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Cities of Opportunity: The urban rhythm of entertainment and media



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Entertainment, media and urbanization: What cities mean to the industry....What the industry means to cities



Dear Colleagues:

What is the connection between the entertainment and media industry and today's powerful global tide of urbanization? It seems intuitive that the two are intertwined in terms of technology and production, marketing, sales, creativity and the talent the industry requires. But what exactly does that mean economically for entertainment and media (E & M) businesses making distribution and expansion decisions?

With the spring 2014 release of the sixth edition of PwC's *Cities of Opportunity* and our *Global Entertainment & Media Outlook 2014-2018*, it seemed the right time to investigate. *Cities of Opportunity* offers a balanced, quantitative social and economic benchmarking of 30 of the world's leading centers of business, finance and culture—running from London and New York to Shanghai and Tokyo to Nairobi and Mexico City. *Outlook* adds the worldwide E & M total spending perspective. In this study, we blended the findings of the two reports, added complementary research on urban employment, output and productivity and projected near-term patterns.

The results identify major trends and opportunities. Broadly, entertainment and media employment will grow 16% by 2025 with high productivity and strong share of jobs in many cities. And, while emerging cities represent the greatest growth potential, developed cities still dominate total spending.

All in all, this study forecasts the levels of potential urban consumer spending in 30 key cities, paints a picture of E & M's role in urban economies, portrays the people who make the industry work and pinpoints some of the cities to watch in the future. I hope you find the report interesting as well as insightful.

Best regards,

A handwritten signature in black ink, appearing to read 'DKB' followed by a stylized flourish.

Deborah Bothun



Executive summary

Understanding the rhythm of urban consumers and creators

Urbanism and the entertainment and media industry share a natural connection. The cultural, technological and communications heart of the modern world is driven from cities and by cities. This makes perfect sense in a technological world where over half of us (53.4%) live in cities today and over two-thirds will do so by mid-century (67.2%), according to the United Nations.¹

The connection crystallizes with analysis of the spending and working patterns in 30 of the world's leading cities. Entertainment and media is a diverse and major economic force in developed and emerging cities. This study presents a detailed view of entertainment and media's (E & M's) biggest urban markets, mostly in the developed cities, and highest growth areas, typically among emerging cities.

The urban significance of the industry is underscored by its size: In our 30 cities alone, we estimate spending in 2018 at \$184 billion and employment at 6.3 million. In addition, the importance of E & M to the economies of cities is emphasized by examining the industry's status as a major employer of young, highly-skilled urbanites and a generator of a significant share of urban wealth. This is particularly true for cities like London, Tokyo, Berlin, Stockholm and Istanbul with high percentages of urban E & M jobs and/or gross domestic product.

¹ Population Division of the Department of Economic and Social Affairs of the United Nations secretariat, World Population Prospects: The 2011 Revision. 2014 interpolated by Oxford Economics.

Among the key points, we find:

E & M momentum is expected to remain in cities. Cities have been at the vanguard for E & M, and will continue to be as people and technologies concentrate in urban settings. But that does not make managing the urban experience plain vanilla for E & M companies. Cities show significant differences, for instance, between the level of E & M spending and associated gross domestic product and/or employment. Some cities are fast growing spenders from a low base; others are big spenders without dynamic growth.

But either way, as Erik Brynjolfsson, director of MIT's center for digital business and author of "The Second Machine Age," recently told *Cities of Opportunity*, cities will remain where it's at for creative industries like E & M. "By getting people to be near each other, you get what economists call 'externalities' from idea-sharing venues," he explained. "That's one of the great virtues of a university or a city. Unfortunately, it's not something technology can replace—at least not in our generation." (See video at www.pwc.com/cities).

The top cities have the right stuff for a knowledge-based economy. They're "inspiring" to professional workers. They offer businesses a solid footing in good practices and innovation,

The top cities have the right stuff for a knowledge-based economy. They're "inspiring" to professionals, offer businesses a solid footing in innovation, tech readiness and culture, and balance creativity with consumption.

technology readiness, cultural assets and growth. They balance the creativity to generate content, and desire to consume it. London, New York, Berlin, Los Angeles and Stockholm are a few notable ones.

The outlook for E & M is strong and the largest growth is expected in emerging cities such as Beijing, Shanghai, Mumbai and Jakarta—all of which present an opportunity to reach a mass market with substantial growth potential in one concentrated location. Meantime, developed cities will still dominate spending albeit with lower growth rates.

Business in emerging cities can still enjoy significant short- to medium-term growth in the traditional media markets. Meantime, they are also adopting the new forms of entertainment and media quickly. A key challenge could be finding people with the appropriate skills to drive the industry ahead locally.

New York is on course to overtake Tokyo as the top spending city.

By 2015 New York's strong overall economy is forecast to overtake Tokyo as the top spending E & M city overall, followed by London in third place. Tokyo will grow only marginally with a compound annual growth rate (CAGR) of 0.7% from 2013 to 2018.

E & M employment will grow 16% by 2025. Especially in the years following the global financial crisis, the E & M sector has become an important provider of high-quality employment. E & M accounts for 6% of jobs on average across the 30 Cities of Opportunity. By 2025, we project the 5.85 million E & M jobs in our 30 cities in 2013 will have grown to 6.8 million.

Cities appear to be defining themselves as creative centers, content consumers or combinations of the two. New York, London, Stockholm and Berlin, for instance, are building

vibrant E & M generating economies that continue to grow naturally based on their social and economic strengths. And they are big spenders at the same time. Chicago, on the other hand, is a big spender but creative content largely enters the “city of broad shoulders” from beyond its borders—highlighting the nature of E & M creation today. The urban experience is increasingly global, and in many cases valuable content can be created far away without local customization.

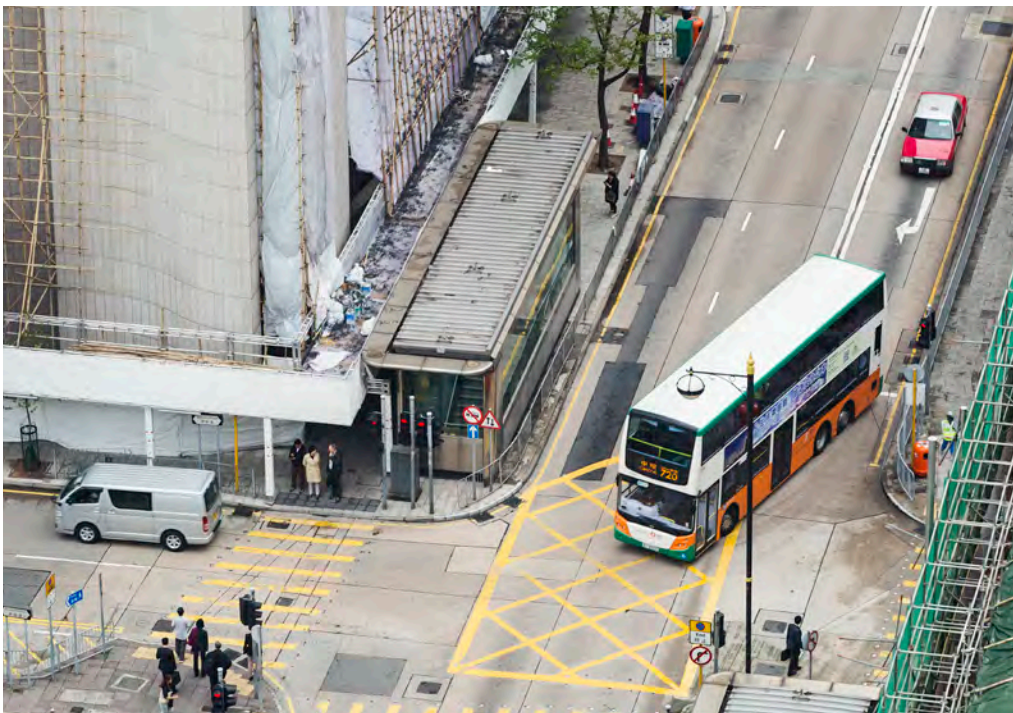
No city falls into the top quadrant of high spending and growth.

But Hong Kong comes closest, a developed city that sits in the heart of fast-growing Asia.

E & M holds a crucial role in the economy of the urban future, which is often under-appreciated. For instance, the industry is highly productive, accounting for over 10% of gross domestic product in 2013 for London, New York, Los Angeles, Berlin, Madrid and Istanbul, and just shades less for Stockholm, Beijing and Shanghai. But tailored policy approaches such as film tax credits to protect against runaway production costs are only recently being applied as the value of the sector is becoming recognized. With many economies struggling to create jobs and many developed economies facing sustained austerity pressures, E & M can play an important urban development

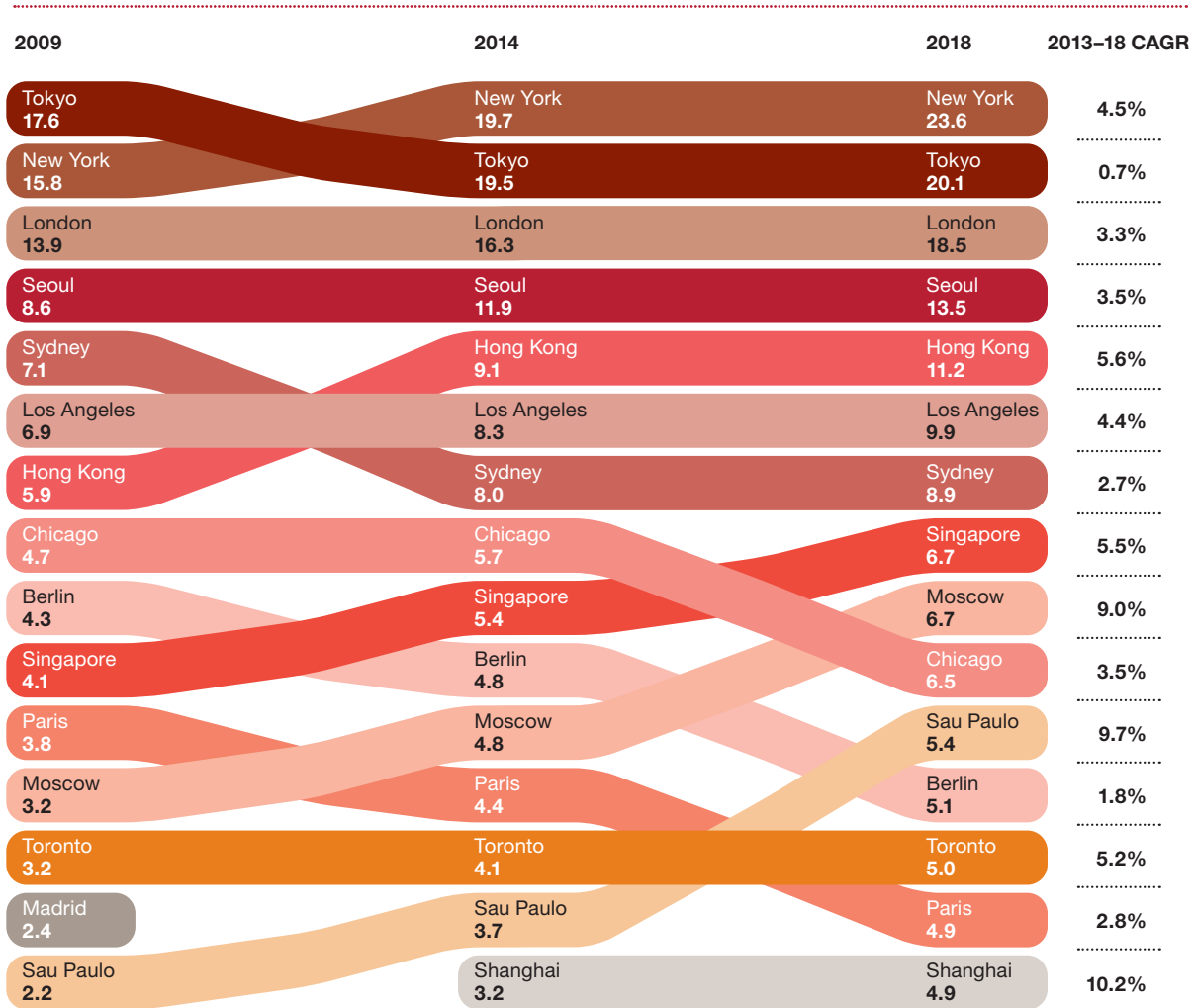
role. To place this in context, E & M is broadly comparable in size to the construction and manufacturing industry in most of our 30 cities, sectors that have benefited from specific policy interventions for many years.

E & M also has a very diverse nature of products, services and talent. This highlights the industry’s importance in terms of offering urban economic balance, and therefore increased resilience. For such an eclectic sector to continue to flourish it is important that policy issues are understood around business and financial support, skills, planning and taxation.



E & M has a crucial role to play in the economy of the urban future. The industry is highly productive, employs a significant share in cities like London and Berlin and adds urban economic resilience.

New York overtakes Tokyo as biggest spending city
Total E+M spending: Top 15 cities (2009-2018; in billions)



Source: PwC Global E&M Outlook 2014 – 18, NICEP

*E & M employment will grow 16% by 2025.
Especially in the years following the global financial crisis, the E & M sector has become an important provider of high-quality employment.*

About the study: Approach and methodology

This report grows from two other recent PwC studies—*Cities of Opportunity 6* and the *Global Entertainment & Media Outlook 2014-2018*. *Cities of Opportunity 6* (www.pwc.com/cities) is a quantitative ranking of 30 of the world's leading cities. All cities included among the 30 are global or regional centers of business, finance and culture. Cities are balanced geographically and between developed and emerging economies. They are compared on nearly 60 publically available, consistent and credible data variables balanced between indicators of social and economic strength. *Outlook* (www.pwc.com/outlook) is an annual compendium of 54 territories that provides total spending in 13 entertainment and media sectors, internet access, as well as analysis of industry issues in the various markets.

