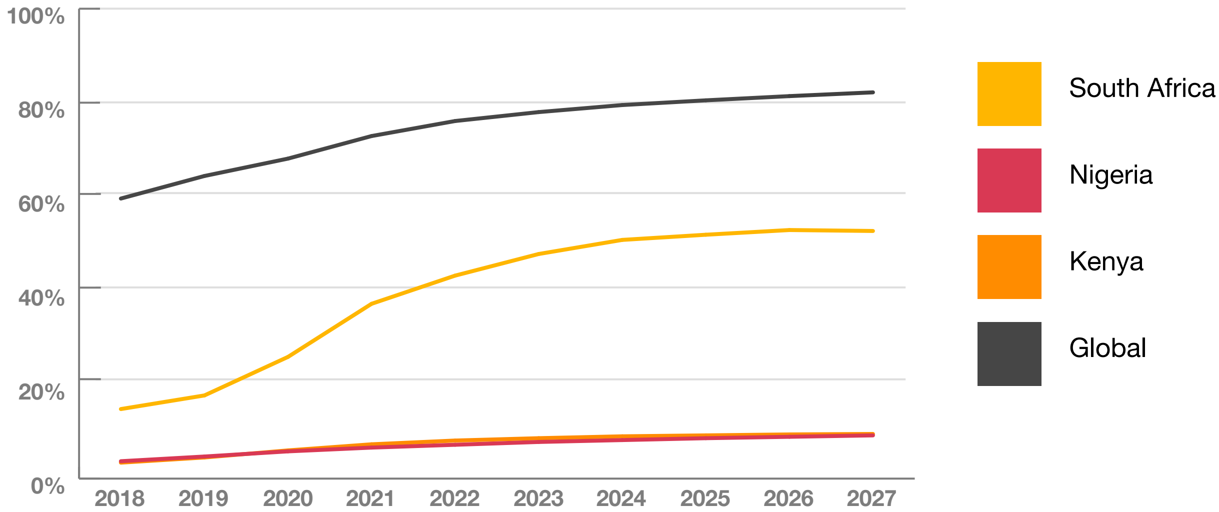
Source: PwC, Omdia

Despite the low uptake of 5G, African markets are mobile-first, with fixed broadband penetration levels below the global average. Low rates of uptake are particularly pronounced in Nigeria and Kenya, where fixed broadband penetration is below 10%.

Penetration is higher in South Africa, at 43.3% in 2022, albeit still significantly lower than the global average of 76.1%. The Independent Communications Authority of South Africa has developed a strategic plan for 2021 to 2025 which aims to ensure access to quality broadband services and increase average download speed from 15Mbps to 50Mbps, with adequate spectrum assignment for broadband deployment.

Fig. 7: Limited uptake of fixed broadband in African markets

Global vs selected African markets, fixed broadband penetration, 2018-2027 (%)

