

E&M Outlook 2014 – 2018 Fact Sheet

Summary of key segment insights globally

Advertising is spearheading the migration to digital as it follows eyeballs online...

- **Internet TV advertising will double its share of total TV advertising revenue in the next five years.** Internet TV advertising revenue from traditional broadcasters will increase from US\$3.7bn in 2013 to US\$9.7bn in 2018, and more than double its share of total TV advertising from 2.2% in 2013 to 4.5% in 2018. Traditional broadcasters still dominate and are adapting to the Internet video opportunity, so creating themselves a significant new revenue stream, despite competition from Internet rivals.
- **Mobile advertising will overtake classified Internet advertising in 2014.** Global mobile Internet advertising revenue is forecast to leapfrog classified Internet advertising to become the third-largest Internet advertising channel with revenues of US\$18.9bn in 2014. But after four particularly strong years between 2010 and 2013, driven by the launch of a range of tablets, the annual rate of mobile revenue growth is falling back to the levels seen prior to their introduction and advertisers must do more than simply migrating large-screen banners to handhelds to ensure that such growth can be sustained.
- **Digital consumer magazine advertising revenue is much larger than digital circulation.** Global digital consumer magazine advertising revenue will be US\$12.4bn in 2018, rising at a 17.6% CAGR; digital circulation revenue will be just US\$5.7bn in the same year. This compares to a decline of -3.9% CAGR for consumer magazine print advertising revenue. Currently advertising is centred on magazine websites, but, as digital circulations increase, electronic editions will become increasingly popular for advertisers.
- **Digital out-of-home (DOOH) advertising revenue will see significant growth in the fast-growth markets.** DOOH advertising is driving overall OOH advertising growth globally at a CAGR of 16.2%. However, in certain fast-growing markets overall, DOOH advertising revenue is forecast to grow even more rapidly, with CAGRs in excess of 30%, and China is set to become the largest DOOH advertising market in the world by 2017.

...while success in monetising the digital consumer can be found in offering choice and better experiences

- **Subscription TV will not be daunted by the rise of OTT, as it grows across global markets.** Global subscription TV revenues (excluding licence fees) will grow at a CAGR of 3.5% over the next five years to US\$236bn in 2018. This growth demonstrates that subscription TV is in a healthy position, assisted by the initiatives it has implemented to counter the impact of OTT and other disruptive influences.
- **Box office resilience underscores the continuing popularity of the cinematic experience.** Global box office revenue will exceed revenue from physical home video in 2014 and grow over the forecast period to US\$45.9bn by 2018, from US\$36.1bn in 2013, at a 4.9% CAGR. In many growth markets, there is a new, affluent middle class; in these markets, cinemas are being built in increasing numbers to cater for these audiences.
- **Digital newspaper payments are taking off, but won't prove transformational.** Digital newspaper circulation revenue grew by 66.2% through 2013. But despite individual publishers reporting improved fortunes, few are hailing a transformation – digital circulation will make up just 8% of total circulation revenue globally by 2018.
- **Rising digital consumer revenue may be driven by 24/7 access.** Two of the best-performing consumer sub-segments use a model in which consumers pay for round-the-clock

access: digital music streaming, where revenue will grow at a 13.4% CAGR, and electronic home video OTT/streaming, set to rise at a 28.1% CAGR. Growth rates such as these will not only offset a slow-moving non-digital consumer market, but may also point the way forward for other segments.

- **Global electronic home video revenue will exceed physical home video revenue in 2018.** Globally, the total combined revenue from OTT/streaming services and broadcasters' video on demand services will grow at a CAGR of 19.9% to overtake physical home video revenue (the sale and rental of DVDs and Blu-ray discs) in 2018.
- **Digital recorded music revenue will surpass physical recorded revenue in 2014.** Global total digital recorded music revenue will exceed physical recorded music revenue for the first time in 2014, at US\$10.18bn against US\$10.17bn, respectively. Growth in digital has given consumers greater choice and allowed many different formats to flourish. Greater service appeal for consumers will improve sales and by 2018, the year-on-year decline in total recorded music revenue will be just -0.1%.
- **All-you-can-read subscription services are yet to take off but will be transformational.** While they are still to gain traction, with a number of subscription services and paid-for aggregators on the market, user numbers are soon to reach critical mass. With growing magazine circulations will come rising circulation and advertising revenue.
- **Internet gaming is widening gaming participation and micro-transactions are helping to grow revenues.** Internet gaming (including social gaming) has opened up markets previously considered lost to piracy, with the business model enabling greater freedom and choice in how much gamers pay. China is the second-largest market for Internet gaming (US\$4.2bn in 2013 with a 7.9% CAGR from 2013-2018), while in 2017 Russia (standing at US\$588mn in that year with a 13.8% CAGR from 2013-2018) will overtake Germany to become the seventh-largest market for Internet gaming. Micro-transactions will help grow total video games revenues to US\$89.0bn (6.2% CAGR) in 2018 and total console games revenues to US\$31.9bn (4.9% CAGR) in 2018.