Data from both studies was combined for this report by the Northern Ireland Centre for Economic Policy (NICEP),

whose economists also enhanced the urban E & M picture with data on employment and gross domestic product taken from city and national statistics services, apportioning as needed in the latter case. The result provides a close look at the size and sources of E & M urban spending among the 30 cities now and into 2025, the multicolored fabric of the urban E & M economy and workforce, and the profile of what it means to be an E & M city for the city as a whole and its workers.

Demographic profiles offered in the city snapshots were developed for *Cities of Opportunity: We the urban people* by Oxford Economics. Methodology can be found at www.pwc.com/citiespeople.

The E & M sector is comprised of elements across a range of standard industrial classifications identified and typically published at the national economy level. As such, sizing a sector such as E & M requires the collection of highly disaggregated statistics and apportionment converting national data to the city level.

In instances where data is not available, we used other existing information at the city level, supplementing it with

information drawn from other cities that are at a similar stage of development or in a similar geographic location. (For instance, in a situation where there are two similar urban economies and only one has advertising employment statistics published, employment in the other city is estimated by assuming that the advertising sector accounts for a similar proportion of employment in both sectors.)

Labor market information has been drawn primarily from labor force and population surveys. In some instances, where data is being highly disaggregated, national statistics authorities remove identifying particulars to ensure records remain anonymized. As a consequence, our analysis only includes survey data from robust records.

Similarly where GDP estimates of the scale of the sector are not published at the required level, our approach has been to calculate productivity for the sector (that is, GDP per employee) using the available data (that is, assuming E & M productivity is broadly equivalent to the city's productivity in professional services) and then applying those estimates to the number of employees in the sector.

All financial information is quoted in 2013 prices.

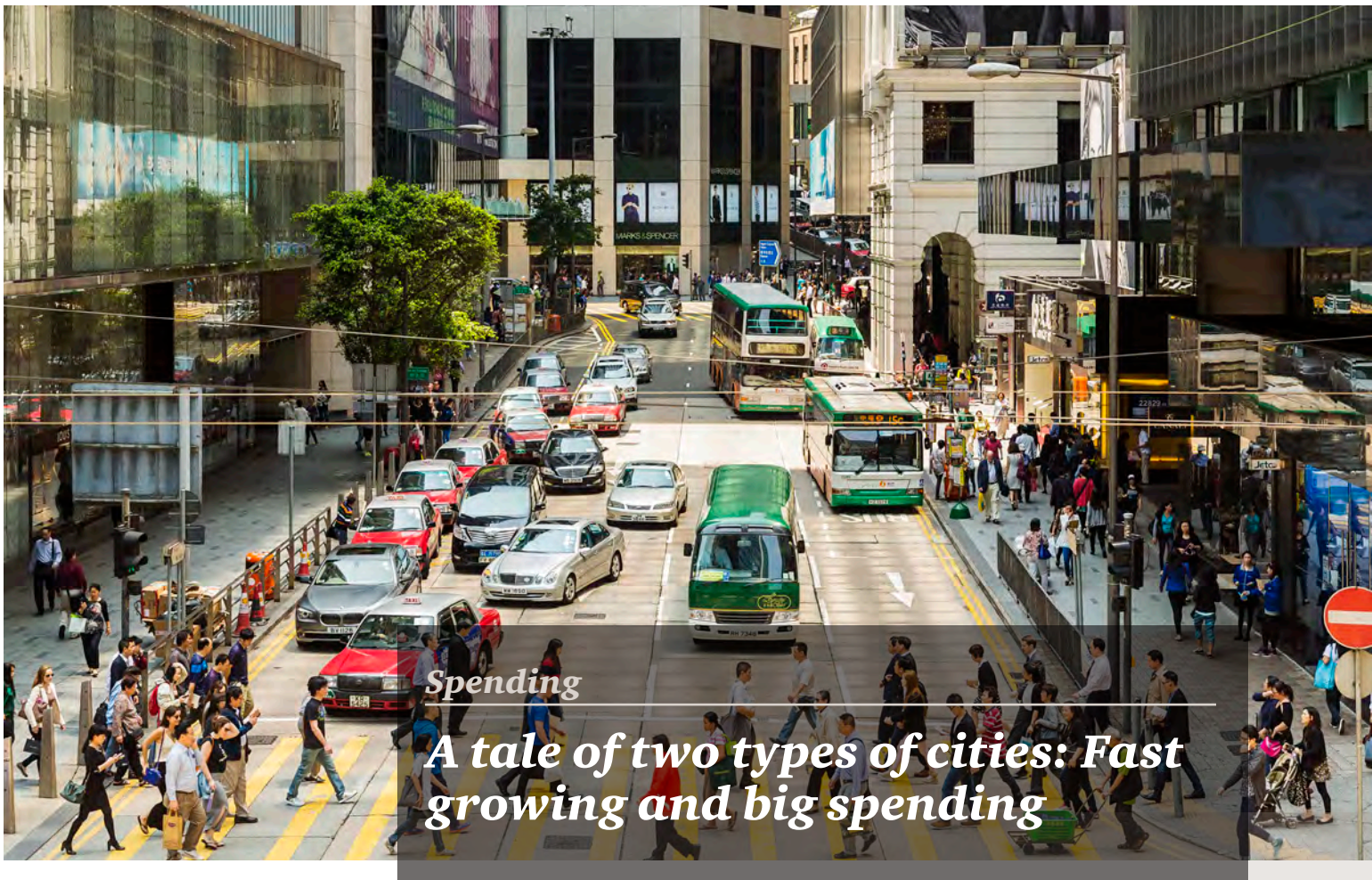
To convert national segmented data (such as revenues, GDP and other statistics available only on a countrywide basis) into a city level dataset, we used a series of economic, social and technology indicators. For instance, these apportionment methods were applied to historical and projected national revenues from the E&M Outlook to arrive at city figures. The table below provides an overview of the apportionment methods used for each of the E & M segments.

Other metrics tested for apportionment include:

- **Population** – Population over 65, working age population and total population
- **Technology** – Number of mobile phone subscriptions and number of telephone mainlines
- **Employment** – Total employment, private sector employment and consumer services employment
- **Gross domestic product (GDP)** – Total GDP.

How we apportioned national data to cities

Industry segment	Apportionment method
Business to business	Private sector GDP
Book publishing	Consumer spending on recreational and cultural goods
Magazine publishing	Consumer spending on newspapers, books and periodicals
Filmed entertainment	Household income
Internet access	Number of internet users
Internet advertising	Consumer spending on communication goods and equipment
Newspaper publishing	Consumer spending on newspapers, books and periodicals
Out of home advertising	Total households
Radio	Number of passenger cars
Music	Retail sales
TV advertising	Total consumer spending
TV subscription and license fees	Consumer services GDP
Video games	Population 0-14



Spending

A tale of two types of cities: Fast growing and big spending

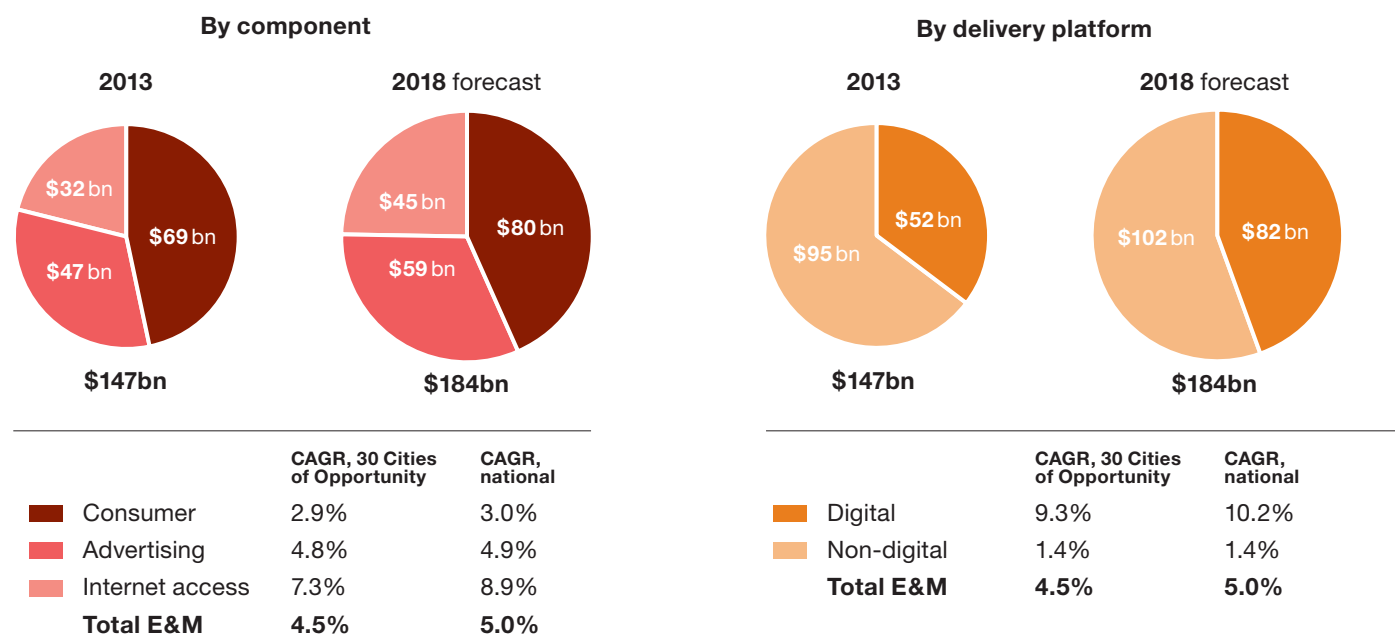
E & M spending projections in the 30 Cities of Opportunity show a \$37-billion gain in the five years from 2013 to 2018. While developed city spending continues to dominate in overall size, growth is dramatically faster among the 15 emerging cities. The difference is highlighted by comparing the fastest growing developed and emerging cities—Hong Kong and Nairobi, respectively. Hong Kong's compound annual growth rate of 5.6% in the five years pales next to 12.5% in Nairobi, also the youngest of our cities with an average age of 25.

Meantime, a comparison of urban spending growth in our 30 cities with overall national growth rates shows very slightly slower urban gains. While this seems counter-intuitive given the surging current population growth in cities, it makes sense because urban areas have long been at the vanguard of E & M spending and other parts of nations are speeding to catch up.

Not unexpectedly, Internet access is the largest and fastest growing spending segment in the 2013 to 2018 period as the urban world continues to wire up for the future. Similarly, while TV advertising remains the top ad segment in terms of dollars, Internet advertising is catching up fast with compound annual growth rate (CAGR) of 10.4%—twice that of TV ad spending.

By 2018, fast-paced New York is projected to be the top spender of all 30 cities as it overtakes Tokyo, whose 0.7% compound annual growth rate (CAGR) lags New York's 4.5%. And taking a step back for another perspective, E & M spending per worker shows Hong Kong and Toronto alone in the high spending/high growth quadrant while the four US cities of New York, Chicago, San Francisco and Los Angeles lead the spenders.

Profiling entertainment and media spending growth in the 30 Cities of Opportunity



Source: PwC Global E&M Outlook 2014 — 18, NICEP

Spending growth is sparked by the emerging world, while developed city dominance continues

In 2013, E & M spending across the 30 Cities of Opportunity is estimated at \$147 billion. This is expected to rise to over \$184 billion by 2018—posting a compound annual growth rate (CAGR) of 4.5%.² Consumer spending is the larger component in E & M, although it is forecast to be the

slowest growing component over the next 5 years with an annual growth rate of 2.9%. Advertising spending, while smaller, is faster growing, forecast to grow at 4.8% per annum between 2013 and 2018. Finally, although it represents the smallest component of E & M spending, Internet access is forecast to show the fastest growth at 7.3% per annum rising to aggregate expenditure of \$45 billion across the 30 cities by 2018.

In 2013 the non-digital sector was approximately twice the size of digital at \$95 billion and \$52 billion, respectively, but the gap is narrowing

fast. Looking forward to 2018, the increasing footprint of digital is set to continue with spending forecast to grow on an annual basis by 9.3% compared to non-digital spending growth of just 1.4% in the cities.

Surprisingly on first glance, the growth in E & M spending is faster at a national level than at the city level. But considering this is primarily due to the fast growth in Internet access, it becomes intuitively correct. One would expect internet access to have been achieved in cities already wired for broadband with suburbs and rural areas still catching up.

² The E & M spending forecasts are based on the PwC *Entertainment & Media Outlook 2013-18* apportioned using a range of economic and demographic metrics from national to city level.

Emerging cities double-down on spending but developed retain higher stakes

Total E & M spending in developed and emerging Cities of Opportunity



Source: PwC Global E&M Outlook 2014 — 18, NICEP

The story is clearly divided between developed and emerging cities in terms of spending share versus growth. In 2013 E & M spending in developed Cities of Opportunity was almost three times that of emerging cities: That is, \$109 billion versus \$38 billion, respectively. At the same time, growth to 2018 in developed cities is expected to be less than half that of emerging ones— 3.4% versus 7.4%, respectively. Emerging cities play a critical role in the growth of the E & M sector.

