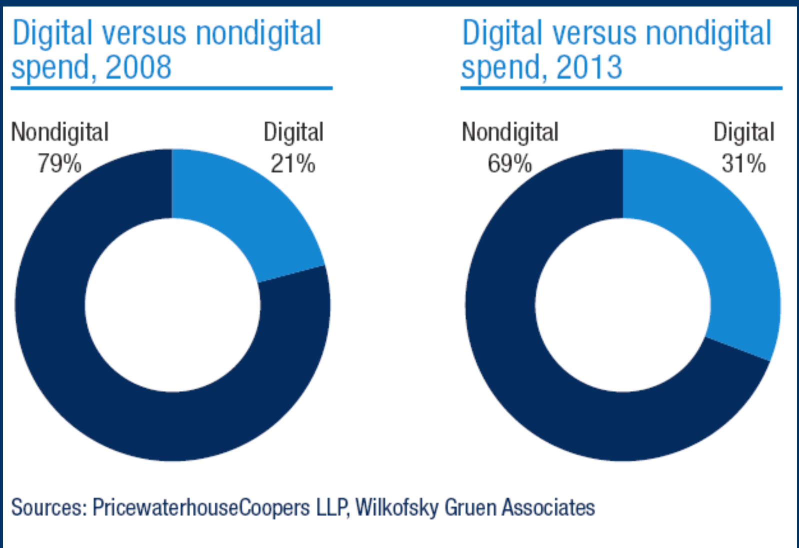
Viewpoint

Digital migration leaves no hiding place in 2013

The five years to 2013 will see digital technologies become increasingly pervasive across all segments of entertainment and media (E&M), as the industry's migration to digital technologies continues to accelerate. As a result, by 2013 there will be "no hiding place" from the impact of new digitally-enabled models and revenue streams across the industry.

This shift is illustrated by our projections for the market shares held by digital and non-digital spend on all forms of entertainment and media during the forecast period. As the chart below shows, the proportion of overall spend accounted for by digital content and services will rise strongly over the five years, increasing from 21% in 2008 to 31% in 2013. There will be a corresponding ongoing decline in the share accounted for by non-digital spend.



These market dynamics present a challenging scenario for E&M companies seeking to manage their migration to digital. Even in 2013, the bulk of industry revenues will still be non-digital. But digital spending will be the industry's main engine of growth, making further major inroads into all segments.

This prospect requires companies to strike a fine balance. The winners in growth terms over the forecast period will be those players who successfully embrace digital migration, while simultaneously ensuring they do not undermine or cannibalize their legacy non-digital spend, which may still be substantial. And while the downturn will have a temporary impact on the pace of growth in each segment, it will not alter the underlying pattern of digital revenues expanding at the expense of non-digital revenues.

Three change dimensions

According to our analysis, this ongoing migration to digital will occur and manifest itself across three parallel and interrelated dimensions. These are:

- ***Economic*** – The overall, effect of the current global economic downturn will be to accelerate and intensify the migration to digital technologies among both providers and consumers of E&M content and services.

- ***Consumer behavior*** – The accelerating digital transformation will in turn reinforce and proliferate new consumption habits and "digital behaviors", as consumers seek (1) more control over where, when, and how they consume content, and (2) higher value from their entertainment and media choices.

- ***Advertising*** –As digital behaviors become more widespread and embedded, a new generation of advertising-funded revenue models will emerge, aiming to reflect and capitalize on the evolving consumption habits by delivering advertising that is ever more targeted and relevant to the specific audience.

By 2013, the combination of these three change dimensions will give rise to a much more fragmented E&M landscape than today's, characterized by a wide divergence of revenue models aimed at exploiting the digital opportunity. Traditional, long-established revenue models in segments such as TV and magazines will be replaced by more targeted and tailored models that will differ widely within and across segments and geographies.

E&M companies will have to commit themselves to participating actively in this industry-wide shift, or risk suffering lower growth than their competitors and ultimately possible extinction. As we said at the beginning of this article, they will have no place to hide from the remorseless digital advance.