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## E&M industry to be revolutionised by technology & telecommunication players

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**Singapore, 6 June 2018** – Total global spending on entertainment and media will rise at a compound annual growth rate (CAGR) of 4.4% over the next five years, from US\$1.9 trillion in 2017 to US\$2.4 trillion in 2022 according to PwC's [Global Entertainment & Media Outlook 2018-2022](#). In Singapore, E&M spend is forecasted to rise at an overall CAGR of 3.5% over the next five years, from US\$5.6 billion in 2017 to US\$6.7 billion in 2022.

However, while the overall volume of E&M spend continues to rise steadily with global economic growth, a deep dive into the data reveals that this spend is unevenly distributed among different subsectors and geographies. Three key trends have emerged that are affecting every company in the industry: namely convergence, connectivity with consumers and the need to build and retain trust.

With the ongoing evolution of the industry, we are now in the midst of a third wave of convergence, or “Convergence 3.0”. The first wave of convergence saw traditional media players focusing on expanded channels for distribution, with the second wave focusing on acquiring or owning more links of the value chain to gain scale.

In this wave we are seeing technology and telecommunications companies converging with E&M players in the industry to form “supercompetitors”. These supercompetitors will come together towards similar business models to unite content, commerce, advertising, communications and deep financial resources. Traditional segment distinctions are blurring, and in the process, business models have to be reinvented so companies can tap into new revenue streams to build relevance at scale.

Said Oliver Wilkinson, Entertainment & Media Leader, PwC Singapore:

“In Singapore, we are seeing a greater sense of urgency now as the status quo is being disrupted. Overall Media industry growth is a little below the pace of GDP, and the pie is being divided by a greater number of players as consumer choice proliferates. So to succeed in that tough environment, incumbents need to nurture new revenue models, apply data analytics and continually refine the user experience to engage fans.”

## **Convergence 3.0**

With Convergence 3.0, the competitive playing field has been redefined with the digital economy in several orders of magnitude greater in size and scope than it was a decade ago. With the fastest revenue growth expected for digitally driven segments, this has greatly influenced how companies are reinventing their business models, while also presenting a significant opportunity for companies to gain rapid market share in digital spending.

In Singapore, the Internet advertising market is expected to grow at 8.4% CAGR to reach US\$453 million in 2022, and will continue to be dominated by mobile internet advertising, accounting for 58% of revenue. The market for magazines and newspapers is increasingly following this trend to move from print to digital formats, with consumer magazine digital revenue growth finally offsetting traditional revenue decline in 2018.

### **Rise of paid subscription models**

As convergence plays out, this has changed the nature of competition with the emergence of supercompetitors and niche brands that are focused on direct user relationships and leveraging this loyalty and engagement. This also includes the potential to turn this audience into active fan communities that are willing to pay for paid subscriptions models.

In Singapore, paid subscription models have been picking up rapidly, with music streaming revenue expected to account for around 90% of the total recorded music revenue by 2022. Yet, while encouraging a membership mind-set has its benefits to allow a company to sell premium experiences, products and benefits, it also presents another challenge when brands are unable to reach their audience through ads.

### **Developing new streams of revenue**

Given the prospect of such disruptions, companies have to increasingly look towards developing new streams of revenue either in new E&M or geographic markets. An example of this would be through e-sports with the boom of the video game market in Singapore, with social/ casual gaming revenue having grown by 10% annually in recent years. While still a niche

market today, the launch of previous games such as Pokémon Go and Clash Royale have proved hugely profitable and present a fresh platform for media and advertising.

## Drivers of change

The *Outlook* pinpoints five key drivers behind the latest wave of convergence reshaping the industry.