Although a lower level of growth is projected in developed cities, their spending will still dominate the sector as they start from a far higher spending base. By 2018 the 15 developed Cities of Opportunity are still expected to account for 70% of E & M spending compared to 78% today. And although growth rates in developed cities will be lower, in absolute terms over half of the growth of the E & M sector across the 30 Cities of Opportunity will still occur in advanced cities.

No city falls into the top quadrant of high spending and growth. But Hong Kong comes closest, a developed city that sits in the heart of fast-growing Asia.

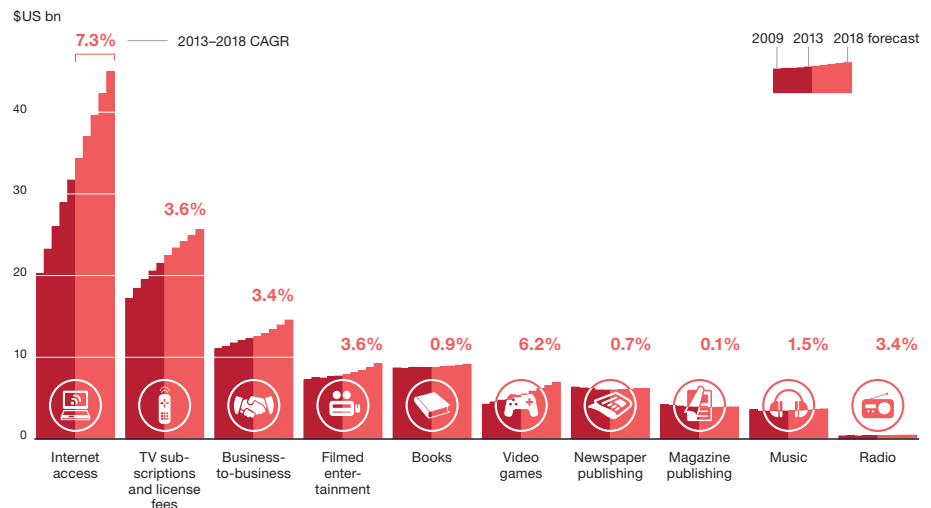
TV and film stay in the spending picture, but Internet powers ahead

In terms of the various components of the E & M industry, Internet access is expected to remain the largest segment of consumer spending. Furthermore it will also be the fastest growing, posting a compound annual growth rate of 7.3% from 2013 to 2018.

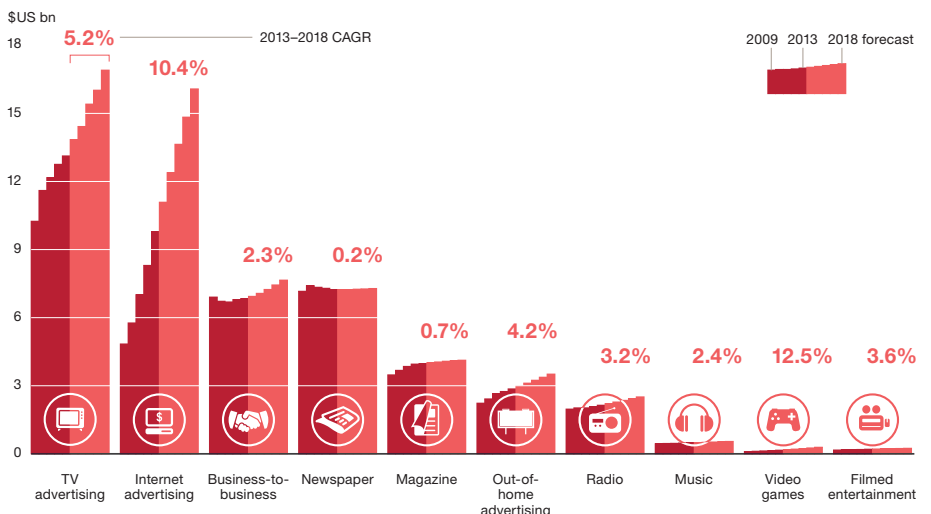
TV advertising will remain the largest segment within advertising expenditure for our 2018 planning horizon. Despite the difficult economic climate in recent years, TV advertising has continued to grow globally year-on-year. From 2013 to 2018 the growth in TV advertising is expected to pick up at a compound annual growth rate of 5.2%.

But Internet advertising at 10.4% is growing at twice the rate of TV advertising. And on current growth trends we project it will catch TV advertising by 2020. Across the 30 Cities of Opportunity the difference will be just over \$800 million (or only a 5% difference) by 2018. Video games is the only other segment showing very strong growth in advertising expenditure with CAGR estimated at 12.5% growth between 2013 and 2018. However, video games is still small compared to other major spending segments.

Internet access paces growth among overall segments E & M consumer and internet spending by segment, 2009–2018

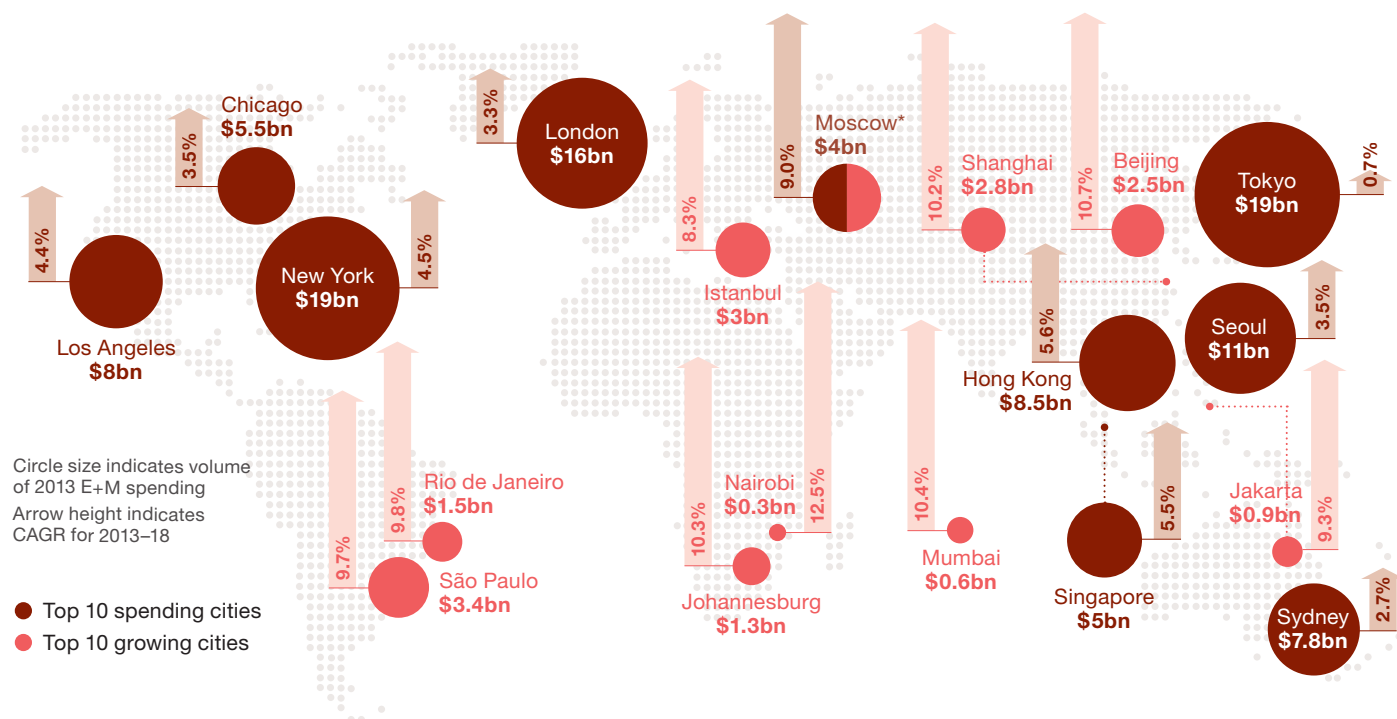


Internet advertising doubles the overall growth of TV spots E & M advertising spending by segment, 2009–2018



Hey, big spender! Top 10 spending and top 10 spending-growth cities.

2013 advertising and consumer spending and 2013–2018 growth rate



* Moscow is in both the top 10 spending and growth categories
Source: PwC Global E&M Outlook 2014 — 18, NICEP

New York is on course to overtake Tokyo as the top spending city

Entertainment and media spending in the top 10 spending Cities of Opportunity, mostly from mature markets, is estimated at \$109 billion in 2014, rising to \$126 billion by 2018. By 2015 New York's strong overall economy is forecast to overtake Tokyo as the top spending E & M city overall, followed by London in third place. Tokyo will grow only marginally with a CAGR of 0.7% from 2013 to 2018.

Moscow is currently forecast to be the fastest growing among the top 10 big spenders with a 2013 to 2018 CAGR of 9.0%. And Moscow is also the only city to feature in both the top 10 biggest spending and fastest growing E & M cities.

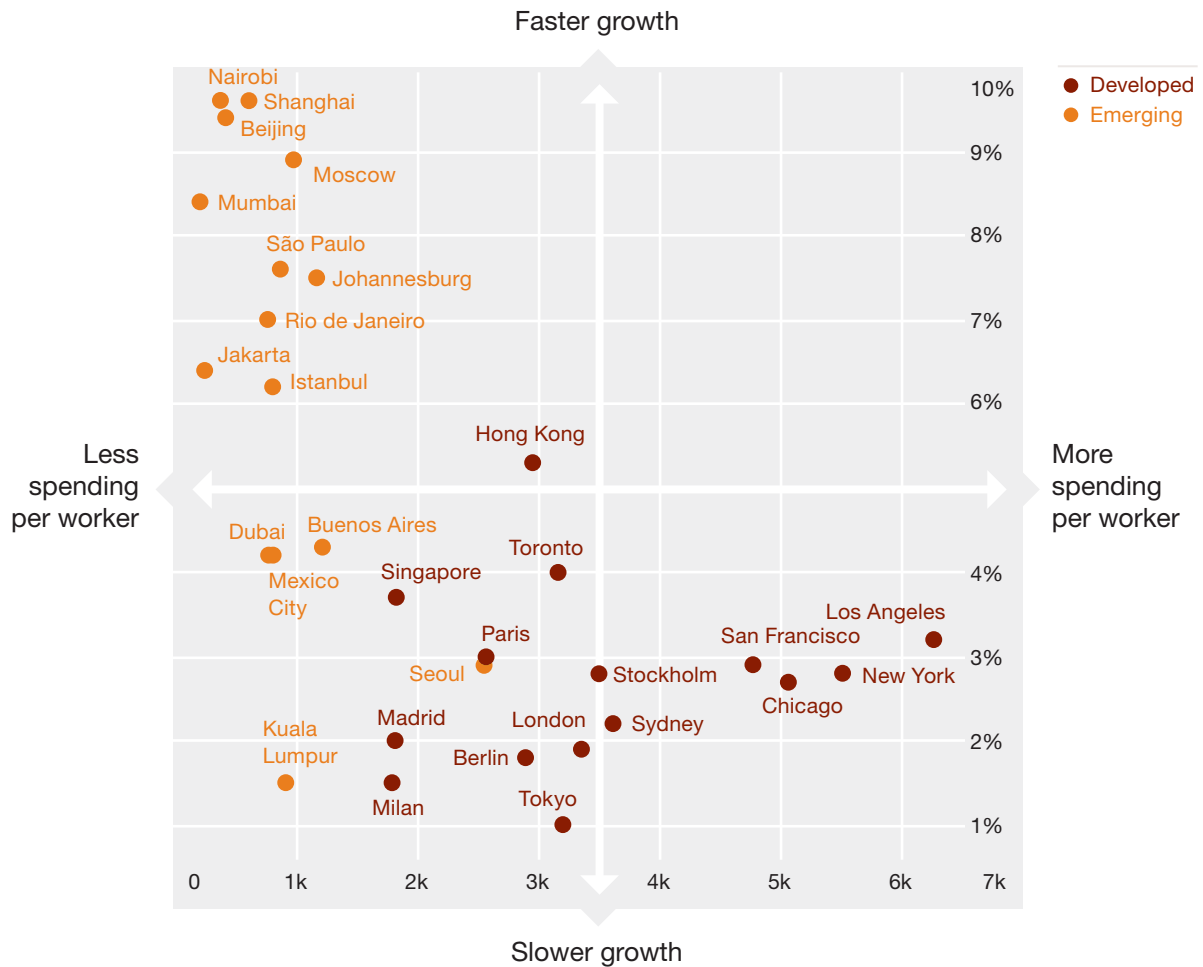
A much different picture emerges turning to the top 10 fastest growing cities. All represent emerging economies. Nairobi—the youngest of our 30 Cities of Opportunity with an average age of 25—leads the pack with a 12.5% CAGR from 2013 to 2018. But even #10 Istanbul posts an impressive 8.3% growth.

But speed is only one way of looking at the growth picture. In terms of absolute growth, New York, London, Hong Kong, Moscow and Los Angeles combined will account for almost \$2 in every \$5 of the growth in E & M spending over the next five years, highlighting the stakes in both mature and emerging urban markets.

No city falls into the top quadrant of high spending and growth. But Hong Kong comes closest, a developed city that sits in the heart of fast-growing Asia.