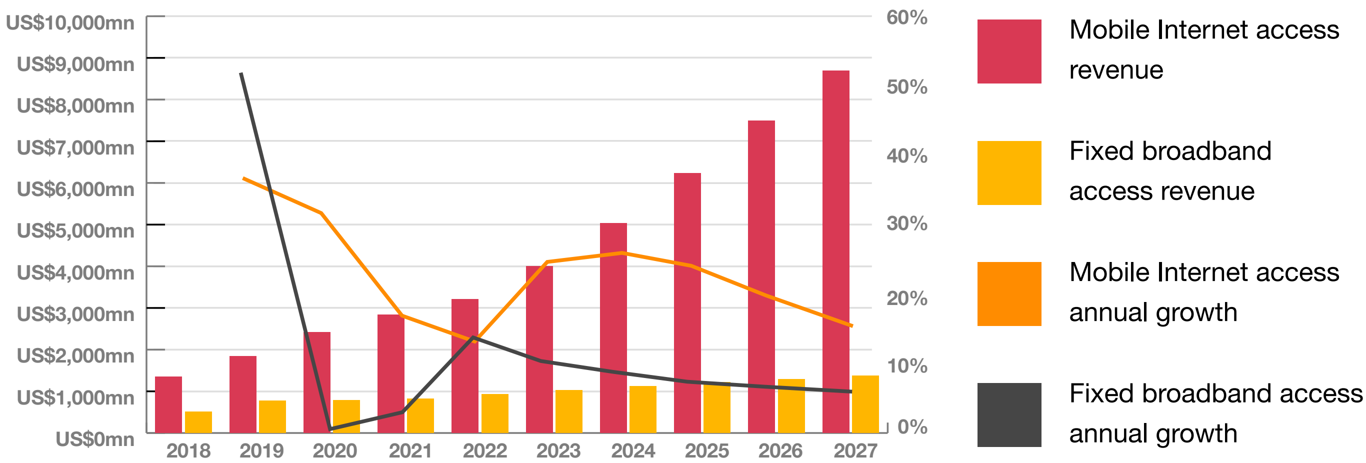


Source: PwC, Omdia

That being said, South Africa, Nigeria and Kenya's Internet access markets are growing rapidly. Nigeria will see the fastest rate of growth globally, driven primarily by gains in the mobile sub-segment. Total Internet access revenue in the country will increase at a 19.5% CAGR over the five-year forecast period to surpass US$10.0 billion in 2027.

Fig. 8: Mobile growth cements Nigeria as the fastest-rising global Internet access market.

Nigeria, Internet access revenue split by category, 2018-2027 (US$ millions)



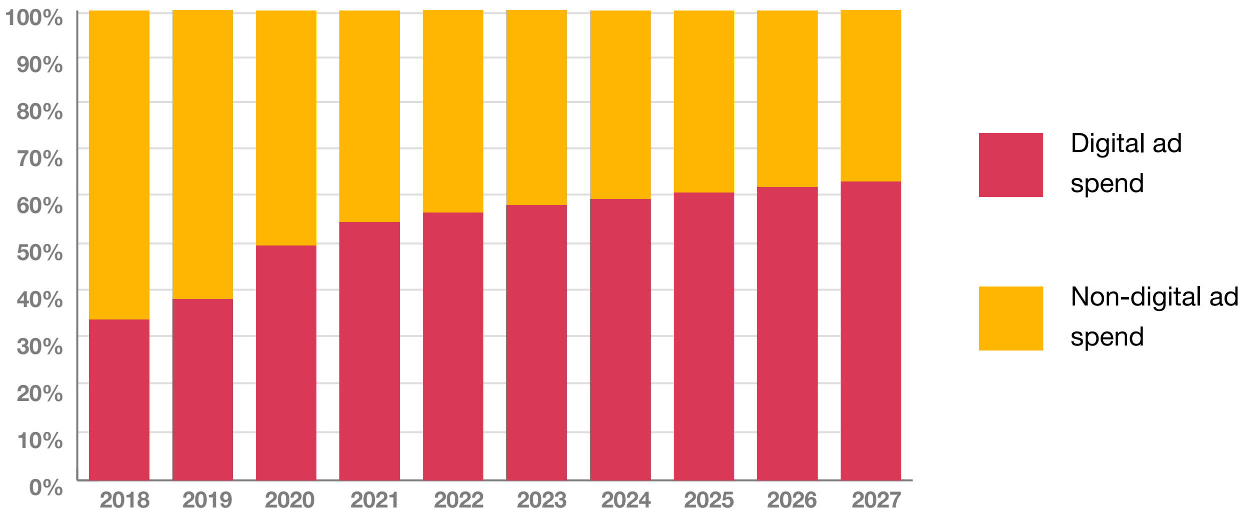
Source: PwC, Omdia

Africa is home to rapidly expanding digital advertising markets

Digital has accounted for over half of advertising spend in South Africa since 2020, and by 2027, it is expected to take 63.6% of ad spend. This broadly aligns with the global picture, where digital has led since 2019 and will account for 71.8% of ad spend in 2027.

