PwC's forecast of advertising and consumer spending across Kenya and 12 industry segments

# Kenyan entertainment and media outlook: 2013 – 2017

*In-depth analysis of the trends shaping the entertainment industry in Kenya*

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# *PwC Kenyan entertainment & media outlook: 2013-2017*

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I am pleased to share with you our publication, Kenyan entertainment and media outlook (the Outlook). This publication provides an overview of the entertainment and media industry in Kenya as well as deep-dive discussions on sub-sectors like Internet, television, radio, music, publishing, out-of-home advertising, video games and sports. While the report itself makes for a fascinating read, I am even more impressed with the online toolkit accompanying it.

By visiting www.pwc.co.za/outlook you can mine industry data for the last five years and forecast data for the next five years on consumer and advertising spending. Data is available for 12 industry segments in local currency for three countries: Kenya, Nigeria and South Africa. The site's intuitive functionality is touch-enabled for tablets and smartphones; search and charting functions allow you to export custom data sets to Excel and PDF. The toolkit is designed for decision makers; please do get in touch and we can explore how its functionality is specifically relevant to your business.

The key highlights of this publication are:

- **Total entertainment and media expenditure in Kenya will exceed US$3 billion in 2017, representing a 16.3% CAGR between 2013 and 2017 – one of the fastest growth rates in the world.** Demographic changes, urbanisation and innovation as well as an expanding middle class will contribute most significantly to this growth. But by far one of the most interesting trends for the industry is the growth of mobile Internet access and how that growth will impact advertising and consumer spending.
- **There are risks to the entertainment and media industry's outlook as well.** Our report shows that entertainment and media companies can offer better services together with education, enforcement and regulation to combat piracy. Affordable access to broadband Internet would have a transformative impact on Kenya's already high-growth entertainment and media industry, but slow adoption and limited availability – not to mention high cost – are limiting growth for the sector and in some cases, contributing to piracy.
- **One of the other trends that the report brings to light is how the availability of entry-level smartphones (generally understood to be less than US$100) leads to an increase in mobile data usage.** This has a significant impact on the ability of advertisers to engage directly with more consumers; the number of smartphone connections is expected to rise by an average of 40% per year between now and 2017. Advertisers know that the most effective campaigns now integrate mobile with other forms of advertising. Consumers, after all, almost always have their mobile devices with them.

For all the talk about mobile's bright future, our report shows that the majority of advertising spending in 2017 will still be through traditional media platforms like television, radio and newspapers. Advertisers are loyal to media whose effectiveness – as measured by established metrics – they know and trust. At the end of the day, the most valuable data is about what consumers will do next and measuring engagement is about who sees an ad and how they react to it.

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The report also shows how urbanisation and high literacy rates in Kenya influence advertising. A captive audience, whether departing on a flight or commuting to work, is increasingly exposed to a wider variety of entertainment and media sub-sectors. Billboards, radio, mobile advertising, music, sports and social media are just a few of the avenues for communication.

The report and toolkit are a starting point for understanding many issues relevant to entertainment and media in Kenya. Our teams are deeply conversant on these issues and we look forward to engaging with you on how they impact your business.

**Michael Mugasa**

Partner, PwC Kenya

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*Echo Beach* movie set
Cappello, Ghandi Square
Doubleshot Coffee & Tea, Braamfontein
Wits Hospice shop, Braamfontein
Jacaranda FM 94.2
Wits Art Museum
Vélo, Braamfontein
Skoobs, Montecasino
Sutherlands Home Furnishing
Primall Media
*Eish* movie set

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*Many other PwC professionals reviewed the text and contributed local expertise to this publication and we thank them for their assistance.*

# Contents

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September 2013

**To our clients and friends in the entertainment and media industry and beyond**

It is my pleasure to bring you PwC's *Kenyan entertainment and media outlook (the Outlook) which has been extracted from the South African entertainment and media outlook*, covering the forecast period 2013-2017.

The survey examines how changing patterns in spending will shape industry trends at macro- and individual-segment level and how consumers, advertisers, content creators and digital distributors are responding to these trends.

Each year, our team of entertainment and media specialists generates unbiased and in-depth consumer and advertising spend data (five-year historic and five-year forecast data) for the 12 major entertainment and media industry segments. In addition to reading this *Outlook* report, I would encourage you to visit the online *Outlook* – a guided tour of which can be found on page 8.

Our analysis of consumer and advertising spending data in this year's *Outlook* shows that consumer demand for entertainment and media (E&M) experiences, fuelled largely by the adoption of broadband and connected devices, will continue to grow. However, given the shift towards digital media – typically lower priced than their physical counterparts – we expect the rate to converge with and dip below GDP growth by the end of the forecast period.

Across the world, we are seeing consumer's access to E&M content and experiences being democratised by expanding access to the Internet and explosive growth in smart devices. And while traditional, non-digital media will continue to dominate overall E&M spending in South Africa, Kenya, Nigeria and globally throughout the coming five years, the growth will be in digital.

To harness this growth and turn it into rising digital revenues, E&M companies of all types are evaluating their competitive advantages and cementing their positions in the evolving ecosystem – with the connected consumer at its core. To achieve this successfully, every industry participant will need to invest in constant innovation that encompasses its products and services, its operating and business models and – most importantly – its customer experience, understanding and engagement.

We hope you enjoy this edition of the *Outlook*. Our PwC E&M professionals continue to track the trends explored in this publication; so if you would like to discuss anything covered here, please contact one of our E&M professionals listed on page 3 and on page 286. We would love to hear from you.

Finally, we thank you for your support and wish you an exciting and rewarding year ahead.

**Vicki Myburgh**
Leader, Entertainment and Media
PwC Southern Africa

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# *Methodology*

## Historic data collection

All forecasts have been built starting with the collection of historical data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from publicly available information, including from trade association and government agencies. When this data is used directly, these sources are cited accordingly. In addition to this, interviews with relevant associations, regulators and leading players have been held to gather insights and estimates not available in the public domain. When this information is collected, it is used as part of the calculations, and the sources are proprietary.

## Forecasting methods

All forecasts are prepared as part of a collaborative, integrated process involving both quantitative and qualitative analysis. The forecasts are the result of a rigorous process of scoping, market mapping, data collection, statistical modelling and validation.

## How we report on the data in each chapter

Segment spending consists of advertising and consumer spending directly related to entertainment and media content. Each chapter introduction begins with the definition of the spending streams that are included in that segment. We do not include spending on hardware or services that may be needed to access content.

Consumer spending is counted for at the consumer or end-user level, not at the wholesale level, and includes retail mark-ups where applicable.

## Agency commissions

Advertising revenue is measured net of agency commissions, discounts and production costs in all segments, except for radio, where agency commissions are included, as is customary within the industry.

For non-revenue categories, such as TV subscriptions and Internet subscribers, all totals are considered to be at year end.

## Inflation

Across all chapters, figures are reported in nominal terms reflecting actual spending transactions and therefore include the effects of inflation.

## Currency conversions

Currency conversions for all amounts used in this publication are calculated at the following conversion rate to the US dollar:

- 8.2051 South African rand (ZAR)
- 160.6426 Nigerian naira (NGN)
- 85.8369 Kenyan shillings (KES)

## Quantitative research

Quantitative research and analysis was provided by Informa Telecoms & Media, a provider of business intelligence and strategic services to the global telecoms and media markets.

Visit www.informatandm.com for more information.

# *Use of Outlook data*

The data in PwC's *Kenyan entertainment and media outlook: 2013-2017* is a comprehensive source of consumer and advertising data, which is also available online on www.pwc.co.za/outlook.

PwC continually seeks to update the online *Outlook* data, so please note that the data in this publication may not be aligned with the data found online. The online data is the most up to date source of consumer and advertising spending data.

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**Without limiting the foregoing, excerpts from the publication may be used only for background market illustration, should not be the sole source of 2013-2017 information and must not form part of the majority of sourced information.**

## Supplier to the *Outlook*

Informa Telecoms & Media, a provider of business intelligence and strategic services to the global telecoms and media markets.
www.informatandm.com

# About Outlook

## Insightful and in-depth analysis of trends shaping the entertainment and media industry

The *Kenyan entertainment and media outlook: 2013-2017 (Outlook)* examines how shifts in consumer and advertising spending are shaping trends in the entertainment and media industry at macro and individual segment levels and how consumers, advertisers, content creators and digital distributors are responding and gearing up to face both the opportunities and the challenges ahead.

*Outlook* is forward looking. Drawing on forecast data, we provide our interpretation of the trends that will shape the industry, and individual industry segments, over the next five years. *Outlook* provides insight that will help businesses prepare for what is ahead.

The trends we are seeing in the entertainment and media industry continue to be largely shaped by consumer and advertising spend, as spend shifts between print and digital formats and fixed and mobile consumption.

Each year, PwC's team of entertainment and media professionals prepare unbiased and in-depth five-year historic and five-year forecast spend data and commentary for 12 industry segments. This year, for the first time, *Outlook* includes information for Kenya in each of the 12 industry segments.

*Outlook* combines deep knowledge of the local markets with a truly global perspective, making it a powerful tool for understanding critical business issues.

To learn more about the opportunities and challenges that lie ahead for the entertainment and media industry in South Africa, Kenya and Nigeria, please visit www.pwc.co.za/outlook.

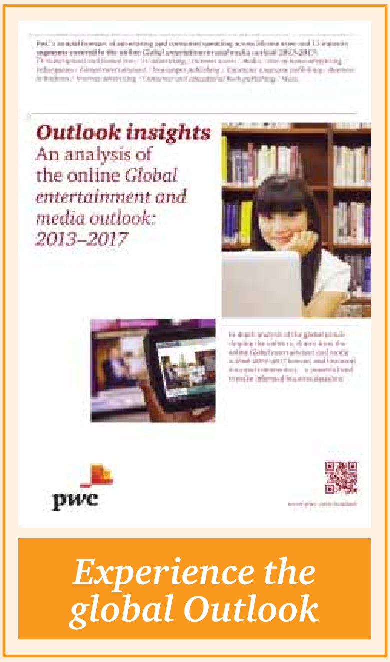
## 12 industry segments

*Outlook* not only examines how shifts in spending are shaping industry trends at a macro level, but also provides extended commentary on how these trends are playing out in the entertainment and media industry in South Africa, Nigeria and Kenya the following segments:

- Internet
- Television
- Filmed entertainment
- Radio
- Music
- Consumer magazine publishing
- Newspaper publishing
- Consumer and educational book publishing
- Business-to-business publishing
- Out-of-home advertising
- Video games
- Sports

## Outlook online

To find out more about the online *Outlook*, take the tour on page 8 or visit www.pwc.co.za/outlook.




## Experience the global *Outlook*

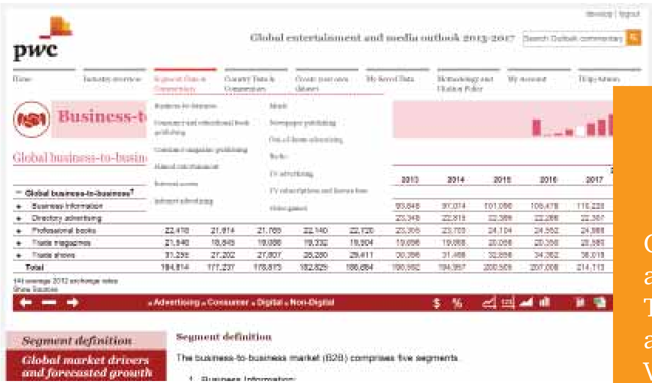
This edition of *Outlook* is part of a suite of PwC publications covering the global entertainment and media industry. The *Global entertainment and media outlook 2013-2017* is a comprehensive source of consumer and advertising spend data, also available via subscription at www.pwc.com/outlook. This publication provides in-depth five-year historic and five-year forecast spend data and commentary for 13 industry segments in over 50 countries around the world.

# Online *entertainment and media outlook: 2013–2017*

## A guided tour

The online *Outlook* provides 5-year historic and 5-year forecast consumer and advertising spend data for 12 industry segments across 3 countries. It combines comprehensive spending data with intuitive online functionality, allowing data to be easily manipulated and presented to support business decisions. The enhanced search and charting functionality makes it easy to compare and contrast spend data and growth rates across all countries and segments. For a snapshot of the data and commentary available online and how they can be searched, manipulated and presented, take the tour!

www.pwc.co.za/outlook




### *Browse consumer and advertising spend data for 12 segments...*

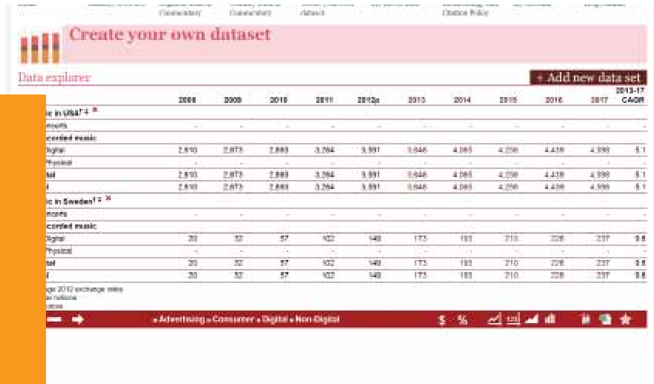
Online *Outlook* allows users to access comprehensive advertising and consumer data for 12 industry segments: TV subscriptions, licence fees, and advertising, Internet access and advertising, Radio, Out-of-home advertising, Video games, Filmed entertainment, Newspaper publishing, Consumer magazine publishing, Business-to-business, Consumer and educational book publishing, Music and Sports.


### *... and filter data by individual subcomponents for each segment*

For each of the 12 segments it is also possible to break down the spend data into revenue and non-revenue subcomponents. Consumer magazine publishing, for example, can be broken down by print advertising spend, digital advertising spend, print circulation and digital circulation.

## *Browse consumer and advertising spend data for 3 countries*

Advertising and consumer spend data is available for every segment at an individual country level. There is data for South Africa, Nigeria and Kenya.




## *Filter spend data by digital and nondigital*

Consumer and advertising data can be broken down by digital and nondigital spend for all 12 segments (where applicable) in order to understand to what extent spend is shifting from one to the other.

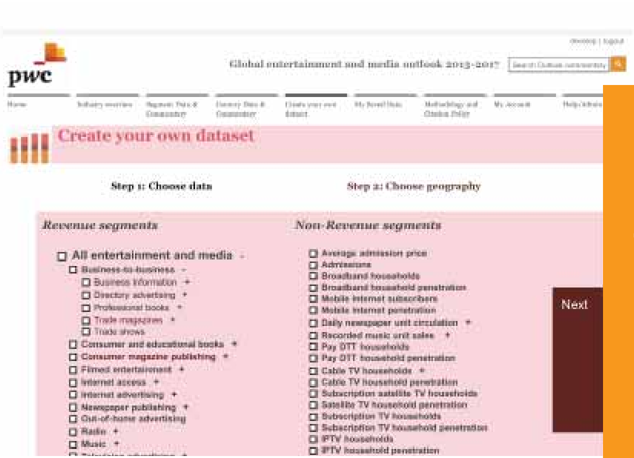

## *Calculate year-on-year growth for all 12 segments across 3 countries...*

Alongside the consumer and advertising spend data, annual year-on-year growth rates and compound annual growth rates (CAGR) are also calculated for all segments across all countries.


### ...with 5-year historic and 5-year forecast spend data

All historic and forecast data is presented covering a 10-year period from 2008 to 2017; 5-year historic and 5-year forecast.

