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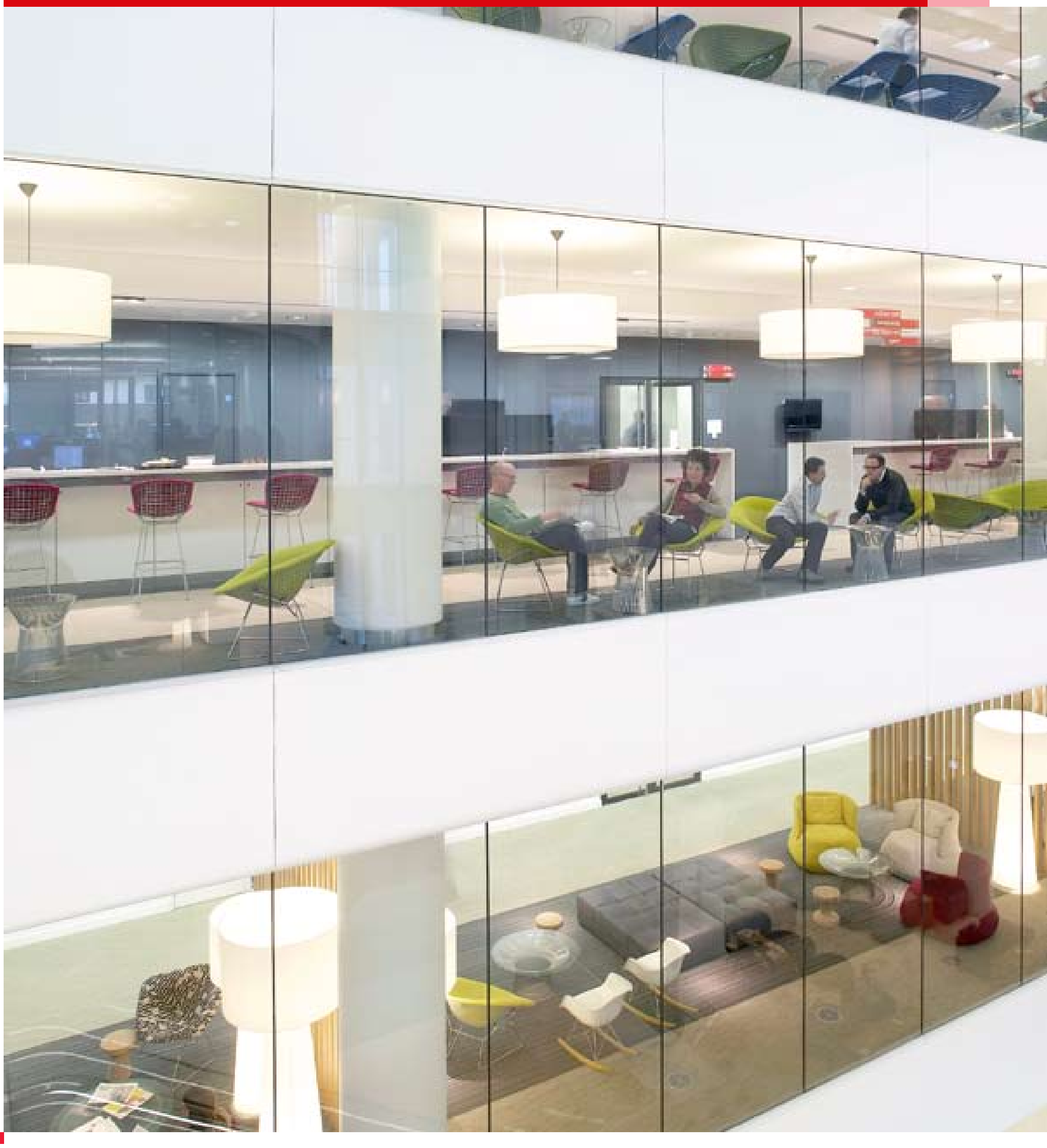
# *What future are you focusing on?*
# Entertainment and Media industry summary

*Key industry findings from the 14th Annual Global CEO Survey*



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# Entertainment and Media industry summary

The global economy is still recovering from the worst economic crisis in 75 years, with many countries grappling with the aftermath of the recession. So we set out to uncover how CEOs are approaching growth during a time when sustainable economic growth is far from certain. We surveyed 1,201 business leaders in 70 countries around the globe, in the last quarter of 2010, and conducted further in-depth interviews with 31 CEOs.

