

*Upsurge in  
collaboration  
paves the way for  
the industry's  
digital “new  
normal”*

Global entertainment and  
media outlook 2011–2015

Segment Summary

The overall direction of travel in the global Entertainment & Media (E&M) industry has remained consistent since we published our last annual *Outlook*. It is clear in 2011—as it was in 2010—that the coming five years will see digital technologies increase their influence across the industry, and that rapid change in delivery platforms and consumer behaviors will continue across all E&M segments. While the pace of progress still varies by country and segment, these trends will see digital spending worldwide grow at 11.4 percent compounded annually through 2015, compared to a CAGR of just 3.3 percent for non-digital spending.

However, one vital aspect of the marketplace has changed since last year. In 2010, we said that companies were searching for position in the digital value chain and embedding their digital strategies, with no clear path yet emerging to success in this changed environment. In 2011 the focus has switched from inward to outward, as companies embrace the fact that multi-partner collaboration along the value chain—an approach that we highlighted in our 2010 *Outlook*—will be key.

As a result, 2011 has seen an upsurge in collaborative partnering—heralding the transformation of the E&M industry over the next five years into a digital collaborative ecosystem. This seismic shift is underlined by PwC's 14th *Annual Global CEO Survey*, published in early 2011, which shows that E&M industry CEOs now see collaboration as critical to innovation and consumer engagement (see information panel). They also believe that collaboration can help them address the industry's pressing challenges around talent, by providing access to vital and complementary skills.

***PwC's CEO Survey 2011: focusing on collaboration, consumers and skills***

*PwC's 14th Annual Global CEO Survey highlights three key findings about the current priorities of leaders in the E&M industry. They are:*

***Reshaping their organizations for collaboration.*** *More CEOs in E&M than in any other sector expect to form a new strategic alliance or joint venture in the coming year. And 57 percent—compared to 39 percent across all industries—expect the majority of their innovations to be co-developed with partners outside their organization.*

***Targeting innovation around consumer spending and behaviors.*** *Two-thirds of E&M CEOs expect consumers to play a more active role in product and service development, putting customers and collaboration at the heart of their strategies for the digital age.*

***Tackling the skills conundrum.*** *77 percent of E&M CEOs are concerned about the availability of key skills and their future talent pipeline's quality, loyalty and mobility. This compares with just 56 percent of CEOs across all industries.*

## ***Digital becomes the “new normal”...***

Increasingly, digital technologies provide the focus and opportunity for these collaborations. This reflects the fact that the industry has crossed a psychological and behavioral tipping-point - moving from the “old normal”, of essentially traditional business with a growing digital element, to a “new normal” where digital is acknowledged as the central driver of future operating models, consumer relationships and revenue growth. While digital currently accounts for just over a quarter of total industry revenues, it will account for 58.7 percent of all *growth* in spending during the next five years.

This tipping point to the new digital normal has not been reached everywhere. For example, limited broadband access will help print newspaper circulation in India and Indonesia to record healthy growth over the next five years. However, such local variations aside, we believe that the profound shift toward digital consumption now evident in digitally advanced markets will eventually go global.

## ***...fueled by collaboration***

As this happens, the momentum behind collaboration will be sustained by the pervasive impact of the Internet on all media. Unlike in previous waves of innovation, the Internet is fundamentally altering the dynamics of the various media themselves, by changing the way they are distributed and consumed. Witness the impact on book publishers, who now find themselves fully immersed in the digital revolution following the surge in e-reader and tablet sales.

In our view, the rising demand for digital content experience will increasingly be met through multi-party collaboration. Indeed, this is already happening. In January 2011, the International Consumer Electronics Show in Las Vegas was opened by a panel including senior executives from Verizon, Time Warner, Motorola and Google, all of whom are now collaborating with each other in various ways. This was both a sign of the times - and an indication of the future.