PwC Global Entertainment & Media Outlook
2018 – 2022
Global, Mainland China and Hong Kong findings
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Trending now: convergence, connections and trust
Convergence 3.0: A handful of factors combine, creating the momentum behind this new wave of convergence

Drivers of convergence

- Consumers and their devices are always connected, always on
- Mobile devices are becoming the primary means of accessing E&M content and services
- Revenue streams that nourished companies in the past will not be flowing with the same force
- Platforms rather than publishers are the primary beneficiaries of users’ growth in time and spending
- Value shift to platforms
- Need for new sources of growth
- Personalization
- Data analytics and technology that can support better decision-making are critical to success

Global Entertainment & Media Outlook
**Convergence 3.0:** Strategic efforts from participants of every size and geography give rise to supercompetitors

### Four types of convergence

- **Media convergence**
- **Access convergence**
- **Business model convergence**
- **Geographic convergence**

### Convergence gives rise to supercompetitors

- Examples of supercompetitors: Alibaba, Amazon, Apple, Disney, Facebook, Google, Tencent, etc.
- A handful of global players that converge towards similar business models will….
- …unite content, commerce, advertising, communications and deep financial resources under a single corporate roof
- Each will try to secure exclusive control of every aspect of its own customer relationships, consumption and activity
Connections: With the rise of supercompetitors, more specialized brands need to build businesses of relevant scale

Building relevance at scale

Create a sense of identity and community with customers by delivering high-quality experience

Target content and experiences at high-value audiences that others find challenging to attract, and turn them into loyal fans

Scale relevance: reach, intensity sufficient to matter to users, advertisers, Partners

Aim at high-value, hard-to-reach audiences

Deliver brand consistent content and advertising

Address fans’ interests and preferences in content and advertisements
Trust: Trust will be a vital determinant of the sector’s ability to forge connections and succeed in an age of convergence

Five vital dimensions of trust

Is your content trustworthy?
Advertisers are raising questions about the quality, safety and appropriateness of the content they advertise against.

Is your audience who you say it is?
Media and academic reports have suggested that many social media accounts are bots or have misrepresentative information.

Are you taking proper care of the data?
E&M companies are assuming more responsibility for protecting customer information—what they like, look at, their interests, profiles, financial information, etc.

Are your investments paying off?
Direct measurement of audience engagement—whether an agency is delivering the promised audience to a client—has not been sufficiently answered.

Is your company good for society?
The sheer size, reach and utility of today’s media platforms cause them to be evaluated on their contributions to society.
Growth rates remain steady even as the industry is being transformed

Global, China & Hong Kong E&M CAGRs

**Hong Kong**
- **2.1%** Projected industry growth 2017—2022
- 2017: 3.0%

**China**
- **7.2%** Projected industry growth 2017—2022
- 2017: 8.3%

**Global**
- **4.4%** Projected industry growth 2017—2022
- 2017: 4.2%

A new wave of convergence

Consumer driven revenue remains the largest share through 2022 and consumers are willing to pay for access

**2022 E&M revenue share: primary categories**

- Advertising
- Access
- Consumer

**2017-2022 E&M CAGR: primary categories**

- Advertising
- Access
- Consumer

*Asia Pacific excluding Mainland China, Japan and Korea*

**Consumer revenue includes:**
- Read: books, magazines, newspapers
- Listen: music, radio, podcasts
- Watch: TV, OTT, cinema
- Play: games, e-sports, virtual reality

**Access revenue includes:**
- Mobile Internet, fixed broadband revenue

**Advertising revenue includes:**
- B2B, Internet advertising
- OOH, TV advertising

Digital revenue will continue to make up more and more of the industry’s income, accounting for more than 50% in 2018.

Digital revenue as % of total revenue

By 2020, total global data consumption through smartphones overtakes fixed broadband data consumption.

The global E&M market topped $2tr USD in 2017

E&M market share by segment: Global, Asia Pacific*

In 2017, Global total E&M spend of US$2T

Asia Pacific’s* 6.8% CAGR 2017-2022 exceeds Global CAGR of 4.4% and reaching USD179bn by 2022

By 2022, the total Global E&M market will add US$486bn

* Asia Pacific excluding Mainland China, Japan and Korea

Mainland China outperforms Global in various segments. OTT of Mainland China and Hong Kong exhibit highest growth.

E&M segment CAGR 2017-2022: Global, Mainland China, Hong Kong

Key takeaways

- OTT continues to drive the growth in the E&M market
- Internet advertising tops revenue across advertising segments
- Cinema in Mainland China still show strong growth potential

Key trends
1. OTT Video
OTT video global revenue of $36bn USD in 2017 is projected to grow at 10.1% CAGR

The growth of the OTT video sector has been supported by improving broadband coverage and a wide range of OTT video launches. Growth will continue in the forecast period with more launches and platforms worldwide. Asia Pacific leads growth due to faster broadband connections and increasing OTT video service offerings mostly focused on local content. China CAGR of +16.3% will outpace global growth 2017-2022.