Fig. 9: Digital will account for nearly two-thirds of ad spend in South Africa in 2027

South Africa advertising spend split by digital and non-digital, 2018-2027 (%)



Source: PwC, Omdia

The Internet advertising segment is a key driver of this growth both globally and in South Africa. Total South African Internet advertising revenue is set to increase at a 7.4% CAGR over the next five years. South Africa benefits from higher Internet connectivity rates and a higher per-capita GDP than many other African markets, making it a more attractive market for advertisers, thus enabling higher advertising rate cards than Kenya and Nigeria.

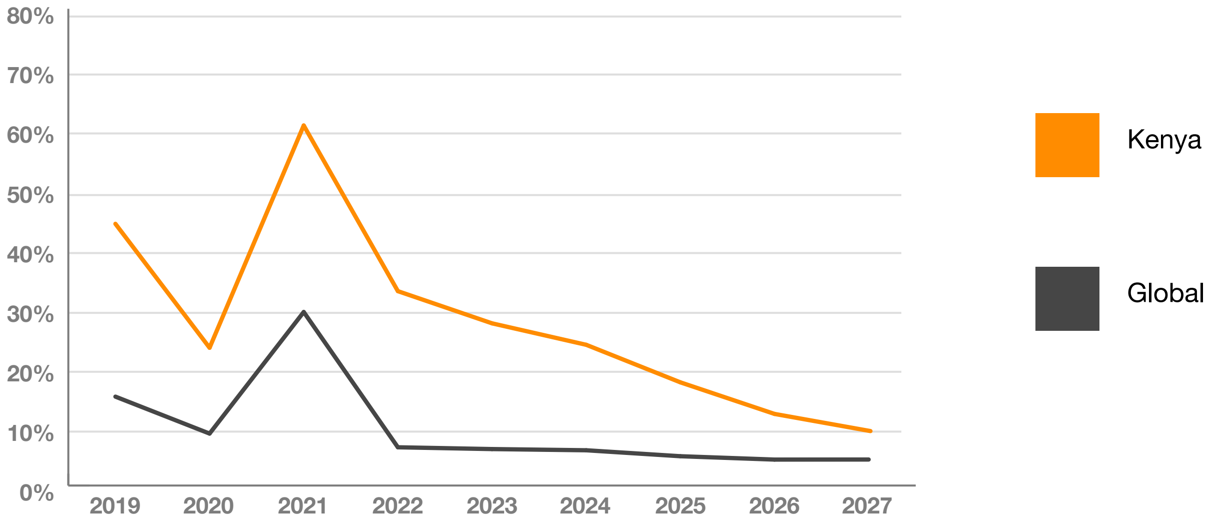
Mobile leads Internet advertising in South Africa, as well as in Kenya and Nigeria, and these formats are benefiting from the rising number of mobile Internet subscribers in these markets.

Social platforms have become the dominant display ad networks in Africa as there were no significant open Internet solutions before these platforms started to dominate. Like in most markets globally, Google, Meta (Facebook) and TikTok are major driving forces behind growth.

Of the three African markets profiled, it is Kenya that will see the fastest growth in Internet advertising revenue over the forecast period. The 19.2% CAGR expected to 2027 will also be the fastest rate seen by any market globally, albeit this growth is coming from a low base, with revenue at just US$181m in 2022.

Fig. 10: Kenya boasts the world's fastest-growing Internet advertising market

Global vs Kenya, annual growth in Internet advertising revenue, 2018-2027 (%)



Source: PwC, Omdia

First-party data is becoming increasingly central to targeted digital ads as Google prepares to phase out third-party cookies from its Chrome browser by 2024.

Google and Meta are in a strong position, but it is expected that a "cookie-less" environment will provide opportunities for retail media networks. The changes will mean that companies looking to advertise their products and services online will no longer be able to rely on the data collected through the cookies tracking process to support their ad targeting activities. As such, it is expected that retail media advertising, where products are "sponsored" on platforms, will be boosted, as advertisers can build campaigns around data those retailers have collected about their users first-hand.