## *Customise data by using the enhanced functionality*

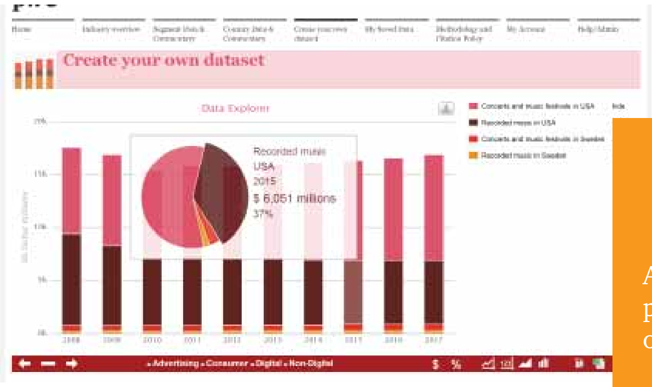



### Create bespoke searches comparing spending data by segment...

The intuitive search functionality means it is easy to compare and contrast consumer and advertising spending across countries and segments and drill down into the detail, searching by individual revenue and nonrevenue.

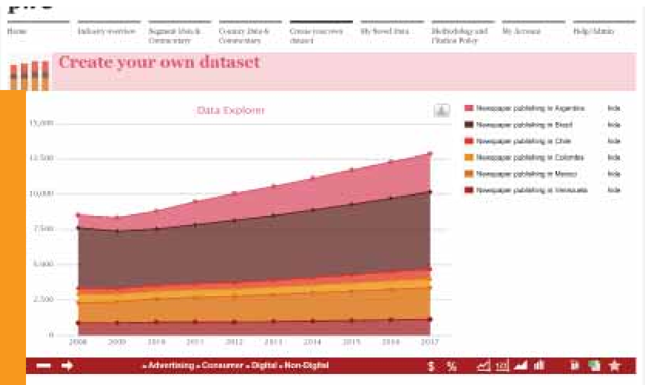

### ...and by country

Compare spend by geography—at a country level—for each of the segments and individual-segment subcomponents, thereby creating simple or complex searches and data sets by using the create-your-own-dataset tool.



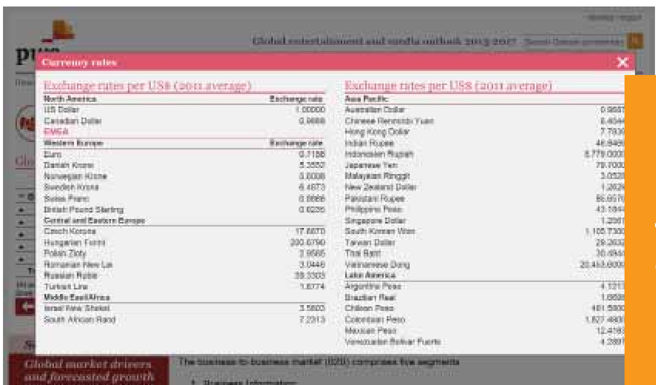

### *Create bespoke bar charts, line graphs and pie charts instantly...*

As well as creating bespoke data sets, users can create professional-looking charts and graphs on-screen at the click of a button.




### *... and export to include in presentations and reports*

All data tables, bar graphs, line graphs and pie charts can be exported to PDF or Excel, making it simple to create tailored charts and graphs to drop into presentations.

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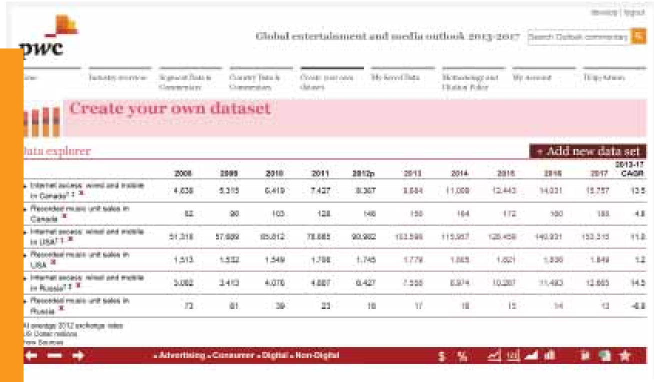
### *Convert spending data into local currency*

To ensure relevance at the local level, data can be viewed in 2 different currencies.

## *Save bespoke searches and data sets for future reference*

The my-saved-data tool saves all bespoke data sets for future use so the data is not lost.



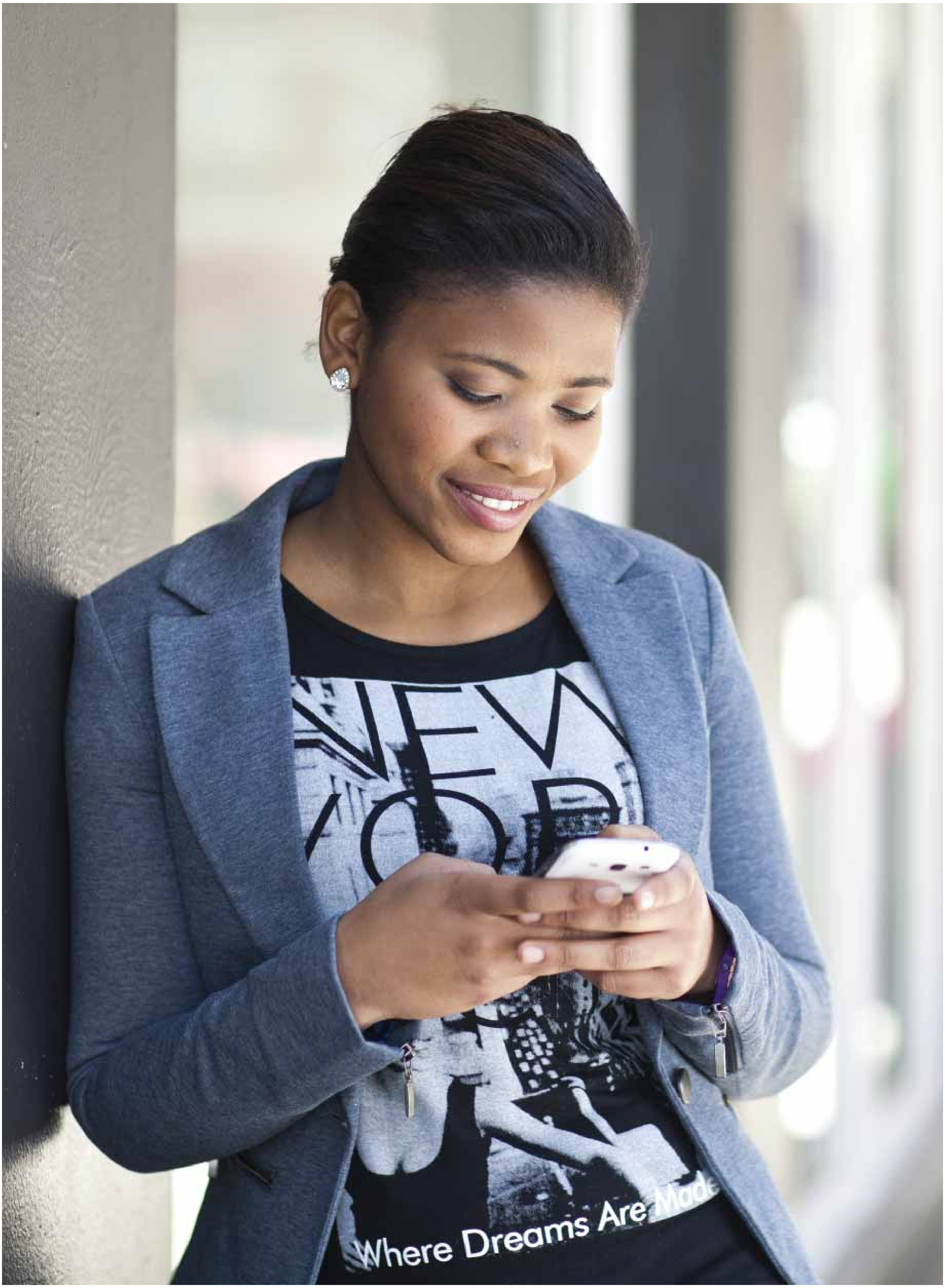

## *Read and download more industry, segment and country commentary that ever before*


## *Read commentary for every segment at global, regional and country levels*

As well as spend data for every segment there is also commentary, which talks to the numbers. For every segment there is summarised commentary on global and regional drivers of growth and forecast growth and individual-country commentary for 3 countries.

## *Download to PDF all data and commentary for an individual country*

When browsing by country, the 'Print country data and commentary function, found on the left hand navigation, will collate all segment data tables and commentary (for all 12 segments) into one PDF for the selected country. Country PDFs are new this year.


NEW
Where Dreams Are

# Section 1
# *Industry overview*

*Michael Mugasa*
*Partner, PwC Kenya*

# Kenya

## *The emerging middle class in the cities of Kenya will drive growth in entertainment and media expenditure.*

**Kenyan entertainment & media market, 2008-2017 (US$ millions)**

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Television | 128 | 161 | 227 | 355 | 418 | 486 | 564 | 651 | 751 | 865 | |
| *YOY growth (%)* | | *25.5%* | *41.3%* | *56.3%* | *18.0%* | *16.4%* | *15.9%* | *15.5%* | *15.4%* | *15.2%* | *15.7%* |
| Internet | 11 | 25 | 45 | 79 | 135 | 220 | 348 | 535 | 788 | 961 | |
| *YOY growth (%)* | | *131.2%* | *80.6%* | *74.3%* | *70.6%* | *64.2%* | *57.9%* | *53.9%* | *47.2%* | *21.9%* | *48.3%* |
| Radio | 87 | 150 | 220 | 258 | 274 | 290 | 307 | 322 | 333 | 339 | |
| *YOY growth (%)* | | *72.9%* | *46.5%* | *17.2%* | *6.2%* | *5.8%* | *5.8%* | *4.7%* | *3.6%* | *1.9%* | *4.4%* |
| Filmed entertainment | 47 | 40 | 42 | 43 | 43 | 44 | 44 | 43 | 44 | 46 | |
| *YOY growth (%)* | | *-15.1%* | *4.5%* | *2.7%* | *-0.8%* | *0.5%* | *0.7%* | *1.1%* | *1.6%* | *2.7%* | *1.3%* |
| Out-of-home | 32 | 58 | 67 | 90 | 97 | 106 | 116 | 129 | 141 | 153 | |
| *YOY growth (%)* | | *78.8%* | *16.6%* | *34.5%* | *8.0%* | *8.5%* | *9.7%* | *10.9%* | *9.4%* | *8.6%* | *9.4%* |
| Sports | 33 | 43 | 94 | 58 | 79 | 90 | 105 | 118 | 138 | 150 | |
| *YOY growth (%)* | | *32.5%* | *120.0%* | *-38.6%* | *37.1%* | *12.7%* | *18.9%* | *11.7%* | *16.4%* | *9.1%* | *13.7%* |
| Music | 16 | 17 | 18 | 19 | 20 | 20 | 20 | 21 | 20 | 20 | |
| *YOY growth (%)* | | *6.9%* | *4.2%* | *3.7%* | *4.1%* | *1.7%* | *1.5%* | *0.9%* | *-1.2%* | *-1.4%* | *0.3%* |
| Consumer magazines | 43 | 42 | 56 | 62 | 67 | 73 | 81 | 88 | 95 | 104 | |
| *YOY growth (%)* | | *-2.5%* | *35.3%* | *9.1%* | *7.8%* | *9.1%* | *10.5%* | *9.3%* | *7.3%* | *8.6%* | *9.0%* |
| Newspapers | 98 | 99 | 130 | 152 | 190 | 206 | 219 | 229 | 239 | 248 | |
| *YOY growth (%)* | | *0.4%* | *31.1%* | *17.0%* | *25.3%* | *8.5%* | *6.0%* | *5.2%* | *4.2%* | *3.6%* | *5.5%* |
| Consumer & educational books | 31 | 32 | 33 | 40 | 37 | 37 | 37 | 37 | 37 | 37 | |
| *YOY growth (%)* | | *2.5%* | *7.7%* | *17.1%* | *-6.5%* | *-0.8%* | *0.6%* | *0.5%* | *0.0%* | *-0.2%* | *0.0%* |
| Business-to-business | 36 | 43 | 45 | 50 | 59 | 65 | 73 | 79 | 84 | 88 | |
| *YOY growth (%)* | | *19.5%* | *7.3%* | *12.9%* | *13.6%* | *13.3%* | *8.7%* | *7.7%* | *6.3%* | *5.1%* | *8.2%* |
| Video games | 13 | 16 | 22 | 30 | 41 | 51 | 61 | 74 | 86 | 101 | |
| *YOY growth (%)* | | *30.0%* | *35.1%* | *37.5%* | *33.6%* | *24.3%* | *21.2%* | *19.4%* | *18.2%* | *16.9%* | *20.0%* |
| **Total*** | **574** | **724** | **997** | **1 231** | **1 453** | **1 681** | **1 966** | **2 314** | **2 740** | **3 093** | |
| ***YOY growth (%)*** | | ***26.2%*** | ***38.1%*** | ***23.4%*** | ***17.8%*** | ***15.6%*** | ***16.9%*** | ***17.8%*** | ***18.5%*** | ***12.8%*** | ***16.3%*** |

Source: PwC, Informa Telecoms & Media

*Kenya's E&M market will grow at a CAGR of 16.3% in the next five years.*

*Newspaper, directory, consumer magazine, trade magazine and online TV advertising are included in their respective segments and also in Internet advertising, but only once in the overall total.*

Kenya, like Nigeria, is one of the most vibrant markets in sub-Saharan Africa. A growing middle class, rising rates of literacy, a larger urban population and the growing importance of the mobile phone as platform for communication and content are all helping to create significant new opportunities for the entertainment and media market.

Total entertainment and media expenditure in Kenya will exceed US$3 billion in 2017, representing a 16.3% CAGR between 2013 and 2017. Consumer expenditure will account for half of this.

The consumer drive for entertainment and media will be compelling in Kenya, showing a 24% CAGR between 2013 and 2017. By far the fastest growth area in consumer spend will be Internet access (a CAGR of 52%) and driving this surge will be the visibility and the dominance of Kenya's largest mobile operators.

Internet access in Kenya will be dominated by mobile Internet access. It is no surprise, therefore, that advertisers will look to the Internet as a key medium for access to consumers, alongside TV and filmed entertainment.

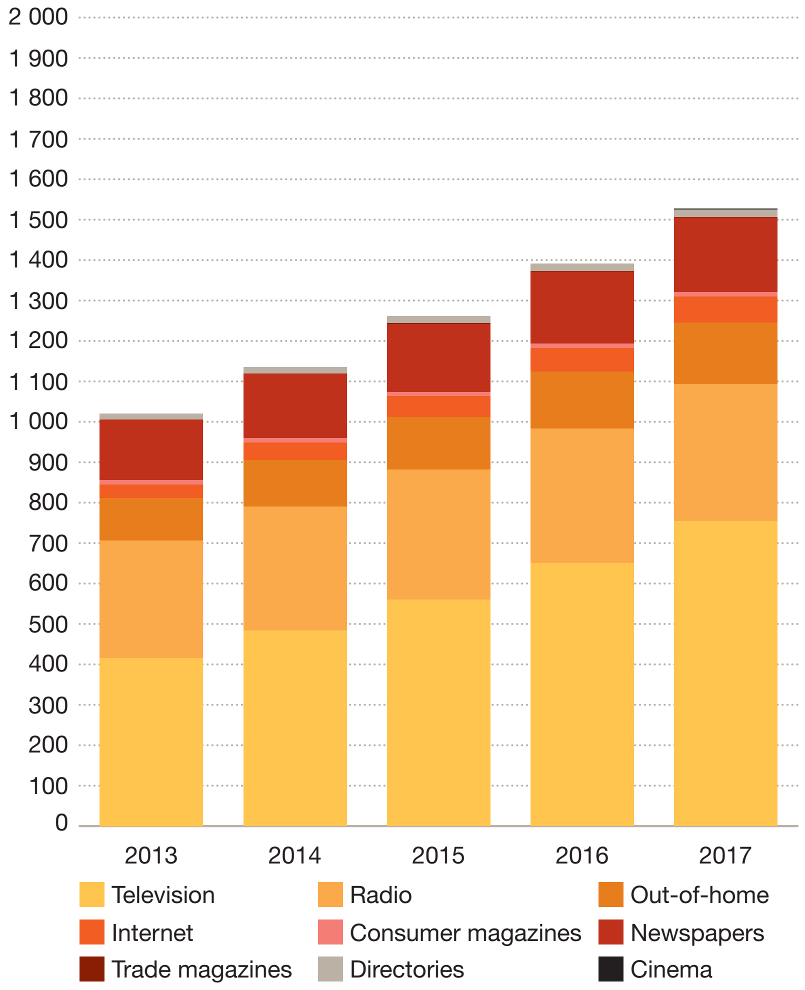
Not only will the Internet be the fastest growth area for expenditure, it will also be the largest market, worth approximately US$961 million in 2017.

