US Entertainment & Media Outlook

2016 – 2020
Internet advertising 9.4%
Internet access 7.2%
Out-of-home advertising 4.3%
Video games 3.6%
Music 3.5%
TV advertising 3.2%
Business-to-business 3.1%
Book publishing 2.9%
Radio 1.6%
Cinema 1.2%
TV & video 0.5%
Magazine publishing 0.1%
Newspaper publishing -2.9%
Global insights
A world of differences: capturing attention and value in today’s global multi-speed media landscape

Projected industry growth 2016–2020

4.4%
A world of differences

“Around the world, and in many areas of the industry, there are pockets of impressive growth and opportunities”

Global spending by sector

- Internet ads & access: 7.8% CAGR
- Video entertainment: 3.6% CAGR
- Publishing: 1.1% CAGR
- Music: 2.3% CAGR
- Video games: 4.8% CAGR

Global spending by business model

- Consumer: 2.6% CAGR
- Advertising: 4.9% CAGR
- Access: 6.8% CAGR

We’ve identified shifts in five dimensions of the global E&M landscape
"Our data suggests that the young will propel E&M growth through 2020"
“Much of the E&M industry is growing more global, but cultures and tastes in content remain steadfastly local.”
Shift 3 | Consumption: The joy of bundles

“The bundle isn’t dead. Not by a long shot. Incumbents are offering their content on an integrated omnichannel basis.”

Consumers are also wanting slim bundles and flexible pricing models
“The divergences are being driven by several factors, including differential growth rates among sectors, regulation, the degree of protection offered to incumbents, and ease of access.”
Shift 5 | Business models: Transforming with trust

“In many areas, the growth of technology and digitization acts as a powerful centrifugal force — breaking up existing relationships; pushing large, generalist entities to give way to smaller specialists; and allowing smaller, nimble competitors to run circles around incumbents.”
"Companies are now expanding their marketing playbooks to include more E&M-like capabilities."

I’m a media company. Now what?

**Makers**
These are content creators who may not have a direct relationship with the target consumer. They focus on creating distinctive, compelling intellectual property and then on selling it to other distributors and aggregators.

**Maximizers**
These enjoy a direct relationship with the customer while operating in a distribution environment characterized by their curation and control.

**Module**
These companies have little or no direct relationship with the end customer and exert less control over the distribution environment. Many are service providers who offer a technical set of plug-and-play products.

**Mash-ups**
These have direct customer relationships while exerting a high level of control over the user experience including the packaging of their own products and services alongside those from third parties.

**Examples:**
- Film & TV studios
- Music labels
- Cable, satellite & mobile operators
- Theater chains
- Virtual reality company
- Audio tech company
- Diversified e-commerce company
Quadrants

**Mature**
- US

**Next Wave**
- China

**Slow Growing**
- Greece

**Up & Comers**
- Nigeria

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**Average Size**

- 2020 revenue
- $US bn
- US Size: $766.6

**Projected Growth**

- 2015-2020 CAGR
- US Growth: 3.7%

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**Projected Growth**

- US Size: $766.6
- US Growth: 3.7%

- Greece: $6.3 (7.8% growth)
- Nigeria: $6.3 (3.4% growth)
- China: $50.5 (8.6% growth)
- US: $73.1 (3.3% growth)
Sources of revenue growth

**Size**
2020 share of revenue

- **Advertising**
  - 2020 share of revenue: 33%
  - 2015-2020 CAGR: 36%

- **Access**
  - 2020 share of revenue: 28%
  - 2015-2020 CAGR: 24%

- **Consumer**
  - 2020 share of revenue: 39%
  - 2015-2020 CAGR: 41%

**Growth**
2015-2020 CAGR

- **Global**
  - 2020 share of revenue: 5.1%
  - 2015-2020 CAGR: 6.8%

- **US**
  - 2020 share of revenue: 3.8%
  - 2015-2020 CAGR: 7.2%

**Color legend**
- Global
- US
Sources of growth: advertising in-depth

**Share of Internet traffic* volume among 9 territories**

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>34%</td>
<td>42%</td>
</tr>
<tr>
<td>China</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Japan</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>UK</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Germany</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>France</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Russia</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Brazil</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>India</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

* wireless & fixed

**Data traffic consumed in 2020, by content category**

- Video accounts for 83% of traffic

In 2016 we will see, for the first time, three markets (China, the UK and Denmark) generating more revenue from digital advertising than from non-digital advertising. By 2020, this will be true for no less than 11 markets.
Sources of growth: advertising in-depth

Global data consumption on mobile devices is projected to grow by a CAGR of 36%

Consumers are engaging with media increasingly on their mobile phones, and even at work. The value of attention / ability to monetize advertising dollars is being challenged, and there is no one perfect metric to assure advertisers of the value they get when you consider the shifting consumer behaviors.
**US spending by business model**

The gap between consumer spending and advertising is closing

**US spending by business model**

- **Consumer**: 1.9% CAGR
- **Advertising**: 3.8% CAGR
- **Access**: 7.2% CAGR

**US digital vs non-digital spending**

- **Consumer non-digital**: 0.7% CAGR
- **Advertising non-digital**: 0.1% CAGR
- **Advertising digital**: 9.2% CAGR
- **Consumer digital**: 8.7% CAGR

Consumer and advertising spending increasingly digital as non-digital remains relatively flat.
## Segment benchmarking: Global vs US