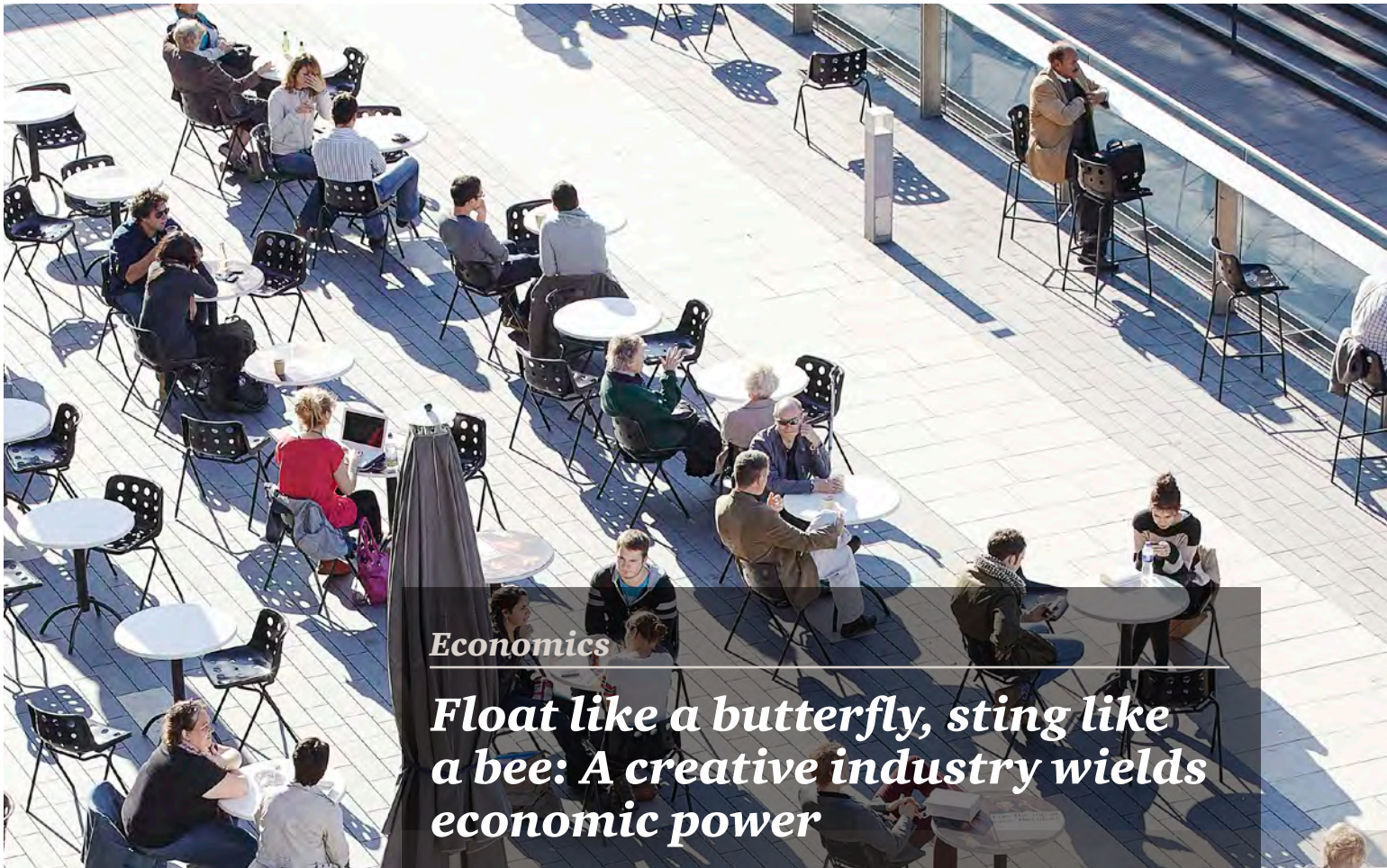
Spending per worker highlights the global divide

City E & M spending vs. growth rate



Average spending per worker 2013 and 2013–2018 CAGR
Source: PwC Global E&M Outlook 2014 — 18, NICEP

In terms of absolute growth, New York, London, Hong Kong, Moscow and Los Angeles combined will account for almost \$2 in every \$5 of the growth in E & M spending over the next five years.



Economics

Float like a butterfly, sting like a bee: A creative industry wields economic power

Following the global financial crisis, the E & M sector has become an important provider of high-quality employment. E & M accounts for 6% of jobs on average across the 30 Cities of Opportunity but over 10% in some cases.

A close look at the economic role of the entertainment and media industry in our 30 cities shows how important E & M is to urban economies. Despite E & M's image to outsiders as a creative or an artistic force more than an economic one, this is not really the case: E & M plays a leading role in the economies of our 30 cities, perhaps even more so because its diverse nature helps add economic balance to heighten resiliency in downturns. Industry productivity is well above city averages, accounting for over 10% of gross domestic product in 2013 for London, New York, Los Angeles, Berlin, Madrid and Istanbul, and just shades less for Stockholm, Beijing and Shanghai.

Employment in 2013 as a percent of the total city workforce also carries real weight in London (12%), Berlin (10%), Tokyo, Stockholm, Madrid and Istanbul (all at 9%). Furthermore, the E & M workforce, especially creative professionals, tend to be well-educated, highly skilled and relatively young—all factors underlining the importance of E & M to the successful evolution of cities that hope to compete in a globalized, knowledge-based world. (But despite the available talent in each city, virtual work makes it easier for low-cost jobs competition to erode urban employment strength—for instance, using animators in Southeast Asia instead of ones in London.)

E & M occupations range from the traditional journalists, actors, musicians, performers and advertising executives to many specialised technical occupations such as IT/software developers involved in video content design and website development. These are higher-value added relative to the ‘average urban job’ but the sector is very diverse and includes many people working in less specialized occupations such as retail assistants selling DVDs.

The nature of E & M employment varies considerably across the 30 Cities of Opportunity. The more creative and technically specialized roles (with higher value added) congregate in the wealthier cities. Lower value-added jobs (such as in printing) are being priced out of developed cities and are represented in higher proportions in emerging cities. (This is also the case in the retail sector which, although still large in developed Cities of Opportunity, is coming under increased pressure from the rise in digital sales.)

E & M employment will grow 16% by 2025, with notable swings in some cities

Especially in the years following the global financial crisis, the E & M sector has become an important provider of high-quality employment. E & M accounts for 6% of jobs on average across the 30 Cities of Opportunity. This is slightly higher in advanced cities, with an average of 7%, than in emerging cities with 5% on average. Therefore, in some cities

E & M has grown to a scale comparable to traditional sectors such as construction and manufacturing. By 2025, we project the 5.85 million E & M jobs in our 30 cities in 2013 will have grown to 6.8 million, a 16% increase.

E & M employment in a number of our cities also fluctuates when we compare the past 10 years (2004-2013) with the near-term future (2013-2025). Looking at the historic 2004-2013 period:

- The Chinese megacities of Shanghai and Beijing each recorded 7% annual increases in E & M employment, followed by Singapore at 6% and Jakarta at 4%.
- The change in E & M employment in European and American urban economies was diverse. In Europe growth rates ranged from 4% annually in Stockholm to no growth in Paris. US cities ranged from 1% per annum in New York to -2% in Chicago.
- E & M employment in Dubai recorded an annual growth rate of 12%, slightly faster than the rest of the economy where employment grew by 9%. But E & M spending and GDP in Dubai started from a very low base, particularly for a wealthy city.

Projecting E & M employment in the immediate future, 2013 to 2025:

- Of particular note is the relative rise of Buenos Aires, Rio de Janeiro, Kuala Lumpur and Sao Paulo, with expected growth rates of 2.3%, 2.3%, 2.1% and 2.0%, respectively. (This advance also parallels the PwC E & M Outlook spending analysis with 3 of the

4 cities showing high forecasted increases in expenditure.) Growth in these four cities exceeds the 1.4% forecast across developing cities as a whole. Given that these cities are among the largest global urban centers, they will account for a notable, increasing proportion of the global E & M workforce.

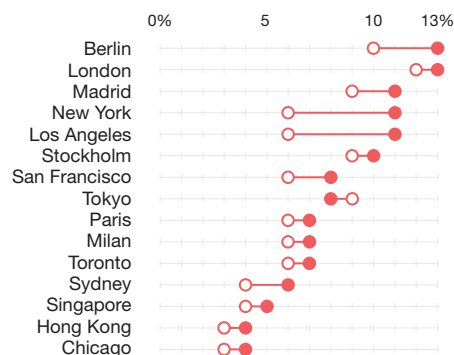
- New York is the only developed city among the 10 in which E & M jobs will grow at least 2% annually, reflecting the Big Apple’s generally strong employment outlook.
- Dubai is again expected to top E & M annual employment growth with a rate of 4.1%. This growth rate clearly illustrates a city catching up with its peers; even in 2013 Dubai had the third lowest proportion of employment in the E & M sector, ahead of only Nairobi and Mumbai.

High productivity leverages E & M’s economic clout

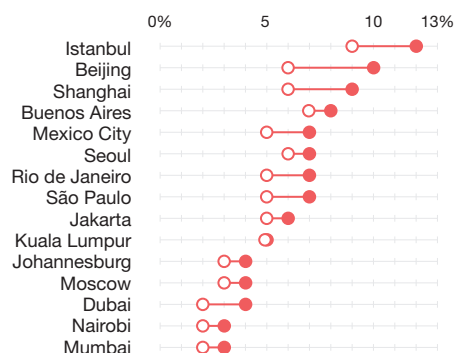
Significant differences often separate a sector’s clout as a provider of wealth and its importance as a provider of employment. For example, in the developed Cities of Opportunity the wholesale and retail sector accounts for 15% of jobs but only 6% of GDP. This reflects the fact that the sector is dominated by relatively low wage and low skill jobs. In contrast, E & M is a highly productive sector (measured by GDP per worker), with productivity levels running higher than the ‘average urban job’ across 29 of the 30 Cities of Opportunity.

E & M productivity outperforms its share of employment, showing real economic clout in our cities
Share of GDP vs. share of employment, 2013

Developed cities



Emerging cities



- 2013 share of GDP
- 2013 share of employment
- Gap = difference between E&M and total city productivity

E & M's productivity premium in 29 cities is depicted by the size of the positive gap over employment share.

The productive nature of urban E & M jobs is highlighted by comparing the sector's share of employment and share of GDP. E & M accounts for over 10% of GDP in the developed cities of Berlin, London, Madrid, New York and Los Angeles. Only one emerging city, Istanbul, has an E & M sector running above 10% of the city's GDP. This supports the notion that businesses in creative industries such as E & M tend to cluster, and agglomeration effects tend to be larger in developed cities where wealth and reputation have attracted more E & M businesses and professionals over time.

The only city where the E & M sector has a lower productivity level than the urban average is Tokyo, which is explained by the large number of financial industry jobs with their very high levels of productivity. The scale of the finance industry in Tokyo raises the city's overall average above the average for the Tokyo E & M sector. In that context, given the great scale of the financial sector in both New York and London, above average E & M productivity in those two cities is a noteworthy indicator of the wealth generated by the E & M sector and its sophistication in both New York and London.

Although the E & M sector is associated with a productivity premium, variances between cities can be significant. This illustrates the different nature of employment in the E & M sector in Nairobi and Mumbai, for instance, with more retail or printing, compared to New York or San Francisco's advanced, creative profiles.

E & M is a highly productive sector, measured by GDP per employee, with productivity levels running higher than the 'average urban job' across 29 of the 30 Cities of Opportunity.

Source: PwC Global E&M Outlook 2014 — 18, NICEP

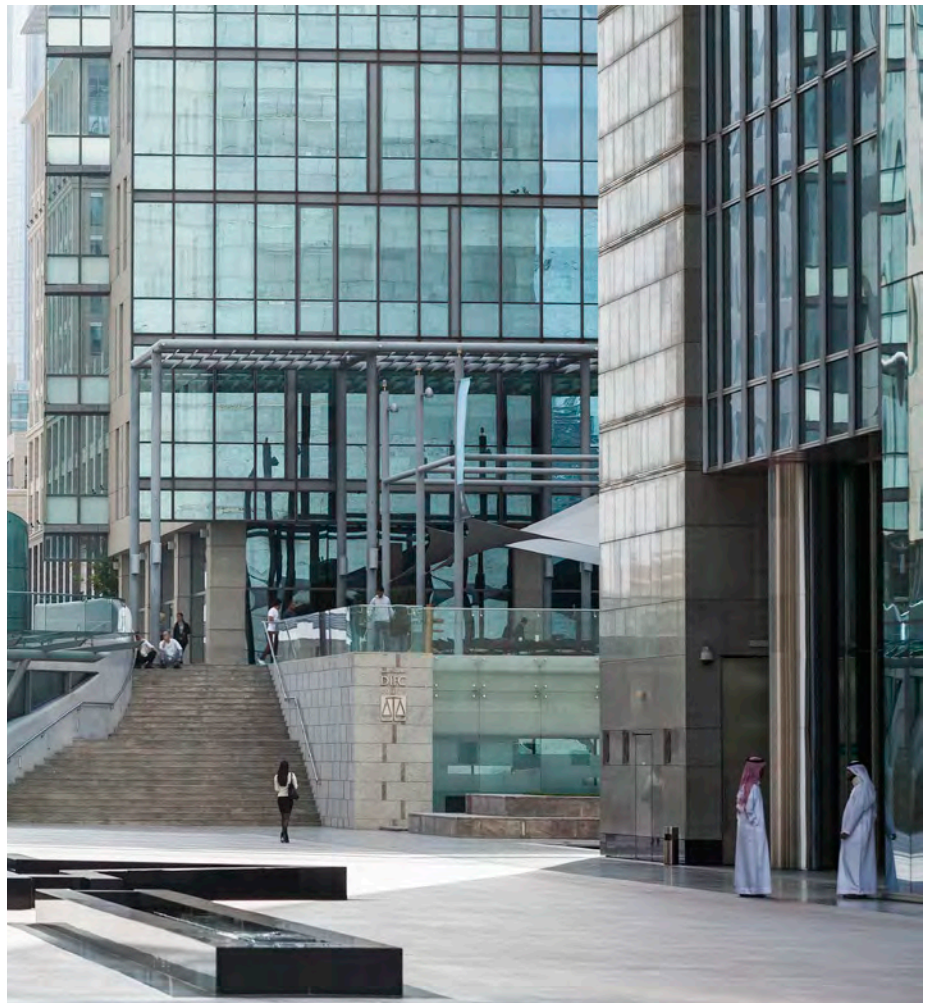
E & M roughly divides between creative industries and production and sales

The E & M sector is wide ranging, partly production based through printing services, partly communications based through publishing and partly service based through creative arts and advertising. But a rough division of jobs between creative sectors and production- and marketing and distribution-oriented ones helps to frame the picture of urban economic activity.