TV remains the single most effective channel for advertising in Kenya, accounting for just over 40% of advertising revenue in 2012, a figure likely to increase to approximately 50% in 2017.

Radio remains an important advertising platform in Kenya, generating US$339 million in 2017, more than newspapers and out-of-home advertising.

***TV is the dominant form of advertising, but Internet shows steady growth.***

**Advertising expenditure by entertainment & media segment, 2013-2017 (US$ millions)**




Source: PwC, Informa Telecoms & Media

## Demographic changes

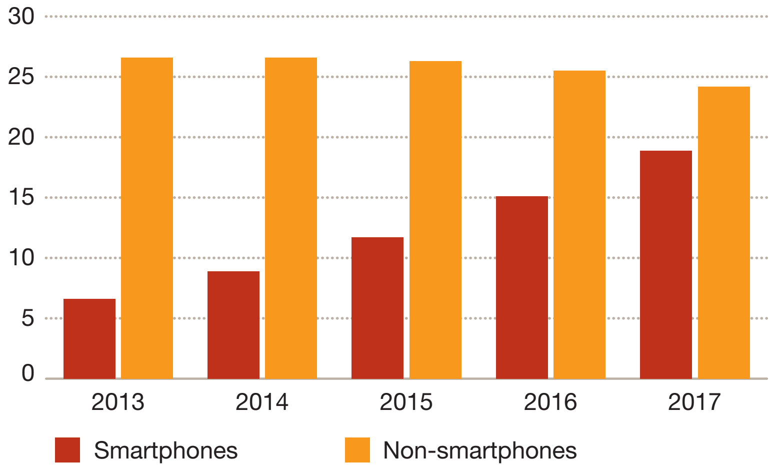
*The maturing Kenyan market is gaining a taste for greater access to entertainment and media services.*

*There will be 18.9 million smartphones in Kenya by 2017.*

Kenya is a market that reflects both the growing trend of urbanisation in Africa and the innovation of high-growth markets. Approximately a quarter of the population now resides in urban areas and there is also a fast-developing middle class, notably in the capital city of Nairobi. This is creating a new appetite for entertainment and media services, which is also being fuelled by investment in education and the resultant growing levels of literacy, with 87% of the population now literate, according to UNICEF estimates

With over 30 million mobile subscribers, representing population penetration of 70%, Kenya is one of Africa's most mature cellular markets. The availability of entry-level smartphones is leading to an increase in mobile data usage. Informa Telecoms & Media projects that the number of smartphone connections in Kenya will reach nearly 19 million by the end of 2017. This projected growth will be a result of increased interest among smartphone manufacturers in entering the market with low-cost devices.

**Smartphone market subscriptions, 2013-2017 (millions)**




Source: Informa Telecoms & Media

Kenya's largest mobile operator is Safaricom and growth of mobile data is best illustrated by the operator's announcement that its data revenues grew by 42% year on year in 2012. This was the result of expanded data offerings and enhanced coverage of its 3G network.

With regards data usage, it is interesting to note that in Kenya, much of the usage is driven by information, navigation and money transfers, as opposed to the clearer focus on entertainment seen in Nigeria.

However, there is a clear similarity to South Africa and Nigeria – cellular networks are driving Internet access and the range of devices now available to the mass market is transforming the face of the market, with Internet access becoming increasingly available to a wider range of the local population. This will make a significant impact on the ability of advertisers in Kenya to engage directly with consumers.

# Section 2
# *Viewpoint: the industry story*

***Digitisation and mobile access are changing the Kenyan entertainment and media market.***

## Digitisation and mobile access

In Kenya, as in other markets worldwide, consumers' access to entertainment and media content and experiences are being democratised by expansion of access to the Internet and the explosive growth in smart devices.

Even though traditional, non-digital media will continue to dominate overall E&M spending in Kenya over the next five years, much of the growth will come from digital.

To harness this growth and compete effectively in the future, E&M companies of all types must evaluate their competitive advantages and seize their positions in the evolving ecosystem  with the connected consumer at its core. This will require continued commitment to, and investment in innovation that encompasses not just products and services, but also operating and business models that – crucially  focus on consumers' experiences.

The changes in the E&M sector in Kenya are profoundly affecting four groups of stakeholders: consumers, advertisers, content creators and digital distributors.

***Connected consumers are increasingly looking for digital and personal content.***

## Personal digital content

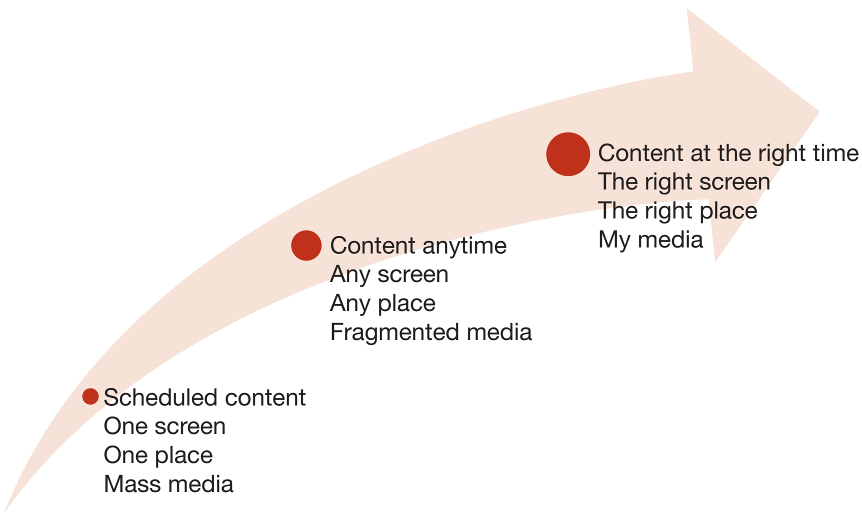
Led by the burgeoning middle class, consumers will continue to increase their spending on E&M as they migrate towards digital and, increasingly, mobile consumption across an expanding array of devices.

The underlying journey is from 'mass media' to 'my media' and the E&M companies that successfully accompany consumers along the way will be the ones that have the speed, flexibility and insight to engage and monetise an ever-more diverse consumer base by delivering personalised, relevant and ultimately, indispensable content experiences.

***In the long term, there is a general shift towards a personalised content experience.***

In the last five years, consumers have seen an explosion of choice, encouraged by a small rise in household broadband, but primarily by a far more substantial increase in mobile. As consumers decide how, where and when they access the content they want to enjoy, the E&M industry has struggled to retain control of its tried-and-trusted business models. In many instances, the connected consumer is increasingly in control.

**The progression of content from 'mass media' to 'my media'**



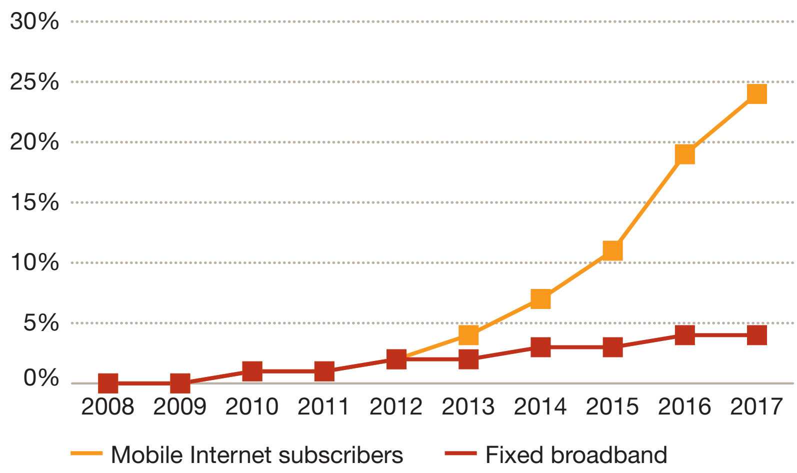

Source: Global entertainment and media online outlook 2013-2017, PwC, Informa Telecoms & Media

The role of the E&M industry is shifting from a model in which it controlled everything – from the creation of the content through to its distribution – to one in which it must provide connected consumers not just with great content, but also with great digital experiences. There are clear signs that when companies innovate in an agile manner and harness technologies that enable them to gain deep insight into consumer tastes and behaviours, they can start to define a successful, multiplatform future that will drive revenues and margins.

This underlines the extent to which constant digital innovation, including new thinking and approaches to business models and collaborations, is now a basic imperative for being – and staying – in the E&M game.

***Mobile Internet access growth will outpace fixed broadband.***

**Internet access adoption by type in Kenya, 2008-2017 (%)**




Source: PwC, Informa Telecoms & Media

## Going mobile

***The mobile device provides more opportunities to engage with a different client base.***

The new mobile device user will be very different from the past: he or she will be poorer, younger, less educated and unlikely to have access to fixed broadband. This is typified in Kenya, where large swathes of the population remain unable to afford a computer with a fixed broadband connection and mobile presents a far cheaper and more accessible alternative way to access the Internet.

Many African consumers will be using their mobile devices not primarily for communicating, but for the purpose of entertainment, accessing information or transferring money. This means the quality of the customer experience will change from concerns around network congestion and coverage, to Internet speeds and to the relevance of services on offer. One sub-segment this will impact is mobile gaming, which is forecast to be the biggest driver of video games growth in Kenya over the forecast period.

The economy as a whole will benefit from an increase in mobile penetration.

The World Economic Forum's *Global Information Technology Report 2013* suggests a 10% increase in mobile penetration can lead to a 1% rise in low to medium income GDP[1]. Similarly, reasearch by the World Bank found that a similar increase in broadband penetration results in a 1.4% increase in per capita GDP growth in developing countries.[2]

This explains why there has been a concerted focus by policy makers to accelerate digitisation across many markets in Africa. Plans are in place to interconnect capitals and major cities with broadband infrastructure, to connect villages to broadband services, to adopt regulatory measures to promote affordable and widespread access to broadband services, to support the development of ICT skills and to adopt national e-strategies. The recent implementation of the West African Cable System (WACS), the fifth submarine cable system to link South Africa to the rest of the world, is an example of how the South African Government has made moves to ensure that all South Africans will have access to broadband connectivity by 2020.

[1] http://www.weforum.org/reports/global-information-technology-report-2013

[2] information and communications for development 2009: extending reach and increasing impact, world bank, 2009. http://web.worldbank.org/wbsite/external/topics/extinformationandcommunicationandtechnologies/extic4d/0,,contentmdk:22229759~menupk:5870649~pagepk:64168445~pipk:64168309~thesitepk:5870636,00.html

## Identifying new E&M opportunities from the growth of mobile in Africa

| | |
|---|---|
| **Low-cost devices** | Low-cost devices will be essential if the full suite of consumer needs is to be met in some of the world's poorest and middle-income countries. The desire for a smartphone will drive the sub-$100 (R821) smartphone market. |
| **Enriched content** | Young, rural and upwardly mobile consumers will increasingly use their devices to find a job or a new partner, transfer money to loved ones, share music with friends or interact with social media services, such as Twitter and Facebook. |
| **Mobilised SMEs** | Small enterprises are the growth engine of emerging economies, and governments are eager to encourage their success. SMEs have a heightened dependence on mobility to conduct business because they do not possess enterprise-class fixed assets. |

Source: PwC, Informa Telecoms & Media

In Kenya, a combination of investment, regulatory action and market factors such as competition, technological innovation and economies of scale, have made telecoms and media services increasingly sophisticated, more widely available and affordable. However, there are no grounds for complacency. Devices and services are still expensive – sometimes prohibitively so – for poorer people.

Even though Internet connectivity may spur the growth of many developing economies, investment in infrastructure to meet the rising demand for fast and reliable broadband needs to catch up. And catch up it must, because broadband has a vital role to play across society in providing:

- Small businesses with the opportunity to broaden their customer bases and reduce overheads;
- Local farmers and fishermen with information on weather forecasts, pricing and sustainable farming techniques; and
- A link in smart electricity grids, facilitating the integration of locally generated electricity.

There is, however, a fundamental problem for the public and private sectors to solve: the high costs of rolling out fibre-to-the-exchange (FTTx) and next-generation Long-Term Evolution (LTE) mobile technology.

This has led many to question whether today's competing players can each individually afford to build and own networks in a next-generation network world. Yet the momentum for the next phase of digital growth remains unstoppable.

## *Cord cutting and cord nevers: The growing ranks of online-only content consumers*

Cord cutting is the process by which some consumers decide to abandon their traditional pay-TV subscriptions and instead access the content they want online, often via an array of relatively cheaper, Internet-based content services.

A further interesting dynamic now emerging is the cord nevers – a younger generation of people, who have never been pay-TV customers and who would never think of accessing content any other way than via the Internet. For the traditional pay-TV industry, the risk is that this represents a generational shift that will become more pronounced as more and more young consumers become adults.

The dynamics of cord cutting are investigated in a PwC report published in 2013, entitled *The cord cutting debate and the role of the second screen in TV, advertising and content distribution.* The paper stresses that traditional TV viewing is still popular, with ubiquitous TV content-on-the-go packages becoming commonplace. OTT services are still limited, while growing engagement with second-screen offerings are helping to generate incremental revenue and retain customers' attention.

Although cord cutting may not have a significant impact on pay-TV providers in the short-term, the consensus is that cord cutting is beginning to accelerate. With subscription pay-TV bundles becoming ever-more expensive for consumers, there is a growing economic rationale for consumers to cut the subscription cord and move to a pay-as-you-go or on-demand service, as they seek more spontaneous and flexible ways to access content.

Part of the problem lies in the rising content costs being charged by owners, resulting in the distributors' raising prices to maintain their margins. But consumers don't appreciate that factor, since it is invisible to them. Also, aside from the impact on pay-TV providers, a further implication of the rising levels of cord cutting is the opportunity it creates for online content discovery, search and aggregation services.

Globally, pay-TV providers are making various moves aimed at reducing cord cutting and minimising the impact of a rising tide of cordless consumers. This includes offering subscribers password-protected Internet – and increasingly – mobile access to their channel bundles. This strategy is now being extended to include pay-per-view day passes to premium content for non-subscribers.

Source: The cord cutting debate and the role of the second screen in TV, advertising and content distribution, PwC, 2013
http://www.pwc.com/us/en/industry/entertainment-media/publications/cord-utting-second-screen-tv-networks.jhtml

***Mobile advertising has gained importance as advertisers try to reach users on multiple devices.***

# *Mobile advertising*

***Advertisers should seize the opportunities offered by mobile.***

Thanks to the range of affordable mobile handsets, a relatively high proportion of Kenyan consumers are using mobile to access the Internet, rather than fixed line. While Kenya's high mobile penetration will directly benefit the mobile advertising sector, it will also provide new impetus to other advertising formats, such as out-of-home and online directory advertising.