The OTT video market is being propelled by consumer content demand, lower prices and portability preferences.

Despite strong growth, OTT will account for 26% of the global TV subscription market by 2022.

Japan, New Zealand and Singapore have the highest OTT share of OTT and Pay-TV revenue. Pakistan, Vietnam and India have the lowest OTT penetration.

OTT revenues rise with mobile access, connections.

2. Internet advertising
Internet advertising is growing rapidly in Asia Pacific and is projected to reach US$123bn by 2022.

- Indonesia and India are expected to have a rapid growth through 2022, with 20.2% and 16.2% CAGR respectively.

Data consumption will be driven by mobile platform

**Data consumption by platform: Fixed broadband vs. Mobile**

<table>
<thead>
<tr>
<th>Country</th>
<th>Fixed broadband</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland China</td>
<td>64%</td>
<td>36%</td>
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<tr>
<td>India</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>Japan</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>South Korea</td>
<td>64%</td>
<td>36%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed broadband</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>2022</td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

**Digital activities 2017**

- Communications
- Games
- Music
- Other digital content
- Social networking
- Video

Mobile internet advertising will dominate Internet advertising

Mobile internet advertising revenue in 2022

- Mobile internet advertising continue to grow rapidly in Asia Pacific, with Indonesia and India having the fastest growth in the region

3. New growth engines for Global E&M market

*e-Sports & Virtual reality data are available for the following 10 key markets:
USA, Japan, China, South Korea, UK, France, Germany, Russia, Italy, Spain*
The US, China, Japan and South Korea dominate the video games market and will represent 59% market share by 2022

Video game top countries by 2022 revenue and growth 2017-2022

Top 10 video game countries by revenue 2022
- China
- US
- Japan
- South Korea
- UK
- Germany
- France
- Russia
- Italy
- India

Top 10 countries with highest CAGR 2017-2022
- India
- Turkey
- Pakistan
- UAE
- Indonesia
- Thailand
- Argentina
- Saudi Arabia
- Russia
- Romania

Countries on both lists
- India
- Russia

The e-sports revenue is increasing gradually in Asia Pacific.
Specially for China and South Korea, they are expected to have a rapid growth through 2022 and dominate in Asia Market.
e-Sports total global revenues of USD $1.6bn in 2022. Sponsorship remains largest by revenue in 2022

Sub-segment e-Sports revenue 2022: Global, $1.6bn

- Sponsorship remains the largest sub-segment through 2022 with media rights approaching a tipping point
- e-Sports represents another face-off in growing convergence of TV and Internet companies vying for content exclusivity
- Media rights revenue in e-Sports is still comparatively small
- As the scramble for attractive intellectual property intensifies, an increase at a 30% CAGR is anticipated to 2022

Current development in e-Sports in Hong Kong and Asia

**Hong Kong**

According to the latest financial budget, the HKSAR government will allocate HK$100 million to Cyberport to boost the local e-Sports and game development sector through building a competition venue dedicated to e-Sports.

**Asia**

e-Sports will be a demonstration sport at the Asian Games in Jakarta this August 2018. In 2022 Hangzhou Asian Games, e-Sports will become the official medal event.

**Recent and upcoming e-Sports tournaments in Asia:**

- **2017 LOL World Championship**
  - Beijing, Mainland China
- **WESG Haikou City, Mainland China**
- **Dota 2 Asia Championships 2018**
  - Shanghai, Mainland China
- **ZOTAC Cup Master 2018**
  - Hong Kong
Virtual reality global revenue of $3.9bn USD in 2017 is projected to grow at 40.4% CAGR

Revenue and growth: total global 2017 revenue $3.9bn USD

- USA, USD1,451mn
- South Korea, USD279mn
- UK, USD349mn
- Japan, USD407mn
- Mainland China, USD728mn
With VR entering a long-term growth phase, firms turn to opportunities in VR apps and venue-based experiences

Sub-segment revenue 2017: Global, $3.9bn USD

- After two plus years in the market, the new raft of consumer VR headsets have reached a steady growth curve
- Video and gaming will continue to be the dominant formats driving total VR revenue to $21bn USD by 2022. Social VR apps will be key to popularising VR.
- Advertising revenues will play a significant role in revenue through 2022

Local stories
Traditional market is still dominating in HK market while Internet advertising is growing rapidly in Asia Pacific

In Hong Kong, traditional advertising through print still contribute a significant portion of advertising revenue when compared to other segment, however, internet advertising will experience significant growth in the coming years.

* Asia Pacific excluding Mainland China, Japan and Korea

Internet advertising will continue to dominate the market and reaching 69% of market share in 2022.

- China’s Internet advertising market was the second-largest market globally in 2017, after the US, with total revenue of US$45.7bn.
- Over the next five years revenue will increase at an 11.8% CAGR, reaching US$80.0bn in 2022.

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Thank you

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