Among the highlights:

- Lower value-added sectors such as printing and retail take a larger proportion of jobs in the emerging cities.
- European cities have the largest arts and recreational E & M industries. This embraces activities such as performing arts (such as, theatre workers and musicians), support activities (including stage set designers and lighting engineers), artistic creation (for instance, independent journalists, actors, writers) and operation of arts facilities (cinemas and ticket offices).
- North American and European cities have the highest proportion of the E & M sector in content (including publishing, filmed entertainment, video, television and music) accounting for 40% to 50% of employment.

Given the great scale of the financial sector in both New York and London, above average E & M productivity in those two cities is a noteworthy indicator of the wealth generated by the E & M sector and its sophistication in both New York and London.





Cities and E & M people

Profiling E & M cities, their people and their promise: Creative hubs, consuming centers and combinations of the two

The top cities have the right stuff for a knowledge-based economy. They're "inspiring" to professional workers and they offer businesses a solid footing in good practices and innovation, technology readiness, cultural assets and growth.

When we pass our 30 cities through three different lenses clarity grows in terms of understanding the social and economic differences. This can help guide business decision-making—whether it's related to distribution or seeking cities in which to expand.

First, we divide the 30 cities according to levels of spending and percent of a city's gross domestic product generated: that is, creating families of cities according to how much E & M products and services they consume or how much they create. Here we see what could be a growing division between those cities with the right stuff to create product and services, and those that are more naturally consumers in a world where urban sounds and stories created thousands of miles away still resonate locally.

Second, a close look at the nature of E & M workers, and what their profile means for the industry and to the urban economy adds another layer of insight on the talent that makes the industry buzz and cities grow. Finally, *Cities of Opportunity* data confirms and amplifies the picture of what a successful E & M city looks like today.

We also find the top cities in each of the three contexts have the right stuff for a knowledge-based economy. They're "inspiring" to professional workers and they offer businesses a solid footing in good practices and innovation, technology readiness, cultural assets and growth.

Where the urban action is in terms of market appetite and industry creativity

In one way, the playing field for the E & M industry seems to have been levelled by urbanization, globalization and technological mashup (the cultural blender in which many of us share instantaneous social media, music, movies and more). Simply put, more of us, no matter where we live in the world, share similar urban tastes. But that does not make managing the urban experience plain vanilla for E & M companies. Somewhat surprisingly cities show significant differences, for instance, between the level of E & M spending and associated GDP and/or employment. Increasingly today content can be made anywhere and sold everywhere without the need for customized local retail distribution.

The local colorations among cities come clear when we look at our 30 Cities of Opportunity according to quadrants of high and low content creation and consumption—that is, cities ranked according to E & M's percent of GDP and average E & M spending as a percent of total consumer spending. Some cities emerge as powerhouses. London and New York, of course, have long been at the heart of E & M, simultaneously creative leaders and big consuming cities. Tokyo has also been a major force in the industry, but its star has been waning during Japan's years of slow economic growth.

Other cities like Berlin and Stockholm show a different kind of promise; that of smaller cities falling into the same high-consumption, high-creation quadrant as New York and London but offering their own localized advantages such as potentially lower costs, highly educated, entrepreneurial environments or their own cutting-edge urban rhythms.

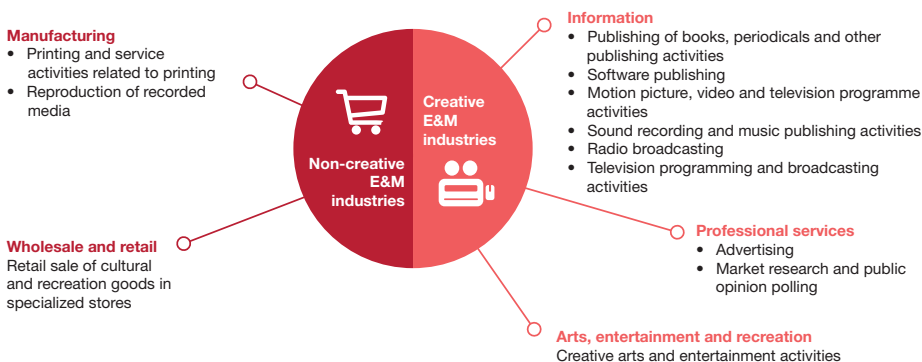
Chicago, on the other hand, offers another case in point on modern E & M city typology. One of America's great cities, Chicago stands as a strong E & M consumer but it is also among the lowest generators of E & M content among any of our cities. Part of the explanation may be cultural and economic: Chicago simply has other interests and economic strengths, and the sights and sounds of New York, Los Angeles, London and other cities may work locally.

But taking a step back, when E & M cities like New York get rolling—amassing the education, infrastructure, policies and talent to generate high

creativity—the momentum tends to snowball. The urban clustering effect offers great economic and cultural advantages. Talented people want to congregate with others like themselves. And the economic potential attracts highly skilled people. Finally, people build strong economies, and cities. In this environment, the E & M strength in a city tends to build on itself in a virtuous circle.

Istanbul, Beijing, Shanghai and Mexico City, four emerging cities and among the ten largest in *Cities of Opportunity*, are distinguished by high content creation but lower consumption. All four cities, particularly Mexico City and Shanghai, have large printing sectors. Film, TV, radio and video games are notable in Istanbul and Beijing. Eleven cities, most of them emerging, fall into the low creation, low consumption category. Although growth may be high in spending in Nairobi, Mumbai and Rio de Janeiro, for instance, that does not add up to high relative revenues ranked against other cities.

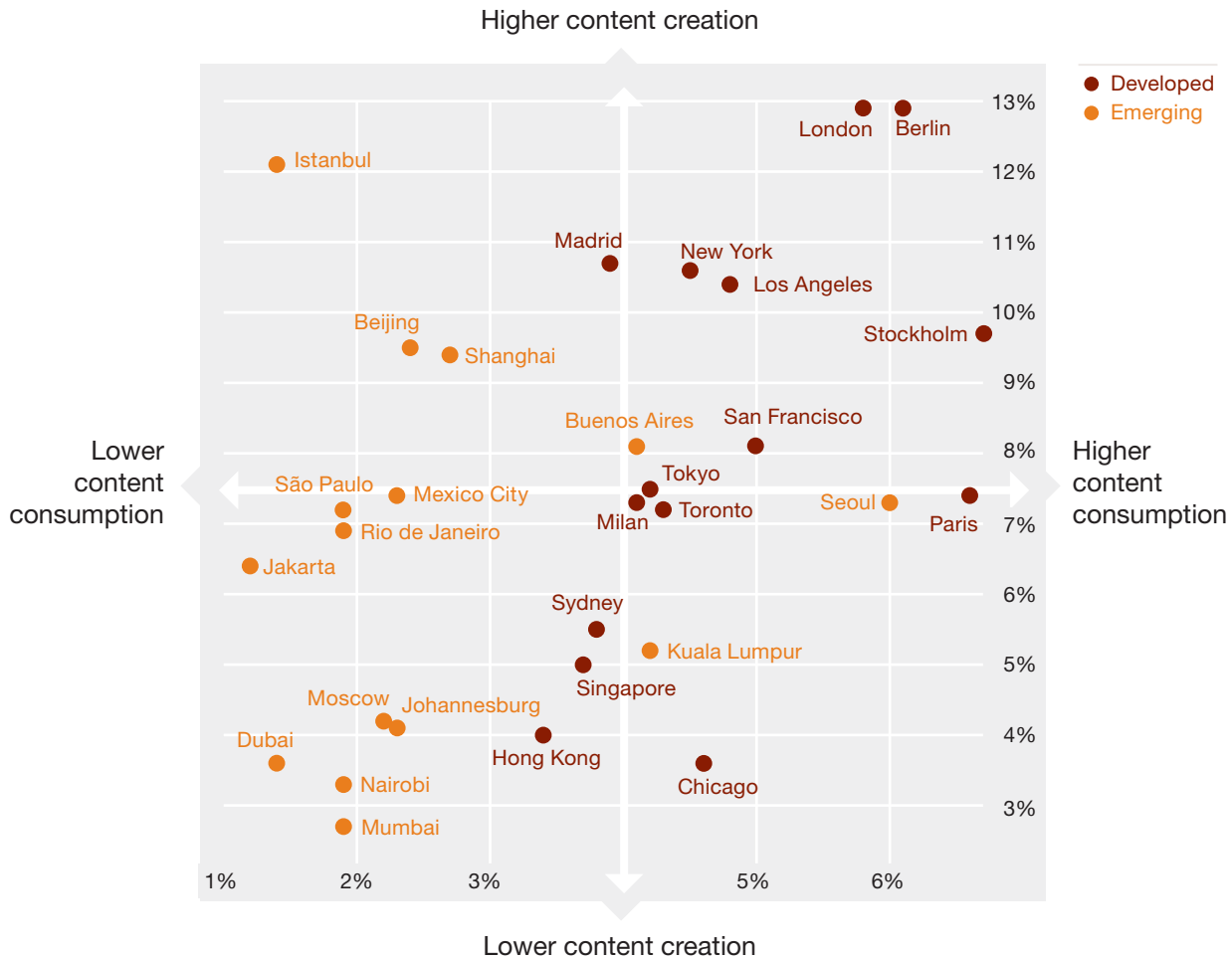
The entertainment and media sector: Some key areas



Source: National Statistics Offices; Oxford Economics; NICEPP

Cities are defining themselves as creators and consumers

E & M as a % of GDP vs. average E & M spending/total consumer spending



Source: National Statistics Offices; Oxford Economics; NICEP estimates.

Who is the E & M urbanite? Youngish, well-paid, skilled and self-starting

Another window into the nature and evolution of leading E & M cities is offered by the people who work in the industry: a relatively young, entrepreneurial, well-educated and well-paid group, though the breadth and diversity of the industry makes it hard to generalize.

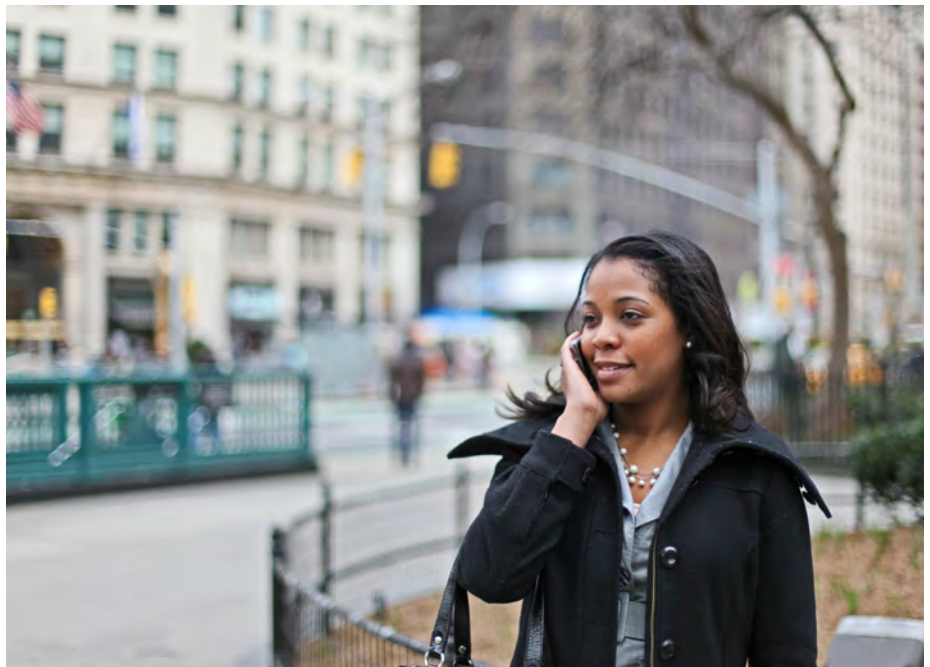
E & M requires a wide range of talents. The typical E & M worker is more highly skilled than the ‘average urbanite’—36% of E & M workers are educated to four-year degree level compared to 29% in the wider urban economy, according to our research. London notably outperforms other cities with a very highly educated E & M workforce that helps to explain its strength in the industry—61% of E & M employees have a third-level

education compared to 45% for London overall, according to Eurostat statistics based on national labor force surveys.³ E & M graduate workers frequently have social science, business, humanities or arts backgrounds, although a significant number of technical degrees in mathematics, computer science and engineering reflect the growing number of jobs in areas like video game design and digital media as well as digital distribution.

