

Video set to dominate

By  Danette Breitenbach

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The recently launched PwC annual Entertainment and Media Outlook: 2017-2021 (Outlook), says spending in the E&M industry as a whole is not going to expand a lot.



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This is because as digital media becomes more advanced and as user experiences become better, consumers and advertisers are both becoming more efficient in their spending. Consumers don't like paying for stuff that they don't use so they'll replace an expensive pay-TV package with a much cheaper OTT package while advertisers prefer to pay for targeted online ads than mass media purchases.

The Outlook, which covers five years of historical data and forecast data on consumer or end-user spending and advertiser spending across five countries and fourteen segments, forecast growth for video and several other E&M sectors, but not all sectors are on the up, with a number on a declining path. Charles Stuart, PwC associate director in entertainment and media practice went through the various categories.

Video dominates data consumption

When it comes to data consumption video dominates, taking the lion's share, with web browsing, social networking, communications and music, attracting far lower and fairly equal shares for the remainder of the data consumption.

When it comes to smart phone penetration there is still lots of room for growth, especially when comparing African markets to the more mature markets of France. "South Africa currently sits at 40% penetrations, but as South Africa grows, and it's going to grow strongly, with that 40% growing to 80%." The same is true for Nigeria, which will jump from 25% to 65%.

He adds that as smart phone penetration grows it will fuel the need for internet access and mobile internet access which is some a big driver of growth in the global entertainment and media market."

Also on the up is casual social gaming. Developing markets such as India, Nigeria and South Africa are experiencing far higher percentages of social casual gaming as a percentage of overall video game revenue than the global average. "This is because in these markets expensive consoles and other gaming devices are just beyond the reach of many consumers, so casual social gaming has really filled that void very well – it's accessible, it's affordable and that's driving a lot of the increased, proportionate spend in these developing markets," he explains.

The growth in the video game sector is helping to propel the new segments included in this year's report, namely virtual reality and e-sports. The highest growth experience both locally and globally will be in Play – which captures revenues from virtual reality, e-sports and video games.

SA market, complex with a diverse consumer base

Cinema still represents a pretty attractive night of entertainment, and the growth in this sector is driven by both cinema advertising and box office revenues. Cinema advertising as a percentage of total advertising revenues in South Africa is much higher in comparison to the rest of the world.

In the music sector, digital downloads is the only digital segment that will show a decline over the forecast period. The streaming business model that has emerged suits consumers much better and is leading to a healthy growth in the music industry. However, the music space, live music and ticket sales are primarily driving growth.

TV has a forecast growth of 4.6% over the period, with healthy growth from a pay-TV perspective forecast. There are only about six million active pay-TV households in South Africa, so there is still room for growth.

On the flip side, the long-term decline forecast for newspapers and magazines continues, with books are just about holding their own. He says that there is only a US\$5 per capita spend on books in South Africa compared to Norway at \$140. "Norway has much higher literacy levels and South Africa doesn't really have a reading culture," he says.

The South African market, he adds, is also more complex with a diverse consumer base which poses challenges in print when trying to cater for a population with many languages.

The global reading experience is not expected to grow, while negative growth in this sector is forecast for South Africa, especially when compared to the experience of watching.

ABOUT DANETTE BREITENBACH

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