The PricewaterhouseCoopers 14th Annual Global CEO Survey documents a surprising level of confidence in this environment; chief executives were nearly as confident of growth this coming year as in the boom years before the crisis. The survey also revealed where CEOs saw growth coming in 2011, and how they were going to achieve it. In 'Growth reimagined: Prospects in emerging markets', we show how CEO confidence is being driven by targeted investments in particular emerging markets – often far from home.

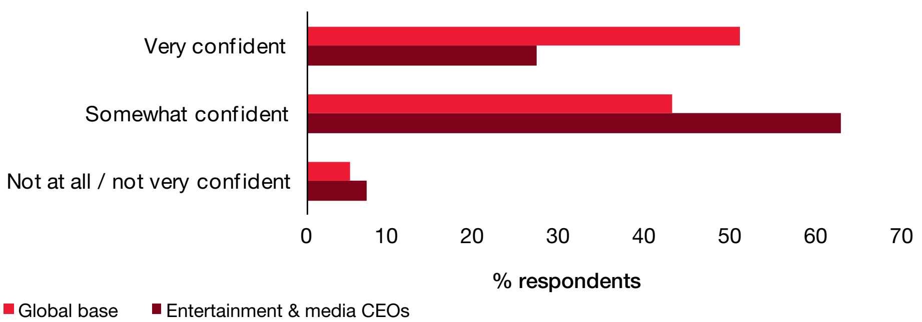
*For full results from the 14th Annual Global CEO Survey, please visit www.pwc.com/ceosurvey*

## *Measured confidence amid sweeping changes*

PwC's 14th Annual Global CEO Survey confirms that CEOs in the Entertainment and Media (E&M) industry are taking a measured view of their companies' prospects over the next 12 months and three years. This circumspect outlook represents a careful balance between the risks and opportunities presented by ongoing and sweeping change affecting every segment of the industry.

E&M CEOs' view of the future is shaped by the need to address three major issues facing their businesses worldwide. These are, firstly, an intensifying shortage of top talent and industry-relevant skills; secondly, ongoing and permanent shifts in consumer spending and behaviours; and thirdly, the imperative to reshape organisational structures to enable more effective collaboration with external partners.

**Chart 1: E&M CEOs' view on the prospects for revenue growth over the next three years**




Q: How confident are you about your company's prospects for revenue growth over the next three years?

*Base: All respondents (1,201)*
*Source: PricewaterhouseCoopers 14th Annual Global CEO Survey 2011*

*“The most significant risks that E&M CEOs plan to mitigate over the next 12 months are a permanent shift in consumer spending and behaviours, and the availability of key skills.”*

## *A balanced view*

E&M CEOs’ measured outlook is underlined by their expectations on revenue growth. They are more likely than leaders in other sectors to describe themselves as ‘somewhat confident’ about being able to increase their revenues over the next 12 months--a view stated by 57% of the E&M CEOs we surveyed, against only 40% of the full survey population. However, only 27% of E&M respondents say they are ‘very confident’ about the immediate prospects compared to 48% across all industries. A similar picture emerges for revenue growth over the next three years. (See Chart 1).

This relatively cautious attitude reflects the profound changes under way in the industry. More than their counterparts in any other sector, E&M CEOs highlight changes in customer demand and industry dynamics as driving change in their strategies. Competitive threats are a further key factor. In line with these findings, the most significant risks that E&M CEOs plan to mitigate over the next 12 months are a permanent shift in consumer spending and behaviours--cited by 61% of E&M respondents compared to 30% of all CEOs--and the availability of key skills, which is highlighted in by 57% of E&M CEOs versus 38% overall.

This strong focus on risk is underlined by the fact that more CEOs in E&M than any other sector believe that formally incorporating risk scenarios into strategic planning will improve risk management, and 75% of respondents are allocating more senior management attention to risk management. Asked to highlight their main growth opportunity, E&M CEOs are more likely than those in other industries to point to new product or service development, and M&A, joint ventures or strategic alliances. They regard increasing their share in existing markets as a higher priority than entering new geographic markets.