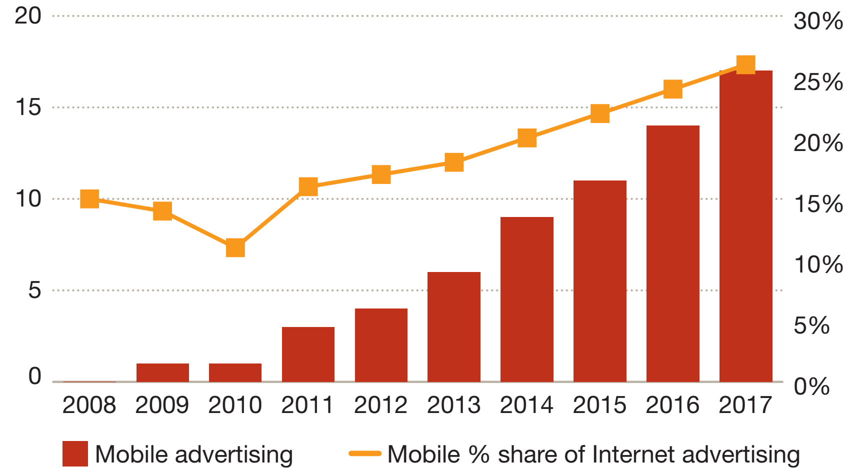
Elsewhere, the deepening relationship between consumers and advertisers will also generate new opportunities to sell products and services directly from mobile devices. The growth and influence mobile will have on Internet advertising in Kenya will be of the most significant factors in the development of Kenyan entertainment and media in the next five years.

## Integrated campaigns

Advertisers and brands are beginning to use mobile advertising as part of integrated campaigns involving outdoor, online, TV, radio and print advertising.

***Mobile advertising will help drive growth in Internet advertising.***

Mobile advertising spending in Kenya, 2008-2017
(US$ millions and as a % of total Internet advertising)




Source: PwC, Informa Telecoms & Media

Even if mobile advertising's share of total advertising revenues is not game-changing in the short-term, neither the potential nor the importance of mobile as an advertising platform should be underestimated in the long run.

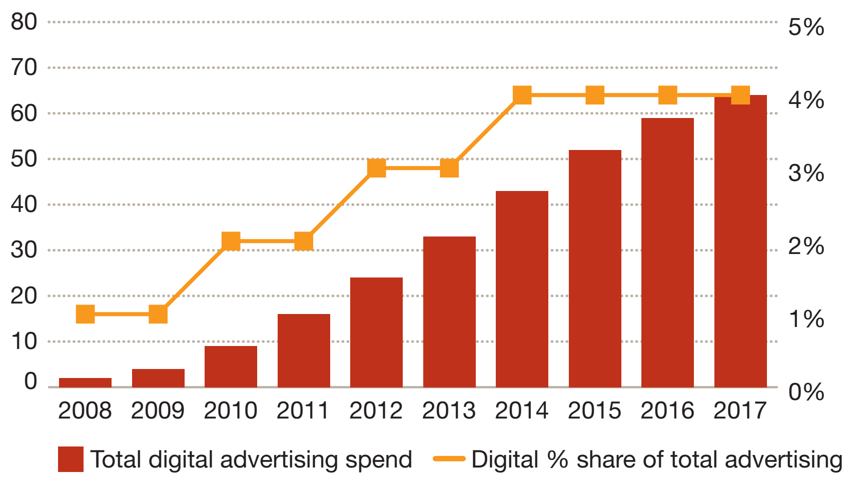
While mobile ad revenues continue to grow, in the near term, mobile's major role in advertising will not be just as a standalone platform, but as a component of a wider multi-platform campaign. The most effective ad campaigns will be those that integrate mobile with other forms of advertising.

Brands and advertisers increasingly want to reach their target audience through multiple channels. The mobile device is pivotal to this aim, as it is the only device that a consumer carries all the time. It can therefore play a key role in increasing the effectiveness of advertising campaigns by extending the consumer engagement period.

## Traditional media will still dominate

Digital advertising revenues are growing overall, but some segments and territories are seeing more rapid growth, linked to the penetration of Internet access and mobile phone ownership. But while consumers globally continue to embrace content delivered across multiple digital platforms, Kenyan advertisers' loyalty to traditional media will continue in the medium term.

Digital advertising spending in Kenya, 2008-2017
(US$ millions and as a % of total advertising)




Source: PwC, Informa Telecoms & Media

For all the talk of digital platforms and the ubiquity of connected devices, the majority of advertising spend in 2017 will still be on traditional media platforms. Advertisers will remain loyal to media whose effectiveness, as measured by established metrics, they understand and trust.

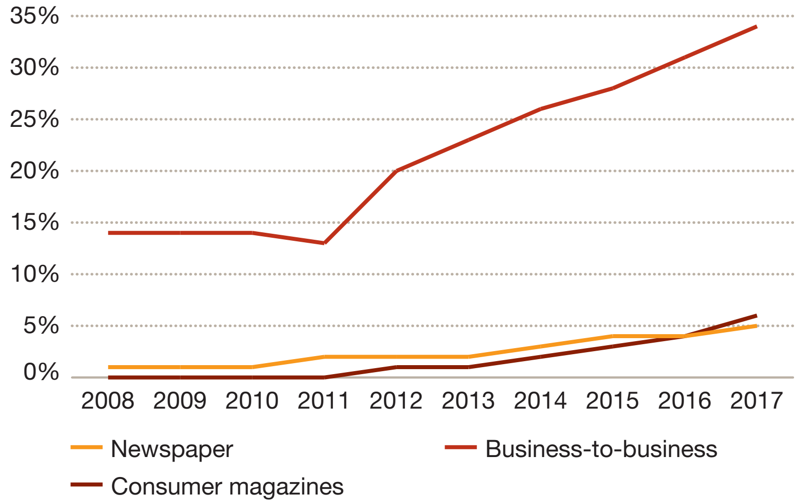
For all digital media's popularity with consumers, the industry has yet to agree on new forms of measurement and it will be some years before digital spend in Kenya exceeds spend on traditional media.

Advertising effectiveness, on any platform, is dependent on who sees the ad and how they react to it – in other words, the size and level of engagement of the audience. Advertising revenues in the future will be based on the ability of content owners to offer credible, cross-platform metrics that define and measure audience reach and engagement.

Cross-platform metrics, however, are just the start. There is a growing consensus that it is engagement that drives effective advertising. As yet, however, there is no consensus about how engagement should be accurately measured. One issue involves identifying where innovation will come from, but the reality is that all interested parties must work to identify and use new measurement tools. Content owners, advertising agencies and advertisers need to collaborate to identify, agree on and implement the tools and processes required.

## *B2B is the most digitally advanced publishing sector in Kenya.*

**Digital advertising revenues by publishing sector in Kenya, as a share of the total advertising segment (%), 2008-2017**




Source: PwC, Informa Telecoms & Media

The penetration of digital advertising within sectors varies in Kenya as elsewhere. Even within publishing, for example, rates of growth vary significantly. For newspapers and consumer magazines, while digital consumption is becoming increasingly important to consumers, the vast majority of ad revenues will continue to come from the traditional delivery platforms.

Newspapers and consumer magazines are hoping that digital advertising revenues will grow to offset the decline in print advertising revenues in the long term, although digital is only expected to take up a small percentage of total magazine advertising revenue in the next five years.

It is the B2B sector, and especially directory advertising, where the shift to digital has been most pronounced. The consumer market could learn much from the way that B2B businesses and those who advertise with them have transitioned aggressively to digital models, with the result that digital revenues will make up 34% of total directory advertising revenues in Kenya by 2017. In contrast, the comparable share in consumer magazines will be just 6%.

Publishers must seek to accelerate the transition to digital in order to remain relevant to consumers, but must continue to innovate in non-digital advertising too, given its continued importance.

# The value of big data

Many in the E&M industry like to talk about the value of big data, but there is as yet little insight into how to harness it. While there is acknowledgement that there is real value within the flow of data generated by users accessing content from a variety of Internet-connected platforms and devices, few yet know how to extract the right data to create the most meaningful insights. Most media businesses have not historically had direct relationships with their consumers. This makes it more difficult for them to aggregate, let alone mine, data about those consumer preferences.

Companies that offer their products directly to the consumer – such as newspapers and magazines that offer subscriptions – have had to acquire new skill sets. Effective customer relationship management, reliable and accurate billing mechanisms and the establishment of the right pricing strategies are all areas beyond the traditional competence of most content companies.

Getting these things right will take time and money. Partnering with third parties that already have those skills, such as specialist billing or customer relationship management firms or pay-TV operators, could offer a quick fix.

The real opportunity for advertisers and publishers lies not in the abstract notion of 'big data' but in the granular small data derived through sophisticated analytics that gives insight into consumers' actual and likely behaviour in response to a particular experience, thereby leading to better-informed decision making and targeting.

Small data is particularly powerful if the insight contains information about intent to purchase or take action than if it's just transactional information unconnected to what customers will do next.

Increasingly deep knowledge about consumers' habits and preferences will create a great opportunity for advertisers to offer tailored advertising focussed on goods and services for which consumers have already perhaps expressed preference. The vision of a smart advertising model informed by accurate and up-to-date data that eliminates wasteful spending by focussing on an identifiably interested audience is a holy grail that is within sight.

Companies' pursuit of this will bring new challenges around privacy, as regulators and content providers try to establish a level of information sharing that creates benefits for consumers without intruding on their personal space. There is a thin line between providing helpful information on the one hand and being intrusive and overly familiar on the other. Advertisers, though keen to exploit the value of consumer data, will rightly be wary of damaging the reputation of their brand by clumsy overselling.

# *Consumer privacy:*

## What are consumers willing to share?

A recent PwC survey found that today's consumers are eager for companies to deliver exciting and personalised services and for the most part, they are willing to share personal information to get them.

But getting consumers to share more in-depth personal information requires companies to offer something in return and to be transparent about the information that they collect and how it will be used.

### *What this means for your business*

It's all about making the consumer feel in control. Businesses have to be explicit, clear and direct by stating which pieces of personal information will be used, how the information will be collected and what the consumer will get in return. When consumers perceive transparency and have the option to control what and how information will be shared, they become more willing to share information.

Consumers have greater willingness to share information with well-known and big-name companies. This could include educating consumers about how their information is protected and how companies prevent security breaches.

Because consumers focus on the benefits they receive from sharing information, it's essential that a company be willing to give something back. Consumers love free services and products, but they're also willing to share information in return for non-monetary benefits.

Companies should consider targeted marketing and communications for younger versus older consumer segments. There are distinct and consistent differences relating to sharing attitudes and behaviours between people in these demographic groups.

To use mobile marketing strategies, companies will have to offer greater incentives to consumers. Consumers believe their mobile is their lifeline thus making mobile extremely personal and private. SMS messages they receive are supposed to be from friends and family, not from businesses for promotional purposes.

Companies should use e-mail as the best means to communicate with consumers. Consumers feel comfortable sharing their e-mail addresses, and even though they are overwhelmed by quantities of communications, they specifically look for e-mails from companies once they are ready to make a purchase.

Source: PwC Consumer Intelligence Series: Consumer privacy: What are consumers willing to share?, PwC, 2012. http://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/consumer-privacy.jhtml

## Managing content

### *Content creators must harness the power of social media, but traditional curation remains vital.*

One way of directly engaging with customers is through social media, and E&M CEOs, to a greater degree than executives in other sectors, are keen to harness the power of social media to garner better insight.

Globally, according to PwC's *Global Entertainment & Media Outlook 2013-17*, 70% of E&M CEOs report users of social media as being somewhat or significantly influential, with 95% of these CEOs strengthening their engagement programmes to this stakeholder group – 17% above the global cross-industry average.

Social media will remain a key source of insight into consumer demands and trends. Yet executives must also be careful not to over-cater to those customers most active on social media at the expense of those who are less likely to volunteer feedback in this way.

Older consumers, for example, are generally less likely to engage via social media, but are more likely to pay for traditional media content, so ignoring them would be foolish. Social media feedback should be one source of insight into content and product strategy for the E&M sector, but blending these insights with traditional editorial and curating skills (whose value should not be underestimated) will remain an important challenge for content creators.

In an increasingly fragmented media landscape, content creators must deepen their engagement with audiences by ensuring that both content and the way it is delivered are relevant and dynamic. Agility must be at the heart of the content business.

Content creators can deepen their engagement through use of social media to further build relationships with consumers, but in order to do that they must deliver content that is relevant to the needs of Kenyan consumers.

### *Relevance and agility are the biggest issue for content creators.*

Content must be distinctive and must also be available in the right format at the right time (and the right price) to ensure it is relevant. With the majority of Kenyans accessing the Internet through their mobile phones, it is important that as much content as possible is mobile compatible. To achieve this, E&M businesses will need to flexible in the way they create and distribute content, and how they shape their product to best meet the needs and demands of Kenya's connected consumers.

Some executives might consider that as digital revenues remain a fraction of overall E&M revenues, over-focusing on digital may detract from the value there still is in the market for traditional physical media. But the principle of serving your customers' needs remains central even for those companies primarily selling physical media. The tools and technologies available for engaging with those consumers must be effectively used by all Kenyan E&M companies in order for them to remain relevant.

## Personalisation

### *Personalisation will create a challenge for many content creators.*

Consumers' desire to personalise the way they see, find and consume media and communications has been borne out of services, such as social networking sites, where every consumer experience is different – based on their friends, preferences or historical activity. Furthermore, users of smartphones are increasingly personalising their own content universe by finding apps for the content and services they value.

Content creators must consider how their products can be personalised, where possible, allowing that content to become embedded in the fabric of a consumer's E&M universe. Using social networking tools and offering content via apps are examples of how traditional content creators can adapt to new consumer needs

More linear or premium format content (films, video games and books) cannot reasonably be 'personalised' to any meaningful extent. In these cases, good consumer communications and engendering a feeling of community will go a long way to establishing consumer engagement.

Newspapers have increased their online presence by engaging with their customers through social media sites such as Facebook and Twitter. Such examples are a reminder that, to stay relevant, content creators will have to innovate both their products and the way they deliver them.

# Products and services innovation for TV and the Internet

High-speed Internet, multi-room DVRs, movies, video on demand, cloud storage, sports packages, hundreds of channels, digital TV and Internet services today's consumers have a dizzying array of features and options. But what do consumers and small business owners really want from their Internet and digital TV providers?

For consumers, control and flexibility are key when it comes to their digital TV service. They want to choose what they watch and when and how they watch it, whether that means using video on demand to stream movies, watching prime time shows at 5 a.m., or storing an entire season of a show on their DVR. They want their Internet speed to be fast and reliable. If something goes wrong, they want their providers' website and customer service representatives to help them quickly and easily solve the problem.

Cost-conscious small business owners, however, care more about the value these services can bring to their business. They are keenly interested in selecting the features to fit their business needs as a way to be more cost efficient, rather than relying on pre-configured 'bundles'. They also want their service providers to help them review those choices periodically, to make sure they're getting the most value for their money.

Unlike consumers, they see Internet service as much more important than digital TV, as the Internet is often a vital function for their businesses. This also means that they want 24/7 customer service, including a phone line, so their business doesn't suffer due to a service outage.

Though their priorities are different, both consumers and small businesses represent fresh opportunities for providers. Improved website design and navigability as well as proactive customer service are highly appealing to both segments. Both groups lack full understanding of high-speed Internet options and cloud storage, so providers have an opportunity to promote those services through education.

Both segments also want more flexibility and control, so providers have an opportunity to appeal to this desire by offering customised packages while continuing to promote on-demand features for consumers. Both consumers and businesses want choice, but they want it delivered in a manner that makes it personal and accessible to them.