- ***Ubiquitous connectivity:*** The number of high-speed mobile Internet connections in Southeast Asia will increase by around 330 million 4G/5G connections by 2022, vastly expanding the market for mobile content consumption at faster speeds. Globally, a symbolic tipping point will occur in 2020, when total global data consumption via smartphones overtakes fixed-broadband data consumption.
- ***The mobile consumer:*** The worldwide explosion in mobile access is seeing the connected mobile device become consumers' primary means of accessing content and services across virtually all markets. This makes mobile an increasingly important focus for advertisers. 2018 is also the first year where mobile Internet advertising revenue exceeds its wired<sup>1</sup> equivalent in Singapore, making up 51% of market share.
- ***Need for new sources of revenue growth:*** E&M companies are looking to expand beyond traditional revenue sources, which in some cases are declining. At the same time, telecom companies are targeting entertainment and media content to revitalise their growth. As a result, every player in the ecosystem is racing to develop new revenue streams.
- ***Value shift to platforms:*** Social media and technology platforms are outpacing traditional content creators in capturing consumers' attention and a rising share of their spending, which has fuelled the rise of supercompetitors. As a result, traditional content companies are fighting back by developing their own platform-like businesses.

- **Personalisation:** Today's empowered consumers reject one-size-fits-all content experiences. Thus, harnessing the use of data analytics and technology for more compelling content, targeted distribution and better user experience have become imperative to succeed in this age of continual disruption.

## **Trust as a differentiator**

Across all the drivers and trends examined in the *Outlook*, one overarching imperative emerges: the need to earn and sustain the trust of consumers and business partners. In an era where trust in many industries is at a historically low ebb and regulators are targeting media businesses' use of data, trust is a vital determinant of a company's ability to attract and sustain revenues in the future. Today, companies have to demonstrate their trustworthiness across many dimensions, including content, data, monetisation, social impact and the authenticity of their audience. While this is a challenge for many, companies that are able to do so will be able to enjoy a competitive edge over others and win customer trust in their business.

Mark Jansen, Technology, Media and Telecommunications Leader, PwC Singapore concludes:

“To succeed in the future, companies can't just repeat the past. With the combination of new technologies and big data capabilities there is a need to be more outcome aligned and measure the success of this. In the ad space programmatic bidding will be increasingly the norm, and the expectation will be performance based metrics that are more real-time allowing for greater and more specific customer experiences. The big question will be in regard to trust and transparency, in how data/ personal information is handled and with transparency of outcomes and pricing models.”

***Ends***

## **Notes to Editor:**

1. Total Internet advertising comprises online television, newspaper, consumer magazine, trade magazine and online radio. The wired sub-segments include paid search, display and classified formats.

2. Please see attached fact sheet for more insights on the Singapore market.

3. References to Southeast Asia in this release comprises of the following markets- Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

#### **4. Press access to *Global Entertainment & Media Outlook* content online**

To request press access to the online [Global Entertainment & Media Outlook 2018-2022](#) content, contact Charlene Loke at [charlene.hs.loke@sg.pwc.com](mailto:charlene.hs.loke@sg.pwc.com) or Nicholas Braude at [nicholas.braude@pwc.com](mailto:nicholas.braude@pwc.com). This will allow you to extract detail from the *Global Entertainment & Media Outlook* dataset and analysis at a segment and country level, and to create charts on-screen that can be exported for use with your stories.

#### **5. About the *Global Entertainment & Media Outlook***

*PwC's 19th annual edition of the Global Entertainment & Media Outlook is a comprehensive online source of global analysis for consumer and advertising spending. With like-for-like, five-year historical and five-year forecast data and commentary for 15 defined industry segments in 53 territories, the Outlook makes it easy to compare and contrast consumer and advertising spending across segments and territories. Find out more at [www.pwc.com/outlook](http://www.pwc.com/outlook).*

#### **6. Segments covered by the *Global Entertainment & Media Outlook***

*Books, Business-to-business, Cinema, Data consumption, Internet access, Internet advertising, Magazines, Music, radio and podcasts, Newspapers, Out-of-home advertising, OTT video, Traditional TV and home video, TV advertising, Video games and e-sports, Virtual reality.*

#### **7. About *Global Entertainment & Media Outlook* data**

*Much of the content in this press release is taken from data in the Global Entertainment & Media Outlook 2018-2022. PwC continually seeks to update the online Global Entertainment & Media Outlook data. Therefore, please note that the data in this press release may not be aligned with the data found online. The online [Global Entertainment & Media Outlook 2018-2022](#) is the most up-to-date source of consumer and advertising spend data.*

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## **About PwC**

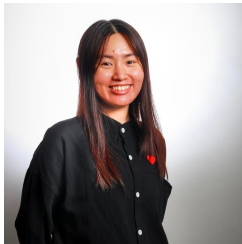
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