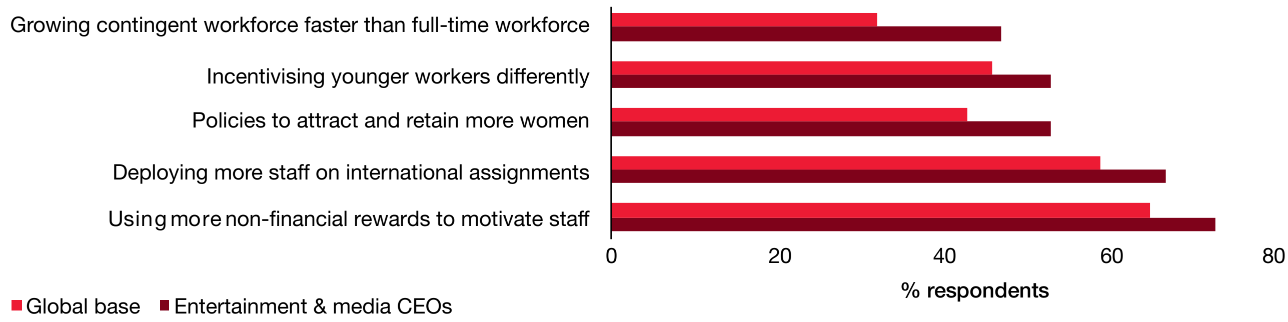
## *The E&M CEO agenda: Three major issues*

As we highlighted above, E&M CEOs’ measured outlook is influenced by a need to address three major industry-specific issues. Their success in responding effectively to each of these will shape their ability to grow their businesses in the coming years.

### *1. Talent: tackling the skills conundrum*

When asked how concerned they are about the general availability of key skills, 77% of E&M CEOs said they were ‘somewhat’ or ‘extremely’ concerned, compared to 56% of CEOs overall. This high level of concern reflects the challenges of bearing down on headcount costs while simultaneously keeping the pipeline of future talent flowing. Certainly, there is still heavy pressure on headcount: only CEOs in the heavy industrial sectors report higher levels of headcount reduction than those in E&M in the past 12 months. And though E&M CEOs do expect headcount to start to recover during the coming year, they do not expect it to happen as quickly as CEOs in other industries.

**Chart 2: People strategy: CEOs plan 'some' or 'significant' change in...**




*Base: All respondents (1,201)*
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The biggest concern going forward is not the size of the workforce, but its quality, loyalty and mobility.

However, the biggest concern going forward is not the size of the workforce, but its quality, loyalty and mobility. Asked to name their key talent challenges over the next three years, E&M CEOs highlighted the limited supply of candidates with the right skills, followed by competitors recruiting some of their best people, difficulty in deploying experienced talent globally, challenges in recruiting and integrating younger employees, and employees making career changes for personal reasons. They are less concerned than CEOs in other sectors about the retirements of older workers: it's a young people's industry. (See Chart 2)

E&M CEOs intend to meet these challenges through a number of strategic changes. Eighty percent are planning 'some or a significant' increase in their companies' commitment to creating and fostering a skilled workforce, and many are looking to improve access to specific skills by using more part-time or contract staff.  Other changes being planned to people strategies will be aimed at incentivising younger workers, boosting the focus on non-financial rewards, deploying more staff on international assignments, and attracting and retaining more women. Each of these objectives is highlighted more often by respondents in E&M than those in other sectors.

The growing focus on international mobility echoes the findings of a recent PwC report, Talent Mobility 2020: The next generation of international assignments. This found that mobility strategies in all industries will need to become more sophisticated and complex as organisations meet growing deployment demands, with the millennial generation viewing overseas assignments as a rite of passage. In our view, this outlook that will change the way workers and organisations approach overseas opportunities in the future--resulting in a further 50% increase in international assignments by 2020.

### *2. Consumer spending and behaviours: Targeted innovation*

Few industries come close to E&M for the current pace and scope of change in customer needs and habits. According to PwC's Global Entertainment & Media Outlook 2010-2014, consumer spending on digital content will increase at a compound annual growth rate (CAGR) of 17.1% during the five years to 2014, far outpacing the expansion in non-digital spending, which will grow at only 3.0%.