## What this means for your business

### *Consumers*

- **Consumers want control and flexibility – especially in the area of digital TV, where there is the greatest level of engagement.** Providers have an opportunity to continue to connect with consumers on these levels with services/features that put them in charge of the experience. Give them what they want, how they want it, when it's convenient for them.
- **The need for speed is critical – and it's an area that consumers perceive to be currently lacking among all providers.** Significantly, however, they are confused about what constitutes 'high speed'. Providers have an opportunity to better educate consumers on what they get when they upgrade components of speed (MBps) – and importantly – what hardware they need for the utility they want.
- **Packages and bundles should focus on combining innovative digital TV features and services that offer control and flexibility.** Internet components are viewed as less important (unless they focus on speed), so providers should focus on TV and educate consumers surrounding benefits of new features such as home automation.
- **Provider websites need to be more user-friendly and better organised and navigable so consumers can easily find the information they want and answer specific questions.** The most important components of account management are the ability to view/pay bills online and 24/7 online support for questions or when features/ services breakdown. It is also important to offer a phone feature in case an Internet service interruption is one of the problems they seek to solve. Consumers are also interested in proactive customer service for example, texting a company to inform them of a service issue and providing a phone number so that the next available representative can contact them.

- **Consumers are content with the features/services currently being offered to them.**
  The opportunity for providers is to better educate consumers about what features exist (storage solutions, for example), why they might like to know more about them and how they could benefit from them.

## *Small business owners/ managers*

- **Cost consciousness is quite common among small business owners/managers.**
  They need to balance their Internet and digital TV choices with other business requirements. Given a set of choices, the lower price wins in the absolute. And since they are not willing to pay extra for innovative features or functionality, the opportunity for providers is to increase awareness on the importance of these features to running their business more successfully.
- **There is an opportunity for features 'bundles' to include more than just features, but also add value-added services to small businesses.**
  One example is quarterly account reviews. Since their priority is saving money, small business customers would consider a review of their features usage and recommendations for changes to be a value-added service.
- **Offering a package that small business managers or owners can select themselves is appealing.**
  They would select the package of services/features that makes the most sense for their business, giving them more control. It also provides a more customisable component, which can be marketed to address the varying needs of different types of businesses.
- **Adding a 'call' feature to the 24/7 service offer.**
  This would addresses a perceived 'helplessness' of not being able to do anything about an Internet problem if their service is down.
- **Small business customers are looking for more and faster storage solutions.**
  There is an opportunity for providers to offer more education on the capacities and importantly, safety of cloud-based storage/ digital lockers.

Source: The PwC Consumer Intelligence Series: Products and services innovation for TV and the Internet
http://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/index.jhtml

# Content delivery

## *Digital distributors must deliver the right content at the right time, on the right platform and at the right price.*

Great content distinctive, branded, portable, exclusive, compelling, and available on multiple platforms will remain the best way to attract and retain paying customers in the connected era. It is essential, but it is also not enough to guarantee success.

## *Great content is essential – but will not be enough on its own.*

Consumers also expect great products through which they can access the content. These products or channels must be intuitive, robust, portable and simple to navigate. They must provide value and utility to the customer beyond merely being the home of the content. This requires new flexibility in working with new talent, and often collaboration with others outside the old ecosystem.

While E&M CEOs now generally recognise the value of focussing on the consumers' needs, truly compelling digital products remain rarer than they should be. In an increasingly fragmented media landscape, content creators must deepen their engagement with audiences by ensuring that both content, and the way it is delivered, are relevant and dynamic. Simplicity and agility must be at the heart of content offerings.

## Digital distribution is changing consumers' expectations of content.

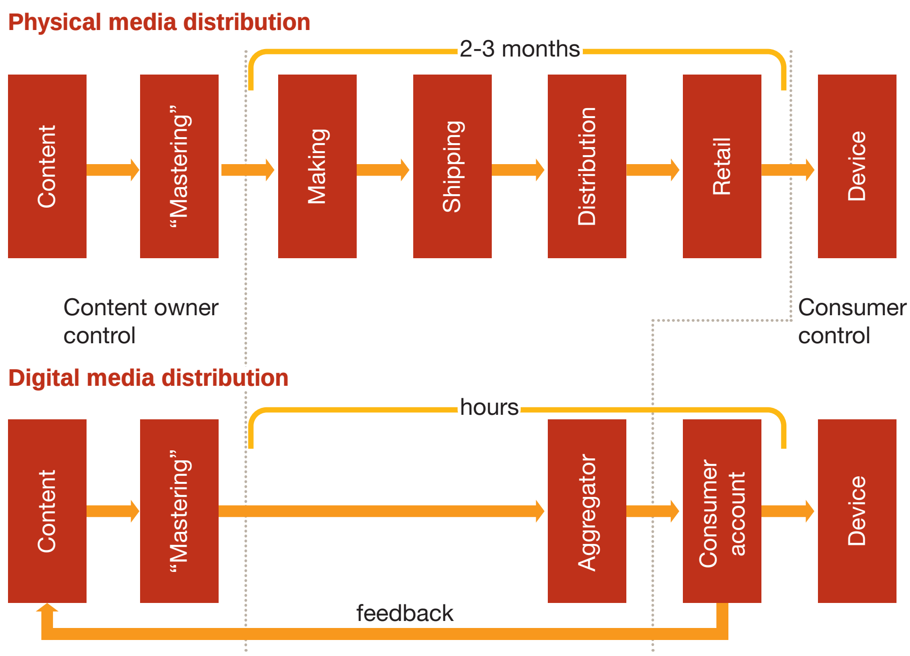
A feature of the process of digitisation is the ability it gives consumers (theoretically) to access the content they want at any time, across a range of devices. Clearly the world of traditional media – with licensing models tied to physical formats – is having to adapt to the shifting demands of connected consumers. One of the most obvious impacts is on the time to market  the gap between the release of a movie or game in the US market, for example, and it appearing legitimately in Kenya.

It is the pace of change that is alarming traditional media businesses. Even five years ago the models for distribution made sense, but in an era where consumers want the right media on the right platform at the right time, companies must be flexible in the way they develop products and services that meet these new requirements.

Expectations set by the world of mobile apps (which are personalised, ubiquitous and cheap) and disruptive players such as Netflix in the USA (which is available on multiple devices), must be met by traditional content distributors.

## Digital media distribution creates the demand for instant access.

### Typical timelines for physical and digital media distribution




Source: Global entertainment and media online outlook 2013-2017, PwC, Informa Telecoms & Media

Among the many issues this creates for the E&M sector, licensing frameworks and traditional distribution strategies will need to adapt to meet new consumer expectations. The connected consumer is in control, and if they can't access your content, they will either take someone else's or alternatively – and this is a major concern – find a way to access it through illegal channels. This is why E&M companies must be flexible and innovative in the way they respond to the challenges of digitisation. But a smart and flexible distribution strategy based on consumer understanding can deter piracy and accelerate growth in digital revenues.

## Piracy

It is difficult to overestimate the impact of content piracy in certain sectors and certain territories. For example, outside of North America and Western Europe, piracy of filmed entertainment remains a huge problem.

*Piracy will remain a huge challenge, but smart distribution strategies can help.*

Despite the fact that broadband penetration is still relatively low in Kenya, as broadband penetration increases, the entertainment industry fears users will access more illegal digital versions of content. Quantifying the value of piracy's impact on traditional media is difficult, both in terms of tracking activity and assessing what proportion of those accessing pirated content would realistically have paid for the legitimate version. But there can be little doubt that the decline in the DVD market in Kenya has been accelerated by the growth in availability of pirated copies.

In many markets there is little sense of copyright infringement as a crime and consumer education is subsequently a key method through which to reduce piracy in Kenya.

While tighter regulation is important, the key to curbing the piracy of content will be the introduction of smart legitimate distribution strategies based on a better understanding of consumers' demands. A delay of several months between the release of a US movie and its release in Kenya, for example, creates an unmet demand, which individual consumers and criminal organisations can readily exploit by making that content available online or on DVD almost instantly. Delivering the content to the right people, at the right time, in the right place, and at the right price, will be essential to tackling piracy in the long term.

## Regulation

*The regulatory playing field is still not level.*

In all markets, regulation remains a huge issue for the E&M industry – and looks set to remain so for the near future. The overarching problem is that whereas E&M companies such as TV stations and newspapers are heavily regulated, online providers are not. Across the world, regulatory frameworks are struggling to catch up with the industry's development and they're failing to anticipate the changes being driven by the shift to a digital world.

# Talent mobility: the future of mobility in a globally connected world

According a PwC report released in 2013, the ability of organisations to manage their global talent efficiently will make the difference between success and failure. The best and brightest are prepared to follow their own agenda and opportunities  wherever in the world those opportunities may be and irrespective of who is offering those opportunities. It's a world where the most sustainable supply of talent is in the East rather than the West, and a world where technology has changed the way we work.

Economic transformation and demographic changes have already had an impact on talent supply and demand. The emergence of a new generation of workers presents an entirely new set of challenges. Talent management will become a key strategic tool.

Empowering young employees  and encouraging them to innovate and influence business strategy  makes sense for an industry facing major disruption in the way its core product is bought and consumed. The promotion of social tools in the workplace alongside regular internal forums for testing ideas should be a basic component of the E&M workplace.

## The evolving, connected era workplace demands new skills and structures

E&M executives will also need to address the structures of their organisations to position them for success in this connected era. The role of digital within the company is shifting from the periphery of the business to the core. The key to successful transition of a business is to focus on end-user needs in terms of delivery of content rather than on artificial constraints imposed by physical media – such as deadlines for a printed newspaper.

Serving a connected audience will require new skills as well as new organisational structures. With many E&M businesses facing stretched resources, decisions about where and when to invest, where to cut back and where to outsource will assume even greater importance.

However, the integration of new skills and technologies into the business may require time that many businesses in the sector feel they don't have. Hence there will be a growing trend towards partnerships and mergers with a view to accelerate the integration of new technologies and new practices into the business.

Source: Talent mobility: 2020 and beyond, PwC, 2013
http://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/global-mobility-map.jhtml

# Conclusion

## *Growth in the E&M sector will be driven by understanding what audiences want in the connected era.*

The entertainment and media industry in Kenya is well placed to benefit from the economic growth the country will experience in the next five years. While many mature economies – such as those in Western Europe – are seeing low levels of growth, the outlook for Kenya is more positive. As a result, with more consumers becoming connected to the Internet (via their mobile devices, typically) and with more disposable income available, the opportunities for those selling products and services both digital and physical will be significant.

*The forecast annual growth rate for the E&M market in Kenya in the next five years is 16.3%, one of the highest in the world.*

This does not mean that publishers or providers of content in Kenya have all the solutions, or that in the short term they will not face significant challenges. But there is a real opportunity to build large paying audiences for content and services, and to then deliver those audiences to advertisers across multiple platforms.

The forecast annual growth rate for the E&M market in Kenya in the next five years is 16.3%, one of the highest in the world.

To contribute to and benefit from this, all stakeholders must ensure they truly understand the needs and expectations of audiences, so that their engagement with this consumer base remains relevant. What is needed in all cases is not a digital strategy *per se*, but a strategy that's fit for a digital and connected era.

# Cloud storage

*Marthie Crafford*
*PwC Advisory Entertainment & Media Leader (South Africa)*

On the digital playing field, cloud storage is an important trend that impacts all consumers of digital content. It potentially has a transformative potential, not unlike the Internet.

Cloud storage is the storage of data and multimedia content over a public network – though in certain instances, it's possible to store such resources over a private or community network. The computing resources often consist of hardware and software components. The name 'cloud' is derived from the cloud symbol often used to display complex system diagram structures.

Consumers typically access cloud services through the web via PC or handheld devices, such as mobile phones or tablets. They make use of an Internet-based service provided by a third-party cloud service provider to store and retrieve data and multimedia content.

## Risks and responsibilities

Consumers are exposed to certain risks that need to be managed. These may include security over data and content, privacy, availability of service and ownership of data and content.

Research by PwC in the US found that the most significant issues affecting customer satisfaction among cloud users ranged from information security and reliable service delivery to service performance.

Consumers expect strong governance over security management, availability of services and compliance with industry-specific requirements from their cloud service providers.

At the same time, service providers recognise a number of significant challenges in the cloud computing market:

- Data protection and compliance requirements;
- Standardisation of internal processes;
- Individual service-level agreements;
- Information security; and
- Customer satisfaction.

As mentioned elsewhere in this publication, consumers lack a full understanding of cloud storage, so cloud service providers have an opportunity to promote those services and manage expectations through education.

Cloud service providers can also educate users about computing law to prevent potential abuse of intellectual property rights, copyright and digital content rights. They will also need to implement mechanisms to protect themselves against potential abuse or infringement of intellectual property by cloud consumers.

For instance, consumers may be unaware that they are infringing copyright when cloud services are used to share copyright-protected material. Consumers need to be educated about the legal rights and risks associated with the content of digital locker usage. Storing content in digital lockers raises a number of legal issues with regard to the protection of intellectual property.

Cloud service providers must educate consumers and make certain they have adequate measures in place to address the associated risks, while also ensuring that business processes are efficient, system performance is at the desired level and compliance with applicable laws and regulations is maintained.

Section 3

# *Segment focus: highlighting the trends shaping individual industry segments*

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# Internet

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# *Definitions*

Internet access is a key driver of entertainment and media advertising and content spending in most segments. The Internet market consists of both consumer spending on Internet access and the revenues generated from Internet advertising.

## *Internet access*

Internet access considers consumer spending on accessing the Internet and is split into two categories: mobile Internet and fixed broadband Internet.

Fixed broadband includes both wired and wireless connections and is a subscription to either a home or a small or medium-sized enterprise (SME) premises. Internet access services are delivered to a home, office or other fixed location provided by cable, multichannel multipoint distribution service (MMDS), modem, xDSL, fibre-to-the-xx (FTTx), WiMAX, proprietary wireless broadband, Ethernet, Powerline Communications or satellite broadband technologies. Enterprise customers larger than SMEs are considered to have a leased line/dedicated cable and are not included within our coverage of residential fixed-line service. Fixed Internet therefore includes fixed broadband and dial-up.

Mobile Internet considers Internet access over the medium of cellular air interfaces, generally via a 2.5G network or higher. This covers Internet access via mobile devices and for connected devices that use embedded modems, dongles and data cards. Mobile Internet subscribers are considered unique users.

All fixed broadband household and mobile Internet subscriber estimates are counted at year end.

Figures do not include the purchase of online content such as music, videos or games. The figures for spending on entertainment content downloaded over the Internet or through mobile phones are included in the respective chapters of this publication.

## *Internet advertising*

Internet advertising is split between spending by advertisers either through a fixed-line connection or via mobile devices. The fixed-line categories are advertising via paid search, display, classified and video advertising. Display includes all banner, rich media, sponsorship, lead generation and e-mail-related advertising. The mobile category includes all advertising delivered directly to mobile devices via formats designed for the specific device.

The Internet advertising segment also includes online television, digital newspaper, digital magazine and digital directory advertising. These are also included in their respective segments but are eliminated at a total level to avoid double counting.

To maintain consistency across all segments, advertising revenues are shown as net revenues, which exclude agency commissions and production costs where applicable.