Jobs also differ by a city's type. Developed cities tend to be more concentrated in the higher value-added, content sectors including all aspects of publishing such as newspaper, magazines, music, film and software (making up 42% of E & M jobs on average) and professional services such as advertising (34% on average). Emerging cities tend to have a higher proportion of employment in the lower value-added, production related activity like printing (on average 21% in emerging Cities of Opportunity and only 12% in advanced cities).

Workers in E & M are more likely to be aged under 45 than other urban industries but less likely to be under 25. This reflects two specific trends. First, the highly skilled nature of E & M occupations demand a college degree that takes most of workers' time until they are 25. Second, the industry's fast growth, particularly in emerging cities, and its cutting-edge appeal drives a lot of recruitment. This naturally attracts great numbers of younger people.

Many occupations within E & M lend themselves to being self-employed. These include freelance journalists and copywriters, entertainment performers and management and writers in the traditional professions as well as newer technical activities including video game and mobile app design and advertising and marketing consultants.



When E & M cities like New York or London get rolling—amassing education, infrastructure, policies and talent to generate high creativity—the momentum snowballs. Strong economics attract people. And people build strong economies.

3 Eurostat Labour Force survey (<http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/lfs>)

Color me edgy: E & M cities like London and Berlin mix inspiration with education and the right stuff for business

With all this said, what does a thriving E & M city look like based on the data variables we have gathered in *Cities of Opportunity 6* (www.pwc.com/cities) and its companion study on urban demographics, *Cities of Opportunity 6: We the urban people* (www.pwc.com/citiespeople)?

Firstly, tracking the 59 variables used in *Cities of Opportunity* with the proportion of E & M employment in each city, the top 10 most positive correlations tell us an E & M city is defined by knowledge-based skills, cultural attractiveness and good quality of life.

Strongest positive correlations include percent of population with higher education, university rankings, cultural vibrancy, libraries with public access, health system performance, and good transport. New York, London, Tokyo, Paris, San Francisco, Stockholm, Berlin, Toronto and Los Angeles all finish in the top three in at least two of those categories in *Cities of Opportunity*, confirming their status as high content creation, high consumption cities (shown earlier).

E & M cities are also described as “inspiring” by a telling group of globally mobile, highly skilled professionals. In *Cities of Opportunity 6: We the urban people*, PwC asked 15,000 of its people in the 30 Cities of Opportunity to choose three of 14 possible descriptive adjectives for their city. Berlin, London, New York,

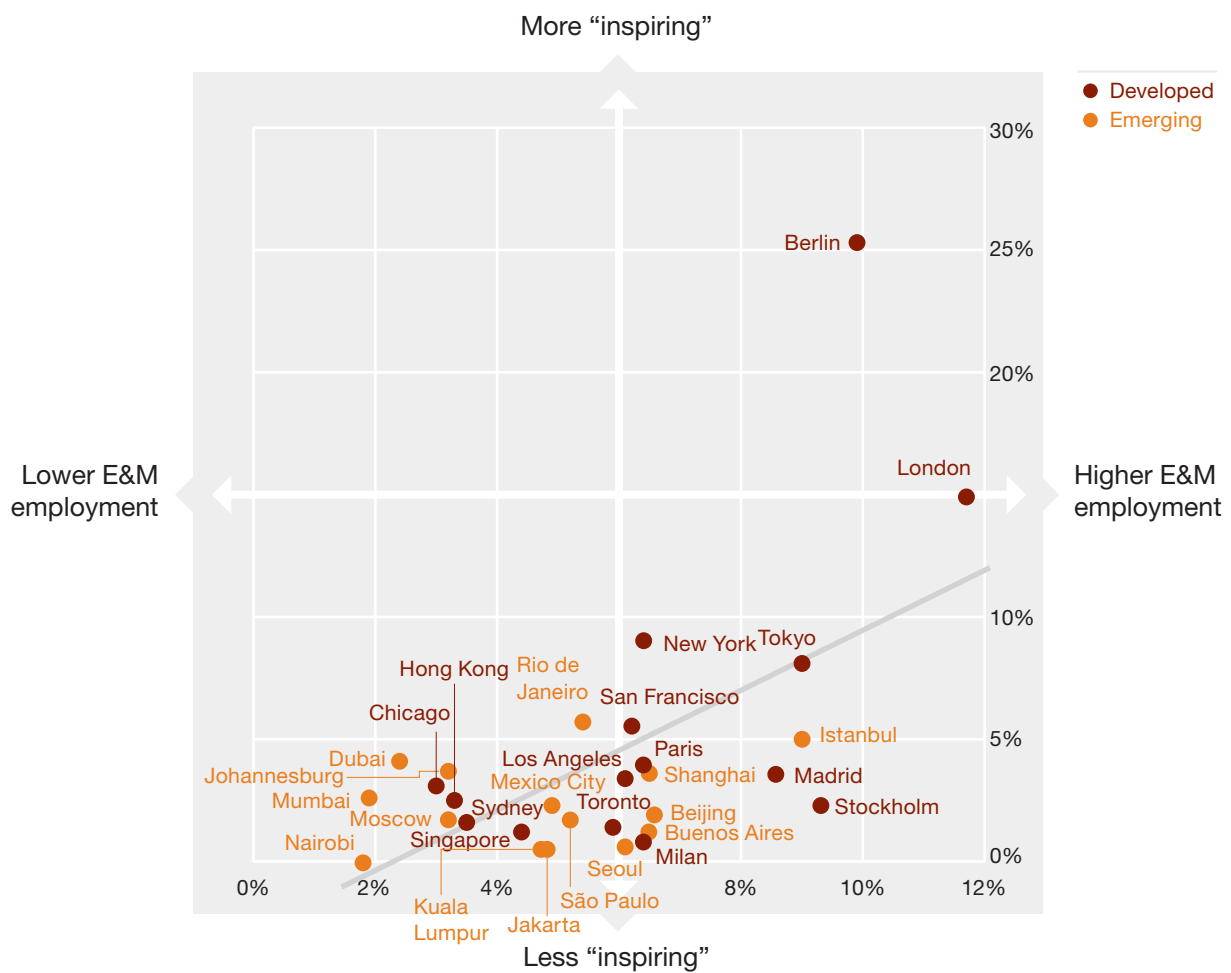
and Tokyo show among the strongest positive correlations between high E & M employment and PwC people saying their city is “inspiring” among the three descriptors. Clearly, inspiring cities provide the conditions for the E & M industry to flourish and attract highly-skilled and creative people. Berlin and London are distinguished in that they lead here as well as in highest content creation and consumption.

Finally, we see many of the same cities performing well in a benchmark created to highlight the best places for E & M companies to do business. To develop this index, we combined nine telltales of strong urban business foundations, high technology readiness, cultural vibrancy and E & M growth from *Cities of Opportunity* and *Outlook*. Data variables cover innovation and entrepreneurship as well as intellectual property protection and ease of starting a business; broadband quality, digital economy strength and software development; cultural vibrancy and E & M spending growth. New York, London and San Francisco lead in the top three of our E & M city index. Los Angeles, Paris, Stockholm and Toronto also figure in the top 10. And Berlin finishes eleventh.

Inspiring cities provide the right conditions for E & M to flourish. Berlin, London, New York, Paris, Stockholm and Istanbul show strong positive correlations of high E & M employment and professionals saying their city is “inspiring.”

Capital inspirations: Berlin and London strike a chord in E & M

% PwC survey respondents describing city as inspiring vs. E & M employment as % of total



Source: National Statistics Offices; Oxford Economics; NICEP estimates; PwC *Cities of Opportunity 6: We the urban people*

Cities of Opportunity E & M index confirms the leadership pattern

	Innovation Cities Index	Intellectual property protection*	Entrepreneurial environment*	Broadband quality score
30 New York	30	19	29	21
29 London	27	29	21	29
28 San Francisco	29	19	30	16
27 Hong Kong	23	26	16	28
26 Los Angeles	25	19	28	19
25 Paris	28	28	23	23
24 Stockholm	22	25	26	27
23 Singapore	16	30	23	11
22 Toronto	26	24	24	15
21 Chicago	18	19	27	14
20 Berlin	24	27	20	26
20 Sydney	21	22	25	17
18 Seoul	20	14	16	30
17 Tokyo	19	23	17	22
16 Dubai	15	20	19	3
15 Milan	14	9	16	25
15 Johannesburg	4	21	12	8
13 Kuala Lumpur	12	15	11	12
12 Moscow	11	2	6	20
11 Madrid	8	13	18	24
10 Shanghai	17	12	10	10
10 Beijing	13	12	10	10
10 Mexico City	9	5	10	6
7 Istanbul	10	4	13	7
6 Sao Paulo	6	7	4	2
5 Buenos Aires	5	1	10	18
4 Rio de Janeiro	3	7	5	4
3 Mumbai	7	8	2	13
2 Jakarta	1	10	3	5
1 Nairobi	2	3	1	1

Digital economy score*	Software development and multi-media design	Cultural vibrancy	Ease of starting a business**	2013-18 CAGR	Total
29	26	30	26	14	224
20	30	29	22	7	214
29	29	23	25	11	211
25	23	21	27	17	206
29	23	26	23	13	205
17	24	28	19	5	195
30	21	17	16	10	194
25	25	15	28	16	189
22	11	18	29	15	184
29	21	20	25	9	182
18	16	27	11	2	171
23	5	24	30	4	171
21	27	9	20	9	166
19	28	25	10	1	164
14	17	6	21	20	135
15	13	19	13	3	127
12	12	9	17	27	122
13	21	6	16	12	118
2	21	14	12	22	110
16	7	11	6	6	109
5	7	7	5	26	99
5	11	4	5	29	99
11	4	17	18	19	99
8	3	14	14	21	94
10	8	22	9	24	92
7	15	11	3	18	88
10	2	14	9	25	79
3	11	1	1	28	74
1	14	3	2	23	62
6	1	2	7	30	53

■ High
 ■ Highest rank in each variable
■ Medium
■ Low

* Country-level data.

** Data based on countries' most populous city except in the case of employee regulations and ease of starting a business, which have been differentiated for US cities.

Source: PwC, *Cities of Opportunity 6*



City snapshots

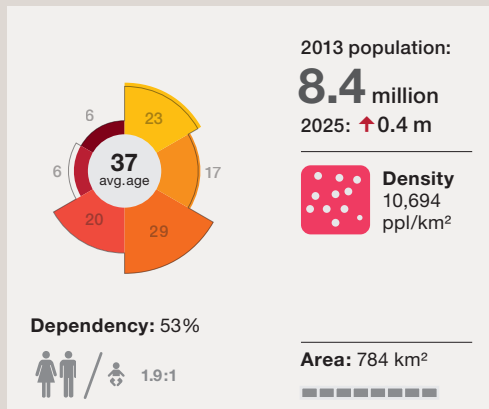
Looking closer at a few cities: Demographics, policies and culture distinguish urban E & M environments

Beyond overall E & M growth and employment trends, each of the 30 Cities of Opportunity creates its own profile based on local demographics, economics, policies and culture. Here, we look at a few example cities to spotlight the differences among them, as well as the importance of E & M in each city's social and economic wellbeing.

Demographics are drawn from *Cities of Opportunity 6: We the Urban People*, as are the charts depicting population patterns now and in 2025, density and dependency. (For more on urban demographics and a guide to reading the demographic tiles, see page 10-12 of *Cities of Opportunity 6: We the Urban People* or www.pwc.com/citiespeople.)

New York

Still a melting pot, the boogaloo down Broadway parties on



New York comes in first, just above London, in our E & M index. It tops

the list on the innovation cities index and cultural vibrancy. It also finishes second in entrepreneurial environment and digital economy score. In terms of E & M sales, New York will overtake Tokyo as the biggest urban spender by 2018 with its 4.5% compound annual growth rate. Buoyed by a strong overall economy, we also project New York to lead developed cities adding 2% more

E & M jobs by 2025—keeping pace with emerging cities like Shanghai, Rio de Janeiro, Mumbai and Jakarta. New York also comes in third next to Berlin and London in terms of “inspiring” PwC’s globally mobile professionals who work in the city, a broad proxy for the highly skilled E & M talent who come to work in the city.

None of this is news to New Yorkers who know their city is the reigning capital of the entertainment and media world thanks in part to a continuing history of diversity, inclusion, tremendous energy as well as philanthropic and government support for education, the arts and culture. While Londoners might have a valid claim, and other cities may be putting the pieces together to rival the two in future, the Big Apple keeps its E & M mojo working 24/7.

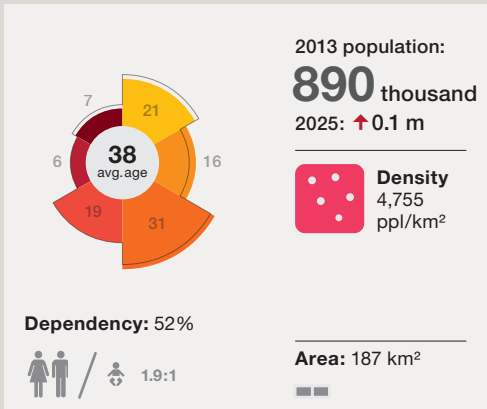
The city is the home of America’s advertising and public relations professions, a healthy and growing Silicon Alley, the Tribeca Film Festival, Spike Lee and Harvey Weinstein, among many other valuable E & M creative and business leaders, as well as location for many feature films television shows shooting in the city. “The beauty of New York is in its chaos,”

Suketu Mehta, author of “Maximum City: Bombay Lost and Found,” told *Cities of Opportunity*. “The great secret of New York is that nobody is excluded. It’s not that you’ll get invited to every party. But somewhere in the city there’s a party to which you’re invited.”