Delivery service Glovo rolled out its Glovo Ads platform in Kenya in August 2023. Glovo stated that the service would support "both brands and local businesses in boosting brand awareness and driving sales". It is reported that multinational companies including Coca-Cola, Bacardi, Publicis and Diageo are working with the platform.

Broadcast sector remains important for advertisers

The emergence of streaming services has applied pressure to traditional TV services, with many now forgoing them and paying for services that instead provide an abundant amount of on-demand video content. Services like Netflix are appealing due to the amount of content they bring into a single place for a relatively affordable subscription fee. Streaming platforms also have limited advertisements or are completely ad-free, meaning viewers can enjoy content without interruptions.

Total TV advertising revenue contracted by -3.3% in South Africa in 2022, predominantly due to falls in terrestrial TV advertising. But this will be temporary, with the segment rebounding in 2024 and increasing at 1.2% CAGR over the forecast period. Meanwhile, in Nigeria and Kenya, growth will be much stronger, with CAGRs of 6.7% and 5.4% expected, respectively.

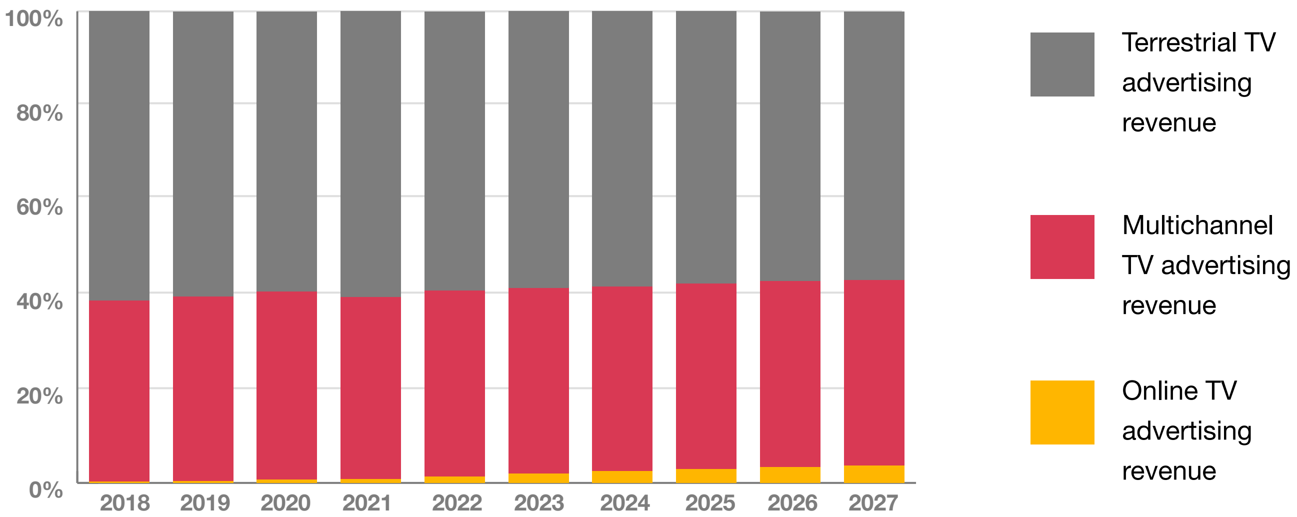
Given the right circumstances, linear TV can still garner exceptional viewing levels. There are still occasions where families and friends gather together in a living room for a communal viewing experience in front of the TV set.

Linear TV's unique selling point of reach and scale has long been considered by advertisers as the best way to reach as many eyeballs as possible and build the all-important brand awareness that they crave. Digital advertising's strength is seen as offering short-term call-to-action boosts, but TV remains key to the building and reinforcing of brands over the medium-to-long-term.