<table>
<thead>
<tr>
<th>Outperforming</th>
<th>In line</th>
<th>Under-performing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Music</td>
<td>Internet access</td>
<td>Cinema</td>
</tr>
<tr>
<td>2.1%</td>
<td>-0.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>3.5%</td>
<td>6.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Book publishing</td>
<td>Magazine publishing</td>
<td>TV and video</td>
</tr>
<tr>
<td>1.7%</td>
<td>-0.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td>2.9%</td>
<td>0.1%</td>
<td>0.5%</td>
</tr>
<tr>
<td></td>
<td>Business-to-business</td>
<td>Internet advertising</td>
</tr>
<tr>
<td></td>
<td>3.0%</td>
<td>11.1%</td>
</tr>
<tr>
<td></td>
<td>3.1%</td>
<td>9.4%</td>
</tr>
<tr>
<td></td>
<td>Out-of-home advertising</td>
<td>TV advertising</td>
</tr>
<tr>
<td></td>
<td>4.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td></td>
<td>-0.9%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

### Color legend
- **Global**
- **US**

- **Outperforming**
  - Music: US 2.1%, Global 3.5%
  - Book publishing: US 1.7%, Global 2.9%

- **In line**
  - Internet access: US 7.2%, Global 6.8%
  - Magazine publishing: US 0.1%, Global -0.1%
  - Business-to-business: US 3.1%, Global 3.0%
  - Out-of-home advertising: US -0.9%, Global 4.3%

- **Under-performing**
  - Cinema: US 1.2%, Global 5.8%
  - TV and video: US 0.5%, Global 2.6%
  - Internet advertising: US 9.4%, Global 11.1%
  - TV advertising: US 3.2%, Global 4.7%
  - Newspaper publishing: US 1.9%, Global 1.5%
  - Video games: US 3.6%, Global 4.8%
  - Radio: US 1.6%, Global 2.1%
Deep dive: Advertising
Advertising within the Outlook

Methodology
Advertising revenue exists in 10 of the 13 segments included in the Outlook. Advertising is reflected in this deep dive across territories and segments. Net advertising figures are reflected, which represent gross advertising revenue less agency commission, discounts and production costs with knowledge-based assumptions used where applicable.

Digital advertising components, such as digital newspaper advertising, digital magazine advertising, digital trade directories and online radio and online TV advertising, are all included within their respective segments and also within Internet advertising. These are removed at a total level to avoid double counting.
Advertising Defined

Only three E&M categories do not include revenue from advertising

- Business-to-business
- Internet access
- Internet advertising
- Out of home advertising
- TV advertising
- TV and Video
- Video games
- Music
- Cinema
- Radio
- Book publishing
- Magazine publishing
- Newspaper publishing
## Key themes / trends

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Advertising growth is fueled by where consumers are increasingly spending their time – online, particularly mobile experiences</td>
</tr>
<tr>
<td>2</td>
<td>Internet advertising is the largest ad segment, fueled in part by television and video experiences (and ad revenue) moving online</td>
</tr>
<tr>
<td>3</td>
<td>Tracking consumer’s location / experience and delivering ads at the right time throughout the day continues to be an area of innovation</td>
</tr>
<tr>
<td>4</td>
<td>Online ads have not replaced traditional ad revenues (both in total revenue and typical per unit ad rates), driving online subscription model popularity</td>
</tr>
<tr>
<td>5</td>
<td>Immersive and/or live experiences are growing in popularity through eSports, concerts and more creative “hybrid” (physical + digital) ad opportunities</td>
</tr>
</tbody>
</table>
Advertising mix changes

What’s new?

Internet advertising is projected to gain 7% share, and digital advertising is driving growth across all segments. Publishing is projected to lose share, even with digital growth included in this segment.

Share of overall advertising revenues
(digital revenues included in segments)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video entertainment</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Publishing</td>
<td>29%</td>
<td>35%</td>
</tr>
<tr>
<td>Internet</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>Music</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Video games</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>
What’s new?

Even in Internet advertising, traditional business models (classified advertising) are giving way to newer platforms. Video and mobile ads are growing at the fastest rate.

Projected growth in US Internet advertising revenues, by the type of advertisement

Paid Search: Mobile 14.1% CAGR, Wired 3.6% CAGR
Other Display: Mobile 13.7% CAGR, Wired -3.6% CAGR
Display - Video: Mobile 30.3% CAGR, Wired 19.3% CAGR
Classified: 2.7% CAGR
Increases in online (streaming) video entertainment are driving online video advertising growth

For both wired and mobile display internet advertising, video ads are growing at the fastest rate

Video Internet advertising includes revenue from both traditional broadcasters (also counted in “Online TV advertising”) and Internet-based websites, including YouTube

Internet video advertising not related to broadcasters is projected to represent 77% of total online video ad revenue highlighting that consumer behaviors are shifting toward alternative video consumption platforms
What’s new?

China & Indonesia rank in the top 10 among both the largest and fastest growing advertising markets, making them attractive opportunities.

Country analysis of advertising revenue & growth

Color legend
- Top 10 largest advertising country
- Top 10 fastest growing advertising country
- Countries that sit in both lists
Returning to the 5 shifts

Demography: Youth will be served

Competition: Content is still king

Consumption: The joy of bundles

Geography: Growth markets

Business models: Transforming with trust

How do these shifts impact you?