Part of New York’s recent success may be credited to 12 years in which former Mayor Michael Bloomberg supported the industry with an active office of media and entertainment that helped advance everything from a new Cornell NYC Tech campus developing scientific talent for media, entertainment and digital industries, among other areas, to new studios and startups in up and coming parts of the five boroughs. Current Mayor Bill de Blasio also has plans to continue E & M support, targeting an increase in high-speed broadband throughout the city.

Stockholm

Cold and dark, but a hotbed for games, ideas and startups



Stockholm is the second smallest city among the 30 in *Cities of Opportunity*, yet it packs a Viking-sized punch in terms of the video gaming sector and software development. Spotify, Skype, King and other media companies all have roots in the Venice of the north. The city also performs well in our own E & M benchmarking. The intimacy of the city, its good quality of life, sustainable development, strong education, passion for engineering and solving problems all make Stockholm an attractive town for young, talented people and forward-looking entrepreneurs—and an easy city in which to meet over a *fika* and discuss ideas. (See video at www.pwc.com/cities.)

Representatives of the City point to readily available high-speed broadband as another key to creative E & M success. It was found important that

small companies, that couldn't afford to develop a system on their own, could hire the capacity they needed to develop their business ideas. So in the late 1990's Stockholm was very enthusiastic about IT development. And because of that, the city attracted a lot of companies, both from Sweden and from other countries. Now the fibre optic network covers more than 90 percent of all real estate in the Stockholm area. All the schools are connected and most of the businesses as well. And due to the future-proof technology the network capacity is almost unlimited.

Stockholm comes in seventh among 30 cities in the overall *Cities of Opportunity* (leading in health and safety as well as sustainability) as well as in our E & M index, where Stockholm tops the list on digital economy score. We also found 92% of PwC's Stockholmers—a good proxy for youngish, skilled

E & M workers—select positive adjectives like inspiring, beautiful, fun and well-managed when describing their city—clearly displaying a positive attitude despite the long, dark winters. (By contrast, San Franciscans, Parisians and New Yorkers only choose positive descriptors 69%, 59% and 48% of the time, respectively.) All this goes to explain the city's success attracting and developing creative professionals.

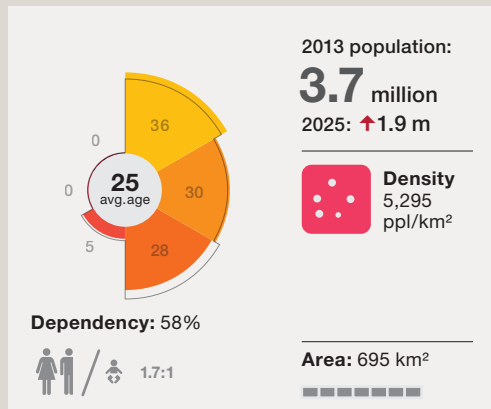
If Stockholm has one speed bump for E & M companies, it's an issue many popular cities share—that is, the availability of ample, affordable housing for professionals drawn to the city. "Renting something is almost impossible," said Fritjof Andersson, chief executive of Relation Desk, a Stockholm technology company. "If the city wants to attract startups, someone needs to fix the housing problem."⁴

In a discussion with *Cities of Opportunity*, Stockholm director of urban planning, Anette Scheibe-Lorentzi, explained some of that help is on the way. Stockholm is adding 140,000 ecologically sustainable apartments, many near current or future metro stops. That represents a 25% increase in housing stock as well as new commuter train lines from the suburbs and intra-city light rail to heighten accessibility. "Stockholm needs to find tools to welcome citizens," Scheibe-Lorentzi said. "Our task is to continue creating a dense city with vibrancy, one where we offer a livable, walkable and friendly environment."

⁴ Mark Scott, Stockholm's Housing Shortage Threatens to Stifle Fast-Growing Start-Ups, *The New York Times*, December 15, 2014

Nairobi

A young city will leap ahead by 12.5% in spending as Africa matures



Nairobi stands today as last in our 30-city E & M index, as it was in the overall *Cities of Opportunity* benchmarking. But that also makes it an emblematic city for growth in the emerging urban world, and sub-Saharan Africa more particularly where the African Development Bank projects growth will be 5.8% in 2014 with over \$200 billion in external financial flowing to the continent. Added to this, the African middle-class is expanding rapidly across the continent and “medium-term growth prospects have improved on the back of broader political and social stability,” the African Development Bank adds.⁵

Youngest of all the 30 Cities of Opportunity with an average age of 25, we project Nairobi’s 12.5% pace will be the fastest compound annual growth rate in E & M sales between 2013 and 2018 as Nairobians climb economically and seek to catch up on many of the products and services that developed urbanites take for granted. Here, our survey of 15,000 PwCers (including 116 in Nairobi) gives a good sense of the potential for E & M: Nairobi PwCers—a good proxy for the city’s educated middle class—are number 1 among the 30 cities in discretionary spending for either technology (32%) or the home (37%). They are tied for number two in

prioritizing spending on books, movies and games—with 24% citing that category among their top three choices for discretionary spending.

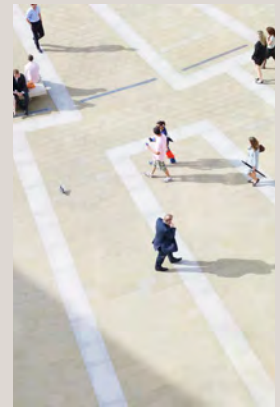
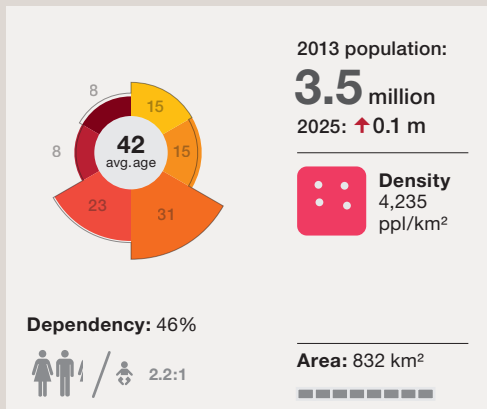
“There’s just an amazing determination to get places,” said John Simpson, director of the Unilever Institute of Strategic Marketing at the University of Cape Town, commenting on the rise of the Africa middle class. “It’s a relentless desire to make more, to get better, to have a better lifestyle.”⁶

⁵ African Economic Outlook 2014: Global value chains and Africa’s industrialization, African Development Bank, OECD, United Nations Development Programme (2014)

⁶ “Africans open fuller wallets to the future,” Nicholas Kulish, *The New York Times*, July 20, 2014

Berlin

The entertainment and media cabaret gathers 21st century zeitgeist



Modern Berlin unfolds a creative tapestry for many, none more so than the E & M industry. Rem Koolhaas, architect of the Netherlands Embassy there, put it this way in a conversation with *Cities of Opportunity*: “The beauty of Berlin is that it’s the stage of a number of very radical transformations, and it wears the traces of those transformations in a very poetic way—but there’s a real substance that was always there. That’s what makes it such a wonderful city.” It’s a city today in which it’s just as easy to meet musicians from Williamsburg, Brooklyn calling it their new home and hear gypsy or klezmer music as it is to drink beer and eat *doner kebab*.

Proofs of Berlin’s allure to E & M appear throughout our study. Berlin is in the top tier of cities (along with London, New York, Los Angeles and Stockholm)

that combine high levels of creative E & M output and spending. Along with London and Tokyo, it’s in the top three of our 30 cities in E & M employment in 2013 and 2025—with the industry employing 10% of the city’s labor force in both timeframes. Berlin also tops all cities with 13% of GDP generated by E & M in 2013. And tellingly for what it takes to be a leading E & M city, PwC people in Berlin told us in a survey of 15,000 professionals that their city is “inspiring” more often than any city.

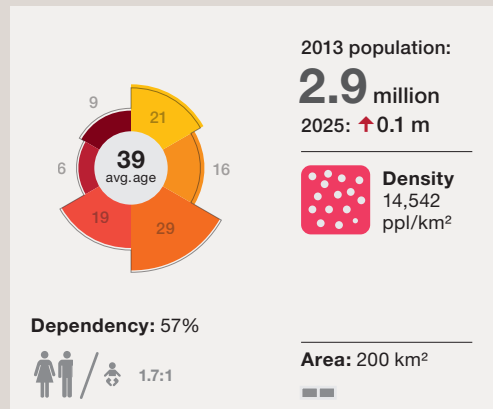
Clearly, something is at work to draw video game companies like London’s King, San Francisco’s Kabam and Munich’s ProSiebenSat1 to establish operations in the city. Dr. Stefan Franzke, managing director for business and technology at the economic development group Berlin Partner, attributes the success to “the dense,

differentiated and internationally-oriented infrastructure of the German capital that attracts companies from all over the world to establish their offices in Berlin. Furthermore, the environment allows startups to work along-side established game developers and political institutions and federal associations.”

Dr. Franzke adds the city’s attractiveness for E & M begins with “excellent infrastructure, top-notch culture and a creative, cosmopolitan atmosphere... Every year, young professionals are drawn to the city because of its unique atmosphere, culture and lifestyle. This trend leads to a huge amount of business talent coming to Berlin and it is a significant part of our success.”

Buenos Aires

What's hot, and what's not: Tango, samba, or la bamba?



Latin America symbolizes music, creative daring and cultural vibrancy to much of the world—so it's a natural market as well as creative resource for E & M. But what city is hot, hot, hot and what's not, not, not? That's a hard question. Mexico City, Rio de Janeiro, Sao Paulo and Buenos Aires all offer strengths as well as challenges.

But the history of Buenos Aires and its current standing suggest taking a look despite current economic challenges. One-hundred years ago, it was one of the world's richest cities, modeled on Paris with wide boulevards and strong infrastructure. Today, the beauty remains and the Argentinian capital finishes third overall after Singapore and Toronto in the *Cities of Opportunity* ranking of infrastructure strength. It also performs well among Latin American cities in technology

readiness, health, safety and security, sustainability, demographics and livability. Tourists are drawn to its beauty and vibrant, regenerating neighborhoods.

With all this said, E & M is doing well in Buenos Aires. Along with Rio, it is a leader in E & M jobs growth with 4% from 2004 to 2013 and 2% growth forecast to 2025. UNESCO named Buenos Aires the first city of design in 2005. And the World Cities Culture Forum recently reported, "Buenos Aires has been a pioneer of creative industry development in Latin America," partially driven by a strategic cultural plan launched in 2001 and establishment of a new agency, Creative Industries General Direction (DGINC). "The establishment of this agency jointly by the economic and cultural departments of the city was innovative

as it demonstrated an understanding of the cultural and creative industries' interrelationship with the city's public cultural infrastructure," according to the World Cities Forum.⁷

Initiatives include a creative clusters development program that combines urban planning with creative business incubation, reusing old industrial sites as centers to join creative people with information/communications infrastructure. Enrique Avogadro, director of the DGINC, summed up the issues for Buenos Aires, as well as Latin American cities and urban planners in general. "The creative industries are becoming increasingly important for the city as more and more traditional, manufacturing-oriented industries relocate outside the urban space... Working toward the development of the creative sector is definitely a challenge for most developing countries—even more on a city-specific level. Buenos Aires is nevertheless doing surprisingly well, as it is becoming an important cultural reference both regionally and globally."⁸

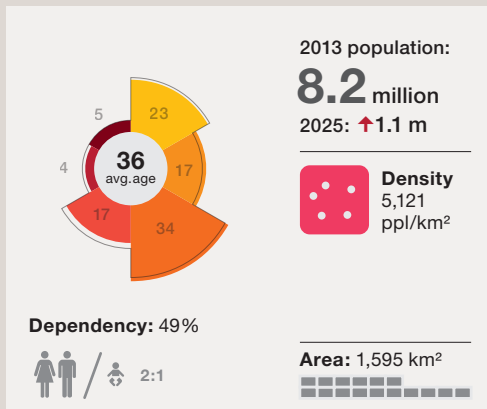
However, in addition to its strengths, Buenos Aires finishes second to last in economic clout and last in ease of business in *Cities of Opportunity*. In this study we project the spending growth rate will be higher in both Brazilian cities, at nearly 10% between 2013 and 2018. And overall in our E & M index, all the four Latin American cities are grouped in the bottom third.

⁷ World Cities Culture Forum, <http://www.worldcitiescultureforum.com/cities/buenos-aires>

⁸ British Council, "Buenos Aires: Policy Support for a Creative City," By Cecilia Rojo, August 28, 2011, <http://creativeconomy.britishcouncil.org/blog/11/08/28/buenos-aires-policy-support-creative-city/>

London

Like a rolling stone, the old city gathers no moss



In terms of diverse economic and cultural assets, London today doth bestride the narrow world like a colossus, to paraphrase a still famous city dweller. And as sure as Shakespeare's words live on, London is not resting on past glories. The city's focus on maintaining momentum makes a major difference to E & M. "London's scale, and economic and cultural diversity means it has considerable capacity" for E & M creation and consumption, Catherine Shrimpton of London First, a nonprofit supporting the city's economy, tells us. "Its scale means London can support a breadth and depth of creative and cultural activity that other cities find difficult to match."