# *In brief*

*Internet traffic in Kenya has increased due to the reinforcement of international bandwidth capacity.*

*Increased capacity has benefitted both the fixed and mobile segments, with fixed operators pushing FTTx further.*

*3G will dominate the mobile broadband market for a long time, but Kenya is set to pioneer the first LTE open network with a government-led initiative involving all major stakeholders.*

*Kenyan Internet advertising is set to grow at a CAGR of 21.9% over the forecast period, growing from a low base of only US$2 million in 2008. Search and mobile will be the main growth-driving segments over the forecast period.*

# Kenya

*Internet revenues will grow at a CAGR of 48.3% in the next five years.*

**Revenues from Internet access and advertising, 2008-2017 (US$ millions)**

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Internet access | 9 | 21 | 36 | 63 | 111 | 187 | 305 | 483 | 729 | 897 | |
| *YOY growth (%)* | | *136.2%* | *74.1%* | *76.5%* | *75.3%* | *69.5%* | *62.6%* | *58.7%* | *50.9%* | *23.0%* | *52.0%* |
| Internet advertising | 2 | 4 | 9 | 16 | 24 | 33 | 43 | 52 | 59 | 64 | |
| *YOY growth (%)* | | *110.8%* | *110.2%* | *66.0%* | *51.6%* | *39.3%* | *31.2%* | *20.2%* | *12.9%* | *8.6%* | *21.9%* |
| **Total internet market** | **11** | **25** | **45** | **79** | **135** | **220** | **348** | **535** | **788** | **961** | |
| ***YOY growth (%)*** | | ***131.2%*** | ***80.6%*** | ***74.3%*** | ***70.6%*** | ***64.2%*** | ***57.9%*** | ***53.9%*** | ***47.2%*** | ***21.9%*** | ***48.3%*** |

Source: PwC, Informa Telecoms & Media

*Mobile access revenues will dominate the Kenyan Internet market.*

## Internet access

Kenyan Internet access revenues reached US$111 million in 2012 and this is forecast to rise to US$897 million by 2017, a CAGR of 52%. Mobile dominated Internet access in 2012 – accounting for 62% of the revenues and 98% of subscriptions by the end of the year – and will continue to do so.

**Internet access revenues by type, 2008-2017 (US$ millions)**

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Fixed broadband access | 7 | 10 | 18 | 28 | 42 | 64 | 85 | 101 | 114 | 123 | |
| *YOY growth (%)* | | *50.3%* | *72.6%* | *58.4%* | *51.1%* | *54.3%* | *30.5%* | *19.8%* | *12.7%* | *8.5%* | *24.2%* |
| Mobile Internet access | 2 | 11 | 18 | 35 | 69 | 123 | 220 | 382 | 615 | 774 | |
| *YOY growth (%)* | | *432.0%* | *75.6%* | *93.7%* | *94.2%* | *78.8%* | *79.4%* | *73.5%* | *60.9%* | *25.7%* | *62.3%* |
| **Total internet access** | **9** | **21** | **36** | **63** | **111** | **187** | **305** | **483** | **729** | **897** | |
| ***YOY growth (%)*** | | ***136.2%*** | ***74.1%*** | ***76.5%*** | ***75.3%*** | ***69.5%*** | ***62.6%*** | ***58.7%*** | ***50.9%*** | ***23.0%*** | ***52.0%*** |

Source: PwC, Informa Telecoms & Media

Competition in the data market has intensified, leading to increased data consumption. According to the Communications Commission of Kenya, of the 576 186Mbps of international bandwidth provided to Kenya by submarine cable, an average of 278 329Mbps was used over the fourth quarter of 2012, up from 264 584Mbps in the third quarter. International bandwidth usage is expected to continue to grow as demand for data services rises.

Fixed broadband subscriptions in Kenya totalled 149 000 in the fourth quarter of 2012 and grew by 92% year-on-year on the back of fibre and WiMAX network rollout. The landing of new international submarine cables on the East African coast has improved the quality of Internet service in Kenya and has also enabled fixed access operators to focus increasingly on FTTx.

Fixed-wireless access (FWA) is the dominant technology for fixed broadband services in the country. At the end of the fourth quarter of 2012, there were 78 000 FWA subscriptions, compared with 44 000 in the third quarter of 2012.

Cable modem is gaining popularity as a fixed broadband technology. The service is provided mainly by Wananchi Group. Jamii Telecom launched FTTH in the high-end suburbs of the capital city, Nairobi, in 2011 with the aim of connecting 100 000 households and, in the first quarter of 2013, it expanded FTTH to the coastal city of Mombasa, with plans to connect about 5 000 homes there.

Wananchi Group remained the leader in the fixed broadband market at the end of 2012, with 59 800 subscriptions. The operator has been very aggressive in a bid to spur take-up of its triple-play service through competitive pricing and a wider variety of packages.

Vandalism and accidental severing continue to have a negative impact on Telkom Kenya /Orange's fixed broadband quality of service and on the operator's deployment plans. Telkom Kenya is the country's fixed-line incumbent and plans to invest KES4 billion (US$46 million) in replacing its copper cable network with a fibre-optic one.

## LTE open access is on the way

Mobile broadband is dominant due to its greater affordability and the larger number of offerings from operators. Increased investment in data networks by operators and availability of low-cost smartphones are expected to increase the number of mobile broadband users.

The number of mobile broadband subscriptions will increase to nearly 30 million by 2017, driven by WCDMA-based 3G services.

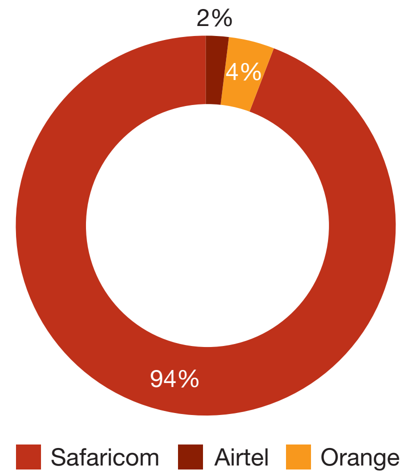
Operators are expected to launch LTE in 2014. In the third quarter of 2012, the Kenyan Government approved a 4G consortium consisting of Safaricom, Airtel Kenya, Orange Kenya, Essar Telecom Kenya, Kenya Data Network (KDN), MTN Business, Alcatel Lucent, Nokia Siemens Networks (NSN), American Epesi Technologies and the Kenyan Government.

The network will operate in the 800MHz band, in spectrum which is currently held by Orange Kenya. Orange is expected to make up to 25 MHz of spectrum in this band available to accommodate the new technology. The cost of a nationwide deployment of the LTE network is estimated at US$500 million.

As at mid-2013, Essar was the only GSM operator with no 3G network. The company plans to skip 3G and move straight to LTE once it secures necessary funding from its shareholders.

The availability of low-cost entry-level smartphones has led to a rise in penetration of the devices in Kenya. But penetration is still low compared with total mobile penetration. Informa Telecoms & Media projects that the number of smartphone connections in Kenya will exceed 12 million by the end of 2017, with total penetration standing at 26%.

**Mobile broadband market share by operator, 2012**




Source: PwC, Informa Telecoms & Media

***Safaricom dominates Kenya's mobile broadband market.***

# Internet advertising

## Internet advertising revenues, 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Search | 0.9 | 2.0 | 4.5 | 6.8 | 10.6 | 14.6 | 18.9 | 22.5 | 25.1 | 26.9 | |
| *YOY growth (%)* | | *125.1%* | *119.7%* | *52.8%* | *54.9%* | *37.9%* | *29.6%* | *18.7%* | *11.5%* | *7.2%* | *20.5%* |
| Display | 0.5 | 1.2 | 2.7 | 4.3 | 6.0 | 8.1 | 10.3 | 12.2 | 13.5 | 14.3 | |
| *YOY growth (%)* | | *122.3%* | *120.1%* | *60.8%* | *40.3%* | *34.2%* | *28.5%* | *17.7%* | *10.6%* | *6.3%* | *19.0%* |
| Classifieds | 0.2 | 0.6 | 1.2 | 1.9 | 2.9 | 4.1 | 5.1 | 5.8 | 6.0 | 5.8 | |
| *YOY growth (%)* | | *141.7%* | *108.5%* | *49.4%* | *56.0%* | *41.2%* | *24.1%* | *12.0%* | *3.4%* | *-2.7%* | *14.6%* |
| Video | - | - | - | - | - | - | - | - | - | - | |
| *YOY growth (%)* | | - | - | - | - | - | - | - | - | - | - |
| **Total wired Internet advertising** | **1.6** | **3.8** | **8.4** | **13.0** | **19.5** | **26.8** | **34.3** | **40.5** | **44.6** | **47.0** | |
| ***YOY growth (%)*** | | ***126.6%*** | ***118.1%*** | ***54.8%*** | ***50.2%*** | ***37.3%*** | ***28.4%*** | ***17.4%*** | ***10.1%*** | ***5.6%*** | ***19.2%*** |
| Mobile advertising | 0.4 | 0.6 | 1.0 | 2.6 | 4.1 | 6.1 | 8.7 | 11.4 | 14.0 | 16.5 | |
| *YOY growth (%)* | | *46.3%* | *60.3%* | *161.9%* | *58.3%* | *49.0%* | *43.5%* | *31.2%* | *23.0%* | *18.0%* | *32.4%* |
| **Total Internet advertising** | **2.0** | **4.4** | **9.4** | **15.6** | **23.6** | **32.9** | **43.0** | **51.9** | **58.6** | **63.5** | |
| ***YOY growth (%)*** | | ***110.8%*** | ***110.2%*** | ***66.0%*** | ***51.6%*** | ***39.3%*** | ***31.2%*** | ***20.2%*** | ***12.9%*** | ***8.6%*** | ***21.9%*** |

Source: PwC, Informa Telecoms & Media

***Internet advertising revenues will grow at a CAGR of 21.9% in the next five years.***

The number of fixed broadband Internet users in Kenya is set to increase from 0.2 to 0.5 million people over the forecast period and, while that represents a CAGR of 25%, it still represents far fewer users compared with the amount of mobile broadband subscribers in Kenya – forecast to be 11.9 million by 2017. This is something that has been highlighted by the Kenyan Government, which, recognising that low fixed broadband access has hindered many development objectives, has subsequently set a target of 20% fixed broadband access by 2017.

The search segment is anticipated to grow at a CAGR of 20.5% over the forecast period, growing from US$11 million in 2012 to US$27 million in 2017. It is the largest Internet advertising segment in Kenya, accounting for 45% of the market in 2012, and will remain so throughout the forecast period, although its share will fall to 42% in 2017.

Search will benefit from more people acquiring fixed broadband connections throughout the forecast period, which will also increase as a result of the improving state of the wider Kenyan economy.

Kenyan display advertising is set to grow at a CAGR of 19.0% over the forecast period, although this is from a low base of only US$6 million in 2012. Display will slip from second to third-largest online ad segment in the next five years, as it will be overtaken by mobile.

Mobile advertising is the fastest-growing sub-segment in the Kenyan Internet advertising market, growing at a CAGR of 32.4%. It is projected to overtake online display advertising in 2016 to become the second-largest online advertising format in Kenya. Indeed, in terms of growth in access to the mobile Internet, Kenya will be one of the fastest-growing countries in the world in the next five years.

Although Kenyan GDP per capita is set to increase over the forecast period, the popularity of mobile Internet in Kenya will be further encouraged by the relatively high cost of laptops and computers.

# Global trends in Internet

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

**Global Internet access and advertising revenues, 2008-2017 (US$ millions)**

| | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Fixed broadband access | 149 023 | 160 088 | 176 398 | 190 884 | 208 039 | 224 183 | 240 141 | 254 799 | 267 515 | 279 222 | |
| *YOY growth (%)* | | *7.4%* | *10.2%* | *8.2%* | *9.0%* | *7.8%* | *7.1%* | *6.1%* | *5.0%* | *4.4%* | *6.1%* |
| Mobile Internet access | 80 401 | 96 133 | 121 427 | 153 462 | 185 332 | 220 424 | 259 166 | 300 199 | 342 999 | 385 880 | |
| *YOY growth (%)* | | *19.6%* | *26.3%* | *26.4%* | *20.8%* | *18.9%* | *17.6%* | *15.8%* | *14.3%* | *12.5%* | *15.8%* |
| **Total Internet access** | **229 424** | **256 221** | **297 825** | **344 346** | **393 371** | **444 607** | **499 307** | **554 998** | **610 514** | **665 102** | |
| *YOY growth (%)* | | *11.7%* | *16.2%* | *15.6%* | *14.2%* | *13.0%* | *12.3%* | *11.2%* | *10.0%* | *8.9%* | *11.1%* |
| Internet advertising | 56 134 | 57 361 | 67 522 | 81 297 | 92 254 | 104 395 | 117 162 | 130 712 | 144 319 | 158 055 | |
| *YOY growth (%)* | | *2.2%* | *17.7%* | *20.4%* | *13.5%* | *13.2%* | *12.2%* | *11.6%* | *10.4%* | *9.5%* | *11.4%* |
| Mobile advertising | 1 730 | 2 317 | 3 254 | 5 077 | 8 311 | 12 244 | 15 926 | 19 662 | 23 463 | 27 420 | |
| *YOY growth (%)* | | *34.0%* | *40.4%* | *56.0%* | *63.7%* | *47.3%* | *30.1%* | *23.5%* | *19.3%* | *16.9%* | *27.0%* |
| **Total Internet advertising** | **57 864** | **59 678** | **70 776** | **86 374** | **100 565** | **116 639** | **133 088** | **150 374** | **167 782** | **185 475** | |
| *YOY growth (%)* | | *3.1%* | *18.6%* | *22.0%* | *16.4%* | *16.0%* | *14.1%* | *13.0%* | *11.6%* | *10.5%* | *13.0%* |
| **Total Internet market** | **287 288** | **315 899** | **368 601** | **430 720** | **493 936** | **561 246** | **632 395** | **705 372** | **778 296** | **850 577** | |
| ***YOY growth (%)*** | | ***10.0%*** | ***16.6%*** | ***16.8%*** | ***14.7%*** | ***13.6%*** | ***12.7%*** | ***11.5%*** | ***10.3%*** | ***9.3%*** | ***11.5%*** |

Source: PwC, Informa Telecoms & Media

***The Internet will generate global revenues of US$850 billion in 2017, with US$665 billion coming from access.***

## Global Internet access trends

- After years of home broadband being the most popular way to access the Internet, a fundamentally different form will come to dominate: access via mobile broadband, most often via mobile phones rather than PCs and laptops. Penetration of mobile Internet services will reach 54% by the end of 2017, compared with 51% for fixed broadband.
- The US is the largest territory in fixed broadband with a high penetration and high ARPU. After exceeding the revenues of Japan in 2012, China is closing the gap on the US due to its aggressive double-digit growth in subscriber numbers and despite a considerably lower ARPU.
- In 2014, mobile Internet access revenues, worth US$259 billion, will account for over 50% of total Internet access spend, overtaking those from fixed broadband. By 2017, mobile Internet revenues will be in excess of US$385 billion, accounting for 58% of total Internet access spend.
- Growth will increasingly be driven by emerging markets. Brazil, China, India and Russia alone will account for 45% of fixed broadband subscriptions and 50% of mobile Internet users by the end of 2017.
- The underlying technologies will also change. Many developed markets have a head start with next-generation fibre and 4G networks, but ambitious operators and governments will ensure that many emerging markets will not be far behind, if not ahead. Getting spectrum policy right will be particularly important in advancing mobile broadband services.
- Key to success will be pricing and packaging. Pay-per-use or app tariffs will open up mobile broadband to hundreds of millions of lower-income consumers, while increasingly generous bundles of digital media, Wi-Fi, over-the-top services and new connected devices will drive migration to superfast broadband services.