While older demographics will, by and large, continue watching traditional linear TV, it is important that broadcasters also engage with younger audiences. To do so they need to make their own online video streaming platforms increasingly compelling. As digital linear alternatives such as free ad-supported streaming TV (FAST) continue to grow, advertisers favouring placements within a linear environment will split their budgets between traditional linear TV and online linear alternatives. Traditional broadcasters need to be ready with an offer that can satisfy both requirements and so keep those revenues within their own universe.

Fig. 11: Broadcast TV advertising will still take the lion's share of revenue in 2027

South Africa TV advertising revenue split by category, 2018-2027 (%)



Source: PwC, Omdia

Trade shows are still recovering from the pandemic

Trade show revenue in South Africa saw year-on-year growth of 58.5% in 2022, following on from the 65.4% increase recorded in 2021. The growth seen in 2021 occurred in spite of varying levels of lockdown restrictions being applied throughout the year. 2022 saw an even greater loosening of restrictions as the world began to make a return to normal. The outlook for the rest of 2023 looks solid, with events including the Africa Tech Festival and Africacom set to be held in November 2023. Despite this recorded growth, trade show revenue hasn't returned to 2019 levels in South Africa and will not for the rest of the forecast period.

This is in contrast with Nigeria, which recorded its highest ever trade show revenue during 2022. Nigeria was unique in that it suffered comparatively less disruption due to COVID-19 than many other markets. This meant that normal life in Nigeria returned faster than in many other nations, allowing the country to become a bigger staging ground for public events such as trade shows. Similar results were recorded for Kenya in 2022, with the country also responding well to the pandemic, allowing revenue to reach US$1.7m, surpassing US$1.5m from 2019.

Fig. 12: Kenya and Nigeria are experiencing rapid growth in trade show revenue

Global vs selected African markets, trade shows revenue, annual growth, 2019-2027 (%)

Source: PwC, Omdia

The rise of generative AI

Researchers and enterprises have explored the idea of generative artificial intelligence (AI) for many years. Generative AI refers to the use of neural networks, advanced deep-learning models, and other AI technologies to produce, i.e. generate novel synthetic outputs from existing data inputs. Generative AI made headlines in 2022 and early 2023, and is being driven by big tech companies, but start-ups like OpenAI and Stability AI are disrupting the market. In the near term, protecting market share pertains mostly to large technology companies such as Google, Microsoft, and Meta. For example, Google declared a "code red" after the launch of Open AI's ChatGPT due to the perceived threat to its Internet search business.

Integrating generative AI has the potential to allow businesses to enhance existing products or create new products and service lines. The opportunities for technology to support automation and co-creation are vast. They span multiple verticals, from programming code and enhanced intelligent document processes and documentation tasks to creative ideation, drug discovery, and content generation across multiple disciplines and in various data formats. Generative AI can be particularly powerful when combined with other technologies and devices.

But to realise these benefits responsibly, there is a requirement for self-regulation, active governance, ethical leadership and integrity. There are already examples of the technology's misuse. For example, deepfake photos and videos can be made with generative AI, and tools can be used to produce spam or phishing attacks. Since Open AI's ChatGPT was released in December 2022, plagiarism has become a significant issue for universities and secondary schools, as students have used the application to write their papers. Generative AI also raises wider concerns such as its impact on jobs, data protection and ethics. All these issues must be addressed if generative AI is to be a force for good and produce the benefits and the opportunities of which it is so capable.

The South African Artificial Intelligence Association (SAAIA) launched in June 2023. The association's purpose is to promote "the advancement of responsible AI in South Africa" and is working with multiple stakeholders including industry, government and academia. The association will focus on areas such as trade, investment, equality and economic growth.

Meanwhile, it was announced in August 2023 that Nigeria's National Information and Technology Development Agency was launching a National AI Strategy. The strategy is intended to utilise AI for sustainable development, job creation and social inclusion in Nigeria.