In *Cities of Opportunity 6*, London tops all cities, taking over from New York which won in the two previous editions. It is the only city to finish first in three of the 10 indicators—economic clout, city gateway and technology readiness,

a category it ties with Seoul. Results show London is developing a strong foundation for the future with top economic strength, openness to the world and technology readiness—all critical building blocks for further growth in a digitally and physically connected world. In addition, London finishes a narrow second to Paris in intellectual capital and innovation. It comes in second—virtually tying Sydney—in demographics and livability, both key areas for future urban prosperity.

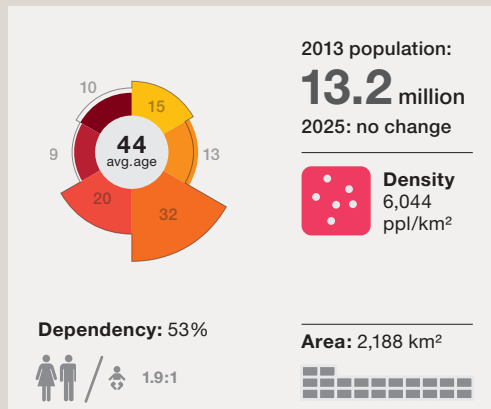
London is also a world leader in advanced education, which is key to industries like E & M. And Mayor Boris Johnson is working to attract foreign direct investment in the technology sector. The Mayor also maintains an active *Cultural Metropolis* strategy that supports film, fashion and design along with the city's already rich foundation in theatre, music and museums.

Our E & M index places London only a tad behind first place New York, with each showing balanced strengths. London leads all cities at 12% in terms of E & M's share of total employment in 2013 and projected to 2025. London E & M is highly productive in terms of percent of GDP the industry generates. And London also sets the pace in terms of the amount of E & M content created in the city and sales generated. Only Berlin comes close on the latter three counts. It may not be surprising, therefore, that London and Berlin also find most PwC local professionals rating them as "inspiring." And clearly, inspiration for skilled professionals is a critical ingredient in building a successful E & M city.

"Creative industries and London's closely linked cultural offer also provide an important but less tangible contribution to London's success by supporting 'livability' and, therefore, London's attractiveness to talent and investment," Shrimpton of London First adds. Further, E & M helps to make the city resilient. "London's creative industries represent a strong growth platform for the capital's economy over the coming years. The sector has performed well since the financial crisis of 2008; between 2009 and 2012 it contributed £6.5 billion in gross value added growth and 35,500 jobs, with advertising/ marketing and film, television and radio in particular driving this," she adds.

Tokyo

An iconic fusion of old and new, moving to revitalize



Tokyo has been the historic leader among our cities in E & M spending, but with the slowest growth forecast among our top 10 spending cities, New York is poised to take over the spot. However, Tokyo remains in our top 3 cities for E & M as a percent of total employment in 2013 at 9% and forecast at 10% in 2025. And we anticipate growth in creative jobs going from 79% of the city total in 2013 to 87% in 2025. In our E & M index, while growth is slow, the city remains in the top tier for cultural vibrancy and software development and multimedia design. Tokyo also possesses unique resources in culture—combining rich tradition and striking energy and originality; everything from *kabuki* to *karaoke* to *anime*, from the revolutionary Walkman in music to Akira Kurasawa in film.

Culture and art are also closely woven into Tokyo's fabric, and the city is engaged in revitalizing its creative energies. "Tokyo recognises the need to improve its cultural offer through a programme of strategic investment," according to the World Cities Culture Report.⁹ "The long period of economic stagnation since the early 1990s has led to a relative decline in Tokyo's world city status, while the rise of other major cities in its region, such as Shanghai and Seoul, is increasing competition. The trauma of the Great East Japan Earthquake in 2011 has also been a trigger for reassessing society's priorities. There is now a growing sense that culture will play an important part in Tokyo's reinvention of itself."

To spark creative revitalization, metropolitan government launched the Tokyo Culture Creation Project in 2008 to promote a new wave of culture, focusing on festivals, global networking and collaborations among Tokyo artists and residents. Government is also working closely with Tokyo Council for the Arts and Arts Council Tokyo to improve funding, support the arts and cultivate new talent. Projects include the annual performing arts event, Festival/Tokyo, with a strong local and global following. All this will help to lead up to the 2020 Summer Olympics, that offers another springboard for E & M growth.

⁹ World Cities Culture Forum, <http://www.worldcitiescultureforum.com/cities/tokyo>



Implications

What it means for E & M companies

Cities of Opportunity: Understanding the entertainment and media rhythm offers a number of insights for entertainment and media companies. Here are a few.

Being a customer-centered organization

Recognize varying city demographics, and exploit them in marketing, sales and location decisions. Population patterns, age and wealth distribution differ markedly among cities. For instance, Tokyo, Madrid, Milan, Moscow and Hong Kong all have average ages over 40 and often limited growth projections. Nairobi and Jakarta are both under 30, growing rapidly and at the top in discretionary spending on books, movies and games and technology in a survey of 15,000 PwC professionals.

Pursuing profitable growth or investment

Be open to new ideas from cities beyond the “usual suspects” like New York, London and Los Angeles. While urbanism is universal, the sights, sounds and ideas that animate creativity and business vary considerably among cities. For instance, Stockholm’s good education, entrepreneurial spirit and hands-on skill solving problems have made the city a breeding ground for video game developers. Similarly, alternate urban cultures may offer new product and service ideas, and new streams of content with entirely different flavors.

Tailoring approaches for city profiles can pay dividends in terms of growth, investment, talent attraction and adaptation of local policies.

Understand the city typologies and their advantages where you want to do business—creative center, consumer city or a combination. London, Berlin, New York, Los Angeles and Stockholm are all big spending, highly creative cities. High content creation and low spending is marked in Istanbul, Beijing and Shanghai. Chicago suggests that homemade content may be nice but not worth the price in a globalized, urbanized and highly connected world. While Chicago is a big content consumer and a highly cosmopolitan city, it's also on the lower rung of creation. Perhaps this points to a future in which entertainment and media content easily crosses domestic and international urban boundaries and seems just as local and relevant.

When making location decisions for headquarters, branches or operations, be aware of the urban traits that

define a strong E & M city. These include a good foundation in education and knowledge-based skills, strong quality of life and engaging cultural attractions. Importantly also, cities with a high E & M profile tend to be inspiring. London and Berlin, for instance, lead the way in both E & M employment and the number of skilled, globally mobile PwC professionals calling them “inspiring” when given a choice of adjectives to describe their city. Long and short, while business runs on logic, this proves that in E & M anyway you still “can’t fight the feeling.”

Don’t write off opportunities in traditional, non-creative sectors in emerging cities. Many times, room remains for short- and medium-term growth.

Attracting and retaining talent

Even in digital societies, urban face time pays tangible dividends. The freedom of easy access to peers and open flow of ideas is a critical city advantage E & M companies can leverage in their workplaces, sales plans and approaches to talent. Creative people and their ideas thrive when there’s a chance to kick ideas around freely at work and at leisure—a proximity that only cities offer. And in sales, you can pick up on the opportunities in the urban *zeitgeist*.

Investment in collaborative work settings pays dividends not only for creative professionals but for the companies that sponsor them as well as the cities themselves. That applies to cities like Buenos Aires or Tokyo revitalizing their E & M sectors, or cities like New York and London where innovation centers can offer a vehicle to maintain momentum into the future.

Cities on the rise creatively tend to **amass momentum** and build cultural and economic advantage that can help propel E & M companies, whether the cities are established E & M hubs like London and New York or rising, newer ones like Stockholm and Berlin.

E & M companies need to sharpen recruitment and retention strategies with erosion of the psychic “income” the sector long enjoyed. Despite urbanization’s great talent migration to cities, E & M has lost some of its alluring “cool factor” for employees as other sectors throughout technology, communications, financial services and retail seek professionals with the same skills as E & M’s traditional talent pool. As digital migration gathers pace, attracting and retaining talent will be even more crucial for long-term success. Selecting the best cities to do business and developing tangible and intangible motivation tactics will make a difference.

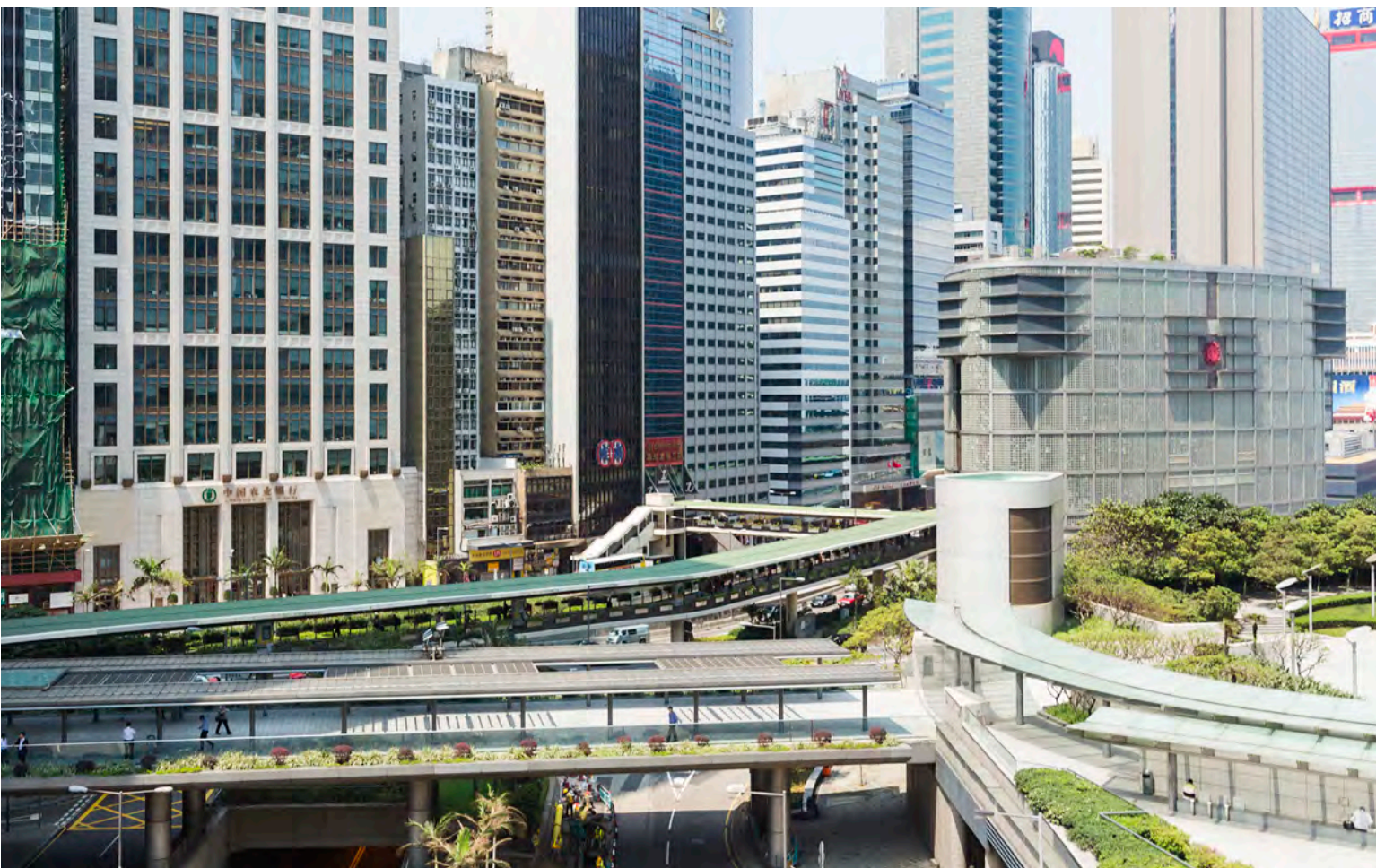
Addressing tax policy and intellectual property protection

Be aware of the E & M sector’s contribution to the cities in which you operate or want to locate. E & M is a big employer in many cities, highly productive, with good jobs that are in demand. Therefore, it’s only natural as an industry and as individual employers to hold a stake in urban prosperity in cities where you are invested. For instance, use the industry’s standing to look for opportunities like tax incentives or enhanced intellectual capital protection.

Balance risk and reward in cities with strengths in E & M but also weak intellectual property protection. Among these in *Cities of Opportunity 6* are Buenos Aires, Mexico City, Istanbul, Beijing and Shanghai. If the upside justifies the investment, companies should consider a variety of measures to combat piracy including enforcement, education on the value of intellectual property, legislation or new technologies to enhance protection. Decisions should be made on a city-by-city basis, correlating the strength of the local creative community or the city’s profit potential with the risks of piracy.

Thinking digitally, acting locally

Knowledge of a city’s technology readiness, intellectual capital and innovation, and growth in digital E & M content consumption can help steer technology investment decisions. For instance, London, Seoul and Stockholm are locked in a virtual tie in the top 3 in technology readiness in *Cities of Opportunity 6*. Paris, London, San Francisco, Stockholm and Toronto form the top 5 in intellectual capital and innovation. In this study, all those cities show different strengths either in spending, jobs growth, productivity or content creation. In short, in making digital decisions it pays to be aware of local city strengths and challenges.



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