## Global Internet advertising trends

- Set to be worth over US$185 billion in 2017, Internet advertising will comprise 31% of the world's total advertising market, making it the world's second-largest medium for advertising, after TV.
- Search remains the dominant form of online advertising globally, despite its share dropping by two percentage points to 41% in 2017 (moving increasingly towards mobile and video advertising). Where Google is not the market leader (such as in Japan and South Korea), search tends not to be the dominant online advertising format.
- The display market is set to grow at a CAGR of 10% over the forecast period, reaching US$49.9 billion in 2017. Advertisers will have to consider new ways in which they can best use display advertising. Some of these new approaches will include new advertising formats for mobile browsing, as well as a more sophisticated approach that targets the user's specific location, as well as their demographic and behavioural traits.
- Classifieds will grow at a CAGR of 7%, reaching US$20.2 billion in 2017. Online classifieds are set to take over from their print equivalents in developing economies in the next five years. However, this segment's share of the total online ad market will be lower in 2017 than in 2012.
- The online video advertising market boomed in 2012, with an increase in annual revenue of approximately US$1 billion, representing year-on-year growth of 33%. This growth is set to continue over the forecast period with revenues reaching US$12 billion in 2017, a 26% CAGR. Video will benefit from better targeting, technological improvements and a more sophisticated approach to pricing.
- Mobile advertising is finally set to take off properly, with meaningful growth forecast across all regions over the next five years. A 27% CAGR will ensure mobile advertising revenues will be in excess of US$27 billion in 2017, comprising 15% of Internet advertising revenues. Despite this projected growth, mobile must still seek to overcome some key hurdles, especially device segmentation.

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# Television

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*Senior Manager, PwC Southern Africa*

## *Definitions*

This segment considers consumer spending on subscriptions and licence fees as well as advertising spend on broadcast and online television.

The subscription spend category considers consumer spending on basic and premium subscriptions, including video on demand (VOD) accessed from satellite broadcasters and other multichannel distributors, as well as public television licence fees.

Revenues generated are all included, regardless of whether they are from a primary or secondary set. Public television licence fees cover the fee paid for both television and radio.

For subscription-TV household estimates, only the primary TV subscription in each household is considered. Penetration is calculated against the total number of households and cannot exceed 100%. All subscriber estimates are referred to as at year end.

The ‘advertising’ element of this segment considers all advertising spend on broadcast TV and online TV. The ‘end-user spending’ element includes public licence fees and pay-TV subscription revenues.

Broadcast television advertising covers all advertising revenues generated by free-to-air networks (terrestrial) and pay-TV operators (multichannel). Online television advertising consists of in-stream adverts only, combining a total of pre-roll and post-roll.

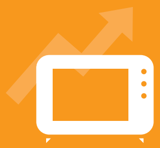
Overlays (where advertisers use a video overlay layer to deliver an ad unit) are not included within this definition.

Terrestrial covers advertising sold on traditional over-the-air channels regardless of whether it is viewed via a subscription or free-to-air service.

Multichannel includes network advertising revenue generated by pay-TV networks (digital terrestrial television [DTT], Internet Protocol TV [IPTV] or satellite), including revenue from free-to-air spin-off digital channels launched by the terrestrial networks.

All TV advertising revenues consist of net spending excluding agency commissions, production costs and discounts.

# *In brief*



*The Kenyan pay-TV market is still in its infancy, with penetration of 8% in 2012. However, as competition increases, this will rise to an estimated 15% by 2017. The total of 232 000 pay-TV households at the end of 2012 is expected to more than double to reach 531 000 by the end of 2017.*

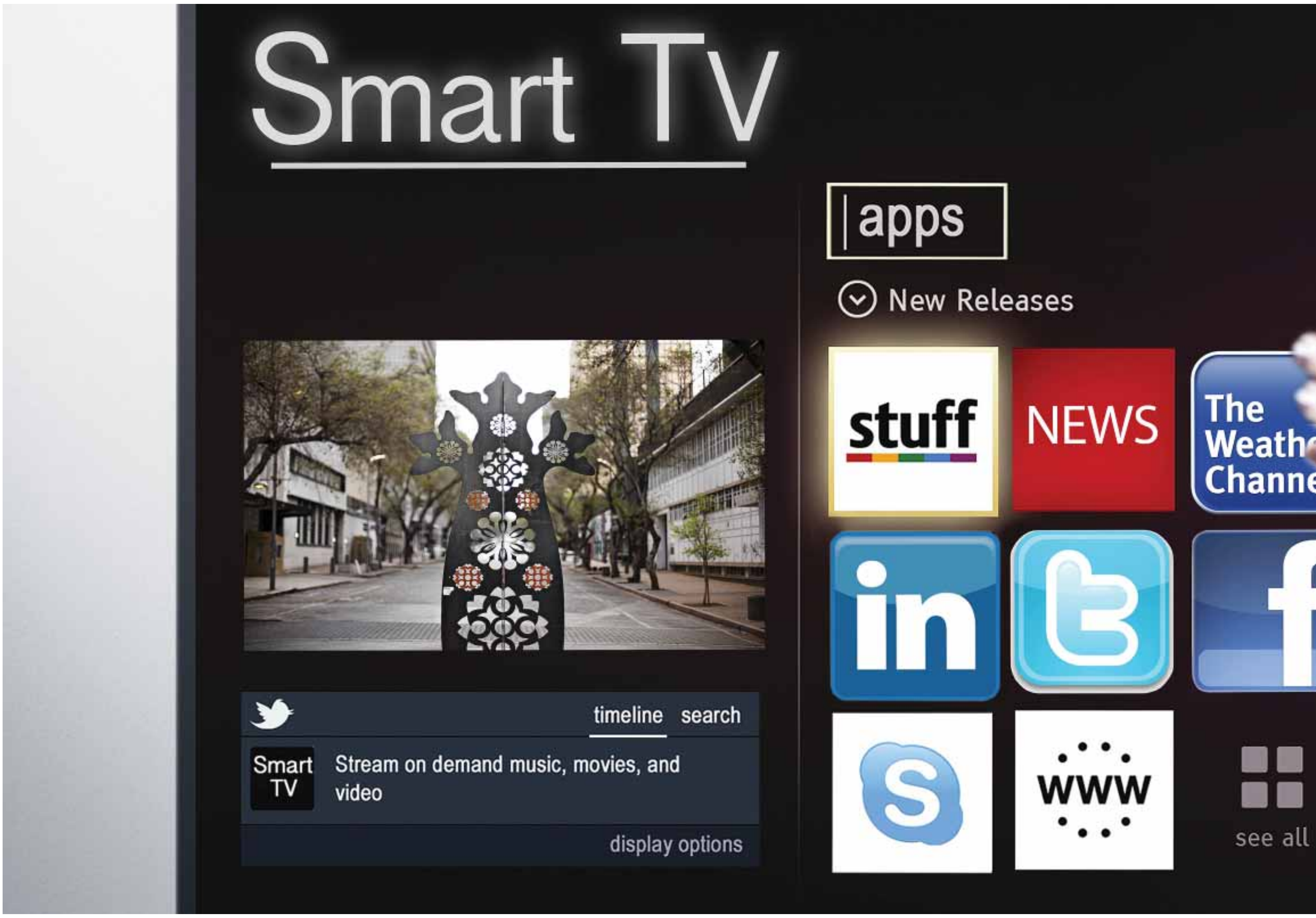
*Subscriber growth in Kenya is being driven by new players like Wanachi and Zuku that are fuelling competition by diversifying their offerings and cutting prices. Further, competition is now coming from StarTimes, owned by Chinese banks, which is looking to use paid DTT services, thereby increasing competition in the market.*

# Kenya

## TV revenues (US$ millions) and pay-TV households (millions), 2008-2017

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Pay-TV subscription | 21 | 27 | 36 | 45 | 59 | 70 | 81 | 91 | 101 | 111 | |
| *YOY growth (%)* | | *28.1%* | *33.6%* | *25.7%* | *31.6%* | *19.1%* | *15.4%* | *12.4%* | *11.6%* | *9.8%* | *13.6%* |
| % of total TV market | 16% | 17% | 16% | 13% | 14% | 14% | 14% | 14% | 14% | 13% | |
| TV advertising | 107 | 134 | 191 | 310 | 359 | 416 | 483 | 560 | 650 | 754 | |
| *YOY growth (%)* | | *25.0%* | *42.9%* | *62.0%* | *16.0%* | *16.0%* | *16.0%* | *16.0%* | *16.0%* | *16.0%* | *16.0%* |
| *% of total TV market* | *84%* | *83%* | *84%* | *87%* | *86%* | *86%* | *86%* | *86%* | *86%* | *87%* | |
| Total TV market | 128 | 161 | 227 | 355 | 418 | 486 | 564 | 651 | 751 | 865 | |
| *YOY growth (%)* | | *25.5%* | *41.3%* | *56.3%* | *18.0%* | *16.4%* | *15.9%* | *15.5%* | *15.4%* | *15.2%* | *15.7%* |
| Pay-TV households (millions) | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | |
| *YOY growth (%)* | | *59.4%* | *44.1%* | *42.6%* | *27.3%* | *24.8%* | *21.9%* | *18.2%* | *14.5%* | *11.3%* | *18.0%* |
| Average monthly spending (US$) | 31.2 | 30.8 | 27.4 | 24.1 | 23.7 | 22.4 | 21.0 | 19.7 | 18.9 | 18.4 | |
| *YOY growth (%)* | | *-1.2%* | *-10.9%* | *-12.2%* | *-1.5%* | *-5.4%* | *-6.3%* | *-6.2%* | *-4.0%* | *-2.7%* | *-4.9%* |

Source: PwC, Informa Telecoms & Media



## *Kenyan pay TV household numbers will more than double in the next five years.*

The Kenyan pay-TV market is still in its infancy, with subscriber penetration at only 8% in 2012. However, as competition increases, this will rise to 15% by 2017. The total of 232 000 pay-TV households at the end of 2012 is expected to more than double to reach 531 000 by the end of 2017, a CAGR of 18%. Subscription revenues totalled US$59 million in 2012 and will reach US$111 million in 2017, a CAGR of 13.6%.

Subscriber growth will be driven by new players like Wanachi and Zuku, which are challenging the incumbent MultiChoice by diversifying their offerings and cutting prices.

In the satellite sector, MultiChoice faced significant competition in Kenya from new entrant GTV from mid-2007 until early 2009 when GTV went bankrupt. Since then, MultiChoice's Kenyan subscriber base has been increasing substantially.

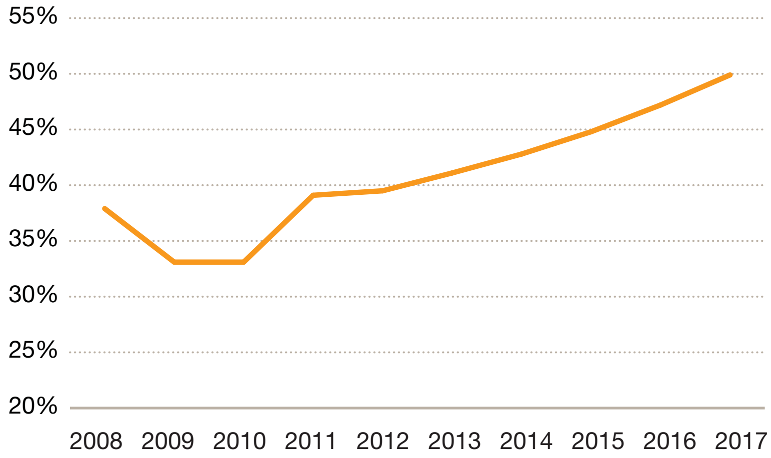
Further significant competition is now coming from Chinese-owned pay-TV provider StarTimes, which is looking to pay-DTT services to erode MultiChoice's strong position in the market. StarTimes is offering specific deals to former subscribers of defunct services like GTV and has been successful in generating subscriber scale. MultiChoice launched its own pay-DTT service, GOtv, in 2011.

In 2012, TV accounted for 35.3% of all ad spend in Kenya. But, with the TV sector expected to grow in strength over the next five years – assisted by the emergence of a new urban middle class with money to spend on consumer goods – this share will increase to 45.8% by 2017.

Having generated TV advertising revenues of US$359 million in 2012, the period between 2013 and 2017 will see consistent revenue growth, with net TV advertising revenues set to reach US$754 million in 2017, a CAGR of 16%.

## *TV's share of total advertising revenues will continue to rise.*

**TV advertising share of total advertising spend, 2008-2017 (%)**




Source: PwC, Informa Telecoms & Media

However, Kenya has very high rates of advertising agency commission: a TV ad in Kenya costs more than twice the Nigerian price for the same air time. The advertising skill set in Kenya is perceived to be slightly higher than in Nigeria, thanks to better exposure to global trends, technology and training. Commissions are expected to reduce as the market matures, encouraging further spend.

As part of this growth trend, the wider advertising industry is also set to expand, with more agencies launching. Regulation may be introduced to ensure that while the Kenyan market grows rapidly, it does not become as fragmented as those in other African countries.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# Global trends in Television

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

### Total TV revenues, 2008-2017 (US$ millions)

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Pay-TV subscription | 137 466 | 146 091 | 155 312 | 163 403 | 171 691 | 180 444 | 189 162 | 197 315 | 205 376 | 212 359 | |
| *YOY growth (%)* | | *6.3%* | *6.3%* | *5.2%* | *5.1%* | *5.1%* | *4.8%* | *4.3%* | *4.1%* | *3.4%* | *4.3%* |
| Public licence fees | 36 000 | 36 659 | 37 016 | 37 561 | 37 760 | 38 390 | 38 714 | 38 978 | 39 297 | 39 630 | |
| *YOY growth (%)* | | *1.8%* | *1.0%* | *1.5%* | *0.5%* | *1.7%* | *0.8%* | *0.7%* | *0.8%* | *0.8%* | *1.0%* |
| End user spending | 173 466 | 182 750 | 192 328 | 200 964 | 209 451 | 218 834 | 227 876 | 236 293 | 244 673 | 251 989 | |
| *YOY growth (%)* | | *5.4%* | *5.2%* | *4.5%* | *4.2%* | *4.5%* | *4.1%* | *3.7%* | *3.5%* | *3.0%* | *3.8%* |
| **% of total TV market** | **53%** | **57%** | **55%** | **56%** | **56%** | **56%** | **55%** | **55%** | **54%** | **54%** | |
| Broadcast TV advertising | 147 475 | 135 621 | 149 273 | 155 163 | 161 143 | 167 709 | 176 287 | 183 345 | 194 238 | 203 065 | |
| *YOY growth (%)* | | *-8%* | *10.1%* | *3.9%* | *3.9%* | *4.1%* | *5.1%* | *4.0%* | *5.9%* | *4.5%* | *4.7%* |
| Online TV advertising | 1 527 | 1 751 | 2 001 | 2 234 | 2 861 | 3 426 | 4 609 | 6 097 | 7 381 | 8 647 | |
| *YOY growth (%)* | | *14.7%* | *14.3%* | *11.7%* | *28%* | *19.8%* | *34.5%* | *32.3%* | *21.1%* | *17.2%* | *24.8%* |
| Total TV advertising | 149 002 | 137 372 | 151 274 | 157 397 | 164 004 | 171 135 | 180 896 | 189 442 | 201 619 | 211 712 | |
| *YOY growth (%)* | | *-7.8%* | *10.1%* | *4%* | *4.2%* | *4.3%* | *5.7%* | *4.7%* | *6.4%* | *5.0%* | *5.2%* |
| **% of total TV market** | **47%** | **43%** | **45%** | **44%** | **44%** | **44%** | **45%** | **45%** | **46%** | **46%** | |
| **Total TV market** | **322 468** | **320 122** | **343 602** | **358 361** | **373 455** | **389 969** | **408 772** | **425 735** | **446 292** | **463 701** | |
| ***YOY growth (%)*** | | ***-0.6%*** | ***7.3%*** | ***4.2%*** | ***4.2%*** | ***4.4%*** | ***4.8%*** | ***4.2%*** | ***4.8%*** | ***3.9%*** | ***4.4%*** |

Source: PwC, Informa Telecoms & Media

- The continued attraction of TV content and a demand from new consumers will ensure the global pay-TV industry continues to grow, despite concerns about OTT services and piracy. Subscription revenues from pay-TV providers will reach US$212 billion by 2017, up from US$172 billion in 2012 (at a CAGR of 4.3%), driven by rapid growth in the Asia-Pacific and Latin American markets, notably in China and Brazil, which will surpass the UK, Canada and India in 2013 to become the third-largest market.
- Indonesia will be the fastest-growing TV market with a revenue CAGR of 21% and a market set to be worth US$1.7 billion in 2017, while Kenya, Thailand and Vietnam also all show impressive growth (13%+ CAGR). In the mature markets of Europe, growth will generally be limited to 1-3%, with the exception of Russia.
- The threat from OTT services should not be exaggerated. Even by 2017, revenues from OTT services will remain just 6% of overall pay-TV revenues. But operators must adapt their services to changing consumer expectations for more on-demand content.
- A greater proportion of viewing and interaction will take place on non-TV devices, beyond the TV set. Multiscreen 'TV Everywhere' services will increase the appeal of TV, while the rise in social TV and second-screen activity will provide an opportunity for pay-TV operators to deepen their engagement with viewers.
- Cable will remain the dominant platform globally for delivering pay-TV services, although its share will decline. IPTV will be the fastest-growing platform – at a CAGR of 14% – but only in certain markets, such as China, the US and South Korea.
- Over the next five years, the TV advertising sector will pass US$200 billion in annual revenue – with a CAGR of 5.2% – reaching global revenues of US$211.7 billion in 2017 (compared with US$164 billion in 2012). Despite a rise in pay-TV subscriptions, terrestrial television will account for 69.6% of all TV advertising revenues in 2017.