Parts of the E&M industry have reacted to generative AI with concern. For example, screenwriters in Hollywood began strike action in May 2023, in part over the use of AI in the industry. But the union representing the writers, the Writers Guild of America (WGA), reached a provisional agreement with organisations representing film studios in September 2023 after establishing regulations around the use of AI in the industry. Some of these regulations included the prohibition of using writers' material to train AI tools, as well as a guarantee that AI can't write or rewrite literary material.

The metaverse

The metaverse can simply be defined as a virtual three-dimensional (3D) world that permits users to do everything they'd expect from the physical world. At a global level, companies like Meta, Microsoft, Apple, Alibaba, Baidu, Tencent and Google remain committed to the metaverse, but they are showing more restraint in terms of their strategy, investment priorities and how they position the metaverse as a commercial proposition.

There is solid engagement with the concept of the metaverse in South Africa, with a survey by cybersecurity company Kaspersky finding that 61.3% of workers in South Africa believe that the metaverse will be transformative for industries. Many companies are involved with metaverse projects, with 69.6% of respondents stating that their companies are planning or actively working on them.

In late 2022, Meta launched its #FlexNaija mixed reality event in Nigeria, marking its first metaverse-related entry into Africa. The event showcased the possibilities of engaging with and utilising mixed reality to over 300 Nigerian creators in Lagos. Attendees could view an NFT gallery and engage with augmented reality (AR) filters and avatar creation. Artists Teni, Santi and Ayra Starr performed at the event and people were able to watch and interact with the performances in the metaverse.

To support the development of the metaverse, increasingly powerful cloud capabilities along with high-speed, low-latency fifth-generation technology (5G) networks will need to be available in African markets to improve the user experience and encourage consumer and enterprise adoption. Edge architecture will also play an important role, improving efficiency and reliability for latency-sensitive apps like metaverse gaming and digital twin simulations.

Conclusion: The creative imperative

As we look ahead, it's important to keep an eye on the big picture. In the coming years, there will be more inflection points beyond the continued rise of advertising and the growth of digital. Continued rollout of 5G, will see its penetration almost surpassing that of 4G by the end of the forecast period. This tipping point will be reached globally in 2025.

Establishing robust internet connectivity in our featured countries will underpin and facilitate this growth moving forward, with opportunities for consumers and advertisers across music and video streaming, gaming and the metaverse all reliant on fast and reliable Internet access.

But in a period of muted top-line growth, companies should continue to reassess and refocus if they're to avoid further disruption. While participants in these markets have always had to be nimble and resilient to changes, the stakes are rising. As we look ahead, evolving consumer behaviour, a shifting regulatory environment and disruptions posed by new technologies will create new tensions and open new possibilities. Will data protection efforts put a brake on efforts to use AI to personalise advertising? Will new virtual reality (VR) developments set the stage for rapid growth in that sector? Will highly wired smart stadiums provide a new platform for combining the potential of in-person events and digital services?

International and domestic players alike are investing in local content and services to attract audiences and keep them engaged in an increasingly crowded landscape. Companies will need to continue this innovation in response to this competition, alongside heightening consumer demands. Brands are also seeking greater returns on investments as economic uncertainty puts pressure on advertising budgets, so formats offering new ways to access audiences will be well received.

Whatever pathways emerge, the imperative will be to lean into innovative thinking. The entertainment and media industry has always been, at its root, a creative endeavour. But now, that creativity must be extended into multiple dimensions, and must be harnessed for a purpose. In the coming years, armed with powerful technology, leaders will have to be more creative about how they create, distribute and monetise products and services. They'll have to think hard about how to generate and measure returns on the substantial investments they are making. And they'll have to be creative about how they pursue and generate growth.

Methodology and definitions

Historical data collection

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

Forecasting methods

All forecasts are prepared as part of a collaborative, integrated process involving both quantitative and qualitative analyses. The forecasts are the result of a rigorous process of scoping, market mapping, data collection, statistical modelling and validation. All data, charts and graphs, unless stated otherwise, are taken from the *Global Entertainment & Media Outlook 2023–2027.*

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