E&M CEOs are acutely aware of the implications of this rapid migration to digital revenues. Asked how concerned they are generally about a permanent shift in consumer spending and behaviours, 73% said they were 'somewhat' or 'extremely' concerned, compared to 48% across all industries. And over three-quarters of E&M respondents see a need for 'some' or a 'significant' change in strategy in the next three years in response to consumers' increasing focus on price and value for money. (See Chart 3).

This change will also bring with it opportunities, as it will usually involve putting customers and collaboration even more firmly at the heart of innovation. Some 67% of E&M CEOs expect consumers to play a more active role in product and service development, and 78% will look to suppliers for help with product innovation (versus 62% overall).

***"No question, the younger generation is not as used to a television screen as the older ones. They're much more used to a computer screen. They are much more impatient. We've all heard, 'I want what I want when I want it.' And for every new media device, there are more and better ways of getting content. It is a challenge for us, getting content out there, and getting paid for it."***

Leslie Moonves,
President and Chief Executive Officer, CBS Corporation

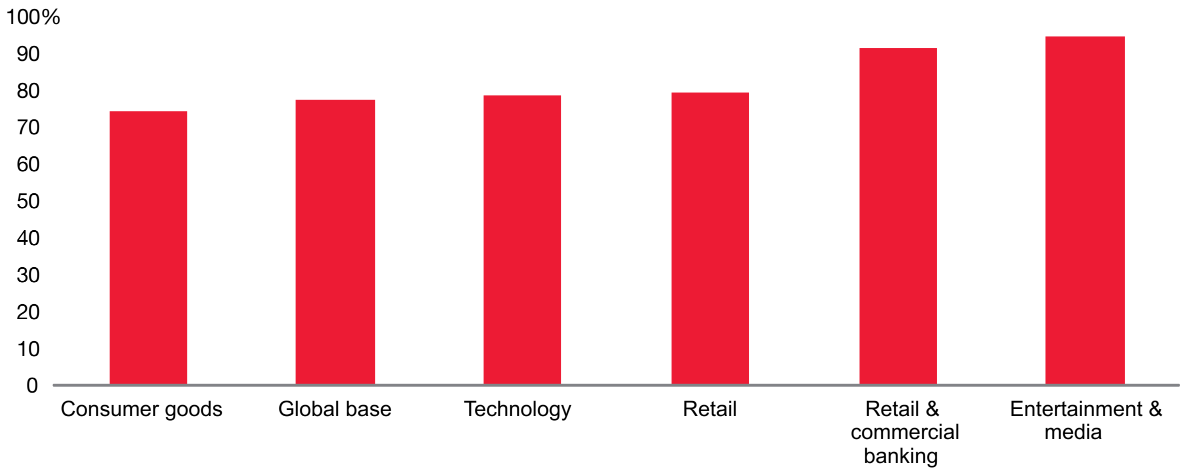
More generally, an overwhelming 90% of E&M respondents (compared to 67% overall) are planning 'some' or a 'significant' increase in their commitment to generating innovations and safeguarding intellectual property.

In terms of the focus areas for innovation, it is hardly surprising that E&M CEOs are concentrating more than those in other industries on responding to consumers' increasing use of mobile devices and social media. Leslie Moonves, President and Chief Executive Officer at CBS Corporation, sums up this widely-held view.

"No question, the younger generation is not as used to a television screen as the older ones. They're much more used to a computer screen. They are much more impatient. We've all heard, 'I want what I want when I want it.' And for every new media device, there are more and better ways of getting content. It is a challenge for us, getting content out there, and getting paid for it."

Underlining the critical importance of technology in achieving this, our E&M respondents are also more likely than those in other sectors to say IT investments are primarily to support growth initiatives and leverage emerging innovations, and that IT investments are frequently discussed at board level.

**Chart 3: Mobile devices and social media are driving changes in strategy across industries**




Q: CEOs who will change strategy in the next three years in response to consumers increasingly using mobile devices and social media to voice their needs and preferences to companies

*Base: All respondents (1,201)*

*Source: PricewaterhouseCoopers 14th Annual Global CEO Survey 2011*

> *"...scale, diversification and agility will distinguish the winners from the losers"*

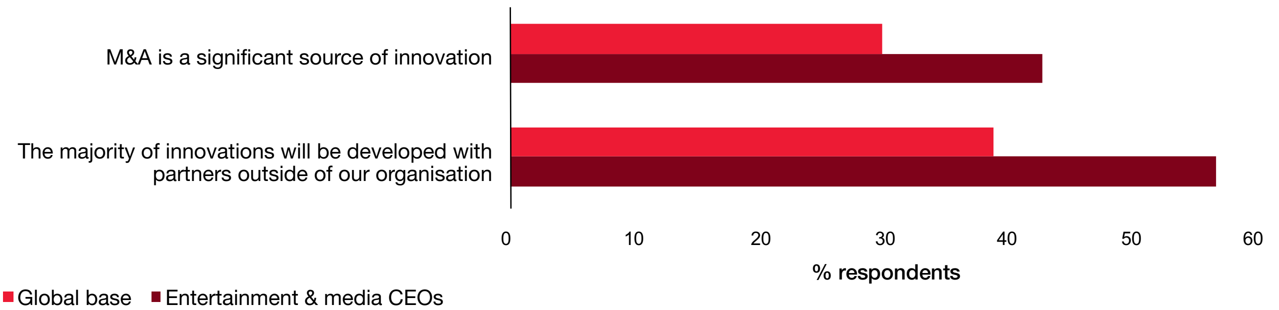
### *3. Organisational structures: Reshaping for collaboration*

To enable and equip their businesses to respond effectively to the challenges facing them, E&M CEOs know they must first reshape and restructure their companies. In a recent PwC thought leadership paper, Phoenix from the flames: the future media organisation, we highlighted the fact that the economics of media are changing radically, and that industry operating models need to catch up quickly. As we pointed out, scale, diversification and agility will distinguish the winners from the losers--and the new media organisation will require fresh talent, organisational structures and commercial arrangements.

The E&M CEOs we surveyed are increasingly in agreement with this analysis. 50% expect some degree of organisational change, and 37%--more than in any other sector--expect this change to be major, possibly including M&As. An even higher proportion of E&M CEOs--57%, compared to 39% overall--agree or agree strongly that the majority of their innovations will be co-developed with partners outside their organisation. And they are more likely than CEOs in other sectors to regard M&As as a significant source of innovation.

This view is helping to fuel a resurgence in M&A deals in the media industry, as highlighted in a recent PwC analysis of M&A deal volumes and values in Europe in 2010. We found that the market low-point for media deals in 2009 had been followed by a 90% rebound in year-on-year deal value in 2010, as greater confidence and activity return to the market. (see Chart 4).

**Chart 4: Sources of innovation**




Q: CEOs agree or agree strongly that...

*Base: All respondents (1,201)*
*Source: PricewaterhouseCoopers 14th Annual Global CEO Survey 2011*

The importance of growth-focused innovation as a driver of corporate restructuring mirrors several other findings from our research among E&M CEOs, including the pivotal role of M&As, joint ventures and strategic alliances in growth strategies, and the increasing emphasis on collaborative innovation with suppliers and consumers. Taken together, these findings reinforce the results of last year's CEO Survey, which showed that collaboration is becoming increasingly vital as new business models demand greater speed, agility and flexibility to get closer to the digital consumer.

In line with this shift, a higher percentage of CEOs in E&M than in any other sector expect to form a new strategic alliance or joint venture in the next 12 months. Again, a comment from CBS Corporation's Leslie Moonves exemplifies the trend: "In India, we formed a partnership with Reliance Group, which is that country's largest media company. Initially, we're using existing CBS content, and we're going to create original content there. That's how we're expanding our brand internationally, and we'd like to do more of that."

M&A activity is also set to intensify, with 47% of E&M CEOs expecting to complete a cross-border merger or acquisition, compared to just 34% of the total survey population. Significantly, 43% of E&M CEOs anticipate that this activity will be in Asia, reflecting expectations that Asian brands will become increasingly dominant.

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