- The US will still dominate global TV advertising revenues, accounting for 39.0% of the global total in 2017, which is only a modest drop from 2012's 39.4%. But the fastest rates of growth will be in other markets, including Kenya (16% CAGR), Indonesia (15%), India (12%), Nigeria (11%) and Brazil (10%).
- New technology that changes the way consumers watch TV will create challenges and opportunities for advertisers. Increased use of DVRs, connected portable devices (including 'second screens' such as smartphones and tablets) and connected TVs will threaten the traditional TV advertising models.
- Online TV advertising revenues will treble between 2012 and 2017, but will remain a fraction of traditional TV revenues. Aggressive growth will see Japan become the third largest market for online TV advertising globally, behind only the US and UK.
- The industry must react to changing consumer behaviour. The opportunity to provide targeted advertising, through the interrogation of consumers' online habits, presents the TV industry with a new and potentially vital revenue stream.
- Better measurement metrics are needed to reflect the new realities of TV consumption. Future revenues will be at serious risk without agreed models for what to measure and how to measure it.

# *Filmed entertainment*

*Nicola Allan*
*Associate Director, PwC Southern Africa*
*Daniella Belo*
*Manager, PwC Southern Africa*

# Definitions

The filmed entertainment segment consists of both out-of-home and in-home components. Out-of-home includes consumer spending at the box office for theatrical motion pictures and advertising spend at the cinema, including on-screen advertisements before the movie. Concession sales of beverages and refreshments in theatres are not included.

In-home includes both physical home video and electronic home video of films, TV programming and other content. Physical home video includes spending on rentals of videos at video stores and other retail outlets and the purchase of physical home video products. Electronic home video consists of spending through TV set-top boxes and access over the Internet.

The figures do not include music videos (which are included in the music segment). They also do not include movies or other content licensed to pay-TV or other television content providers (which are included in the television segment). These figures are removed at the total level to avoid double counting.

# *In brief*

***Kenya's filmed entertainment market generated revenues of R353 million (US$43 million) in 2012, but with limited access to broadband and with few cinema screens available, this will rise to just R377 million (US$46 million) in 2017, at a CAGR of 1.3%.***

# Kenya

## *Kenya's filmed entertainment market is still recovering from a contraction in 2009.*

**Filmed entertainment revenues, 2008-2017 (US$ millions)**

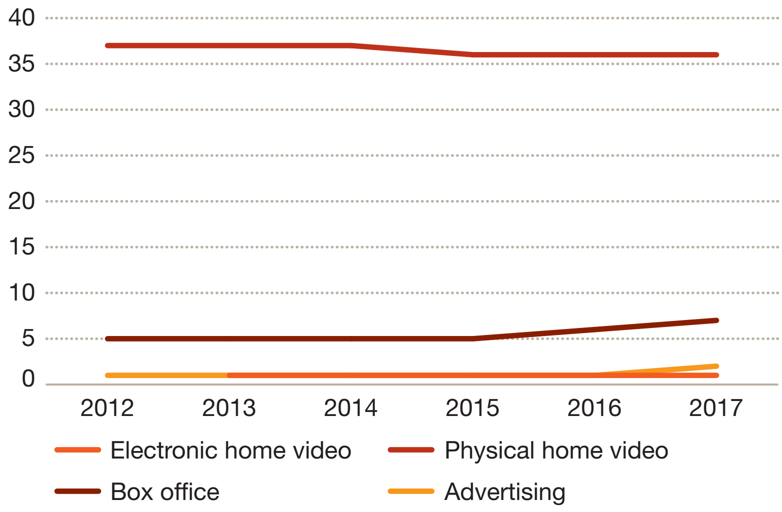
| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Electronic home video | - | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 23.2% |
| OTT/streaming | - | - | - | - | - | - | - | - | - | - | - |
| Through TV subscription | - | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 15.1% |
| Physical home video | 44 | 36 | 38 | 38 | 37 | 37 | 37 | 36 | 36 | 36 | -0.4% |
| Rentals | 3 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2.8% |
| Sell through | 41 | 34 | 35 | 35 | 34 | 34 | 34 | 33 | 33 | 33 | -0.7% |
| Box office | 2 | 3 | 3 | 4 | 5 | 5 | 5 | 5 | 6 | 7 | 7.8% |
| Advertising | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 13.3% |
| **Total** | **47** | **40** | **42** | **43** | **43** | **44** | **44** | **43** | **44** | **46** | |
| ***YOY growth (%)*** | | ***-15.1%*** | ***4.5%*** | ***2.7%*** | ***-0.8%*** | ***0.5%*** | ***0.7%*** | ***1.1%*** | ***1.6%*** | ***2.7%*** | ***1.3%*** |

Source: PwC, Informa Telecoms & Media

In 2012, the Kenyan filmed entertainment market generated revenues of US$43 million, a rise of US$3 million from the low of 2009, when the market fell by over 15% in 12 months. The market is forecast to reach US$46 million in 2017, but this will still be lower than its value in 2008.

## *The market is dominated by physical home video.*

**Filmed entertainment revenues, 2012-2017 (US$ millions)**




Source: PwC, Informa Telecoms & Media

Physical home video accounts for around 86% of the market's revenues. Retail outlet Planet Media stocks books, music and DVDs and the company is boosting its home entertainment revenues further by establishing partnerships with brands like Samsung, LG and Sony and providing space for those companies to showcase their products in store.

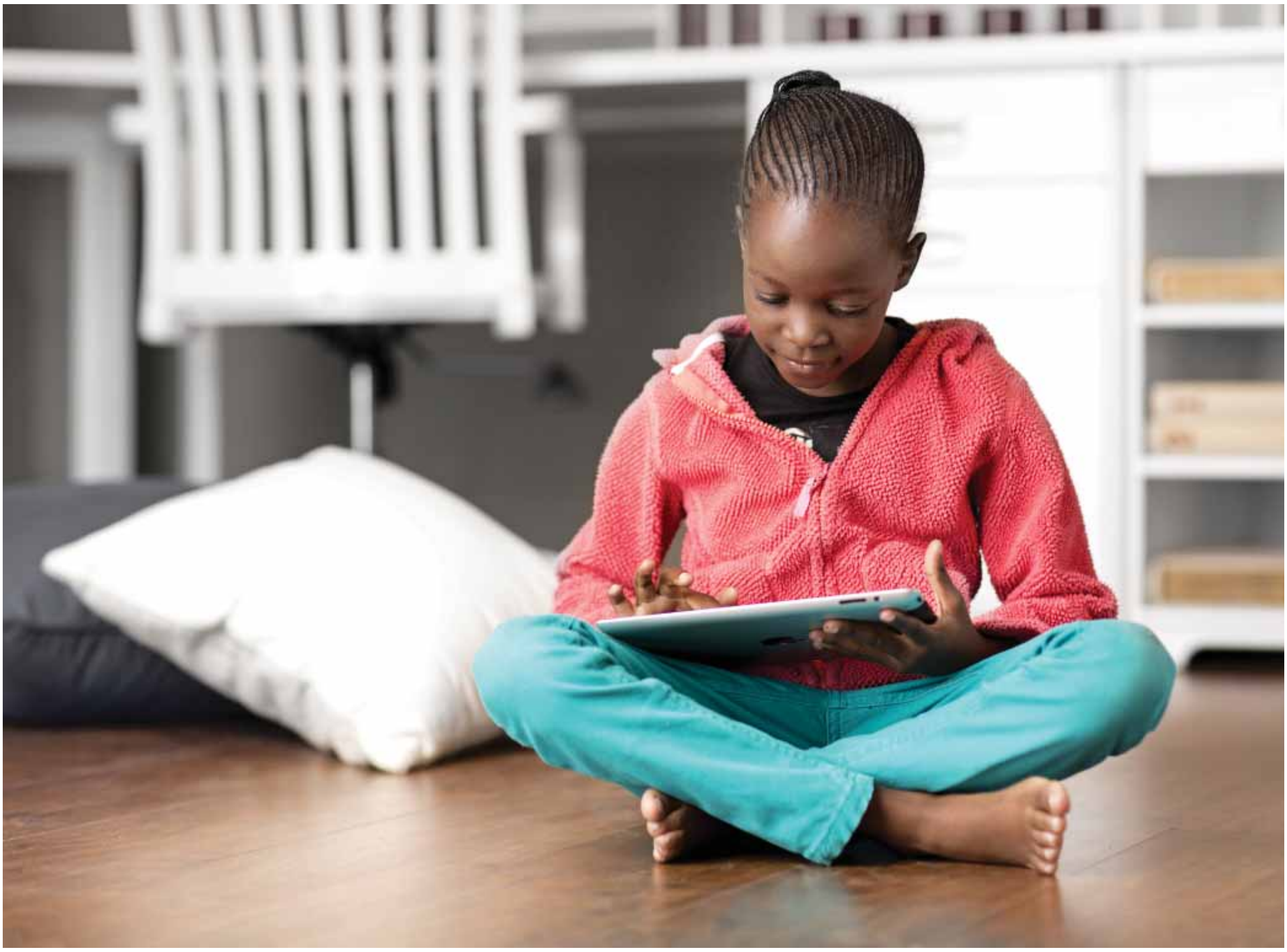
Towards the end of the forecast period, cinema will begin to increase its revenue streams in Kenya. At the moment, the cinema format is struggling in light of movie piracy and the popularity of home entertainment alternatives.

In Kenya, there is only one cinema screen for every two million citizens, with Kenyans predominantly viewing films at video shacks, which often show pirated films. Cinemas are under construction in cities such as Nairobi and the focus is on providing affordable entertainment in order to encourage patrons away from informal video shacks. At the other end of the scale, Fox Theatres is focussing on affluent consumers with an IMAX theatre system showing 3D movies.

Kenya has one of the lowest levels of broadband penetration in the world with just 4% of the population forecast to be connected to fixed broadband by 2017, limiting the scope for TV-based OTT services in the country. Mobile Internet access will be much higher, however, with 24% of Kenyans expected to be able to access the Internet via a connected personal device by 2017.

DStv is expanding its presence in Kenya by providing content via both satellite and mobile phone. But, while the electronic home video segment is forecast to grow at a CAGR of 23% over the forecast period, it will only generate US$1 million in 2017.

Kenya's filmed entertainment market will remain constrained by the ready availability of pirated movies and the fact that cinemagoing is set to remain an entertainment only for the richest consumers in urban areas.



# Global trends in filmed entertainment

The following is extracted from PwC's *Global Entertainment and Media Outlook: 2013-2017*

## *The global filmed entertainment market will see revenues rise at a CAGR of 3.6% in the next five years.*

### Global filmed entertainment revenues, 2008-2017 (US$ million)

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Electronic home video | 5 473 | 6 475 | 7 575 | 9 377 | 11 232 | 13 407 | 15 864 | 18 771 | 22 298 | 26 901 | 19.1% |
| OTT/streaming | 2 479 | 2 765 | 3 176 | 4 182 | 5 238 | 6 569 | 8 268 | 10 484 | 13 410 | 17 438 | 27.2% |
| Through TV subscription | 2 994 | 3 710 | 4 399 | 5 195 | 5 994 | 6 838 | 7 596 | 8 287 | 8 888 | 9 463 | 9.6% |
| Physical home video | 48 477 | 45 565 | 45 229 | 42 714 | 40 341 | 38 196 | 36 242 | 34 464 | 32 838 | 31 341 | -4.9% |
| Rentals | 14 378 | 14 096 | 13 940 | 12 948 | 12 052 | 11 255 | 10 540 | 9 903 | 9 334 | 8 824 | -6.0% |
| Sell through | 34 099 | 31 469 | 31 289 | 29 766 | 28 289 | 26 941 | 25 702 | 24 561 | 23 504 | 22 517 | -4.5% |
| Box office | 27 873 | 30 794 | 32 500 | 32 931 | 34 463 | 35 973 | 37 666 | 39 623 | 41 859 | 44 393 | 5.2% |
| Advertising | 2 120 | 2 089 | 2 300 | 2 420 | 2 588 | 2 764 | 2 930 | 3 086 | 3 238 | 3 376 | 5.5% |
| **Total** | **83 943** | **84 923** | **87 604** | **87 442** | **88 624** | **90 341** | **92 702** | **95 944** | **100 233** | **106 011** | |
| ***YOY growth (%)*** | | ***1.2%*** | ***3.2%*** | ***-0.2%*** | ***1.4%*** | ***1.9%*** | ***2.6%*** | ***3.5%*** | ***4.5%*** | ***5.8%*** | ***3.6%*** |

Source: PwC, Informa Telecoms & Media

- Global filmed entertainment revenues will continue to grow, generating annual revenues of more than US$106 billion by 2017. Within that, revenues from the worldwide physical-home-video market – sales and rentals of DVDs and Blu-ray – will be worth less than box office for the first time in 2014.
- Despite China overtaking Japan in 2012 to become the world's second-largest theatrical market, the Asia-Pacific region will continue to provide the greatest opportunities for growth in filmed entertainment over the next five years. Most countries in Asia-Pacific and Latin America are still relatively under-screened when it comes to cinemas, but new cinemas, notably in China, will create new audiences and drive overall growth. As Hollywood targets young audiences outside the US, local industries will respond and co-production activity will thrive.
- Connected consumers are in control. They expect to access the content they want, on the screen they want, at a time of their choosing. In response, the studios have become more willing than ever to try different business models to deliver their content, and, importantly, to experiment with price points and offerings.
- Over-the-top services that deliver video over the Internet will continue to grow rapidly, generating revenues of US$17.4 billion in 2017, up from US$5.2 billion in 2012, a CAGR of 27%. Subscription and rental models, rather than ownership models, will continue to be the dominant consumer preferences.
- Piracy of both physical and digital content will remain the greatest threat to the future of filmed entertainment. Outside North America and Western Europe in particular, the future will depend on the industry's ability to counter the appeal of pirated content with better services of their own. New innovative services, along with education, enforcement and regulation will enable the industry to counter piracy.

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# Radio

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**Alinah Motaung**
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## Definitions

The radio segment includes all advertising spend on radio stations and radio networks.

Advertising revenue is measured gross of agency commissions and net of discounts and value added incentives, as extracted from the Radio Advertising Bureau Revenue Report. This measurement basis is different to the other segments within the Outlook which are measured as gross revenue net of agency commissions. If the radio segment were measured on this basis, 2012 revenues would be R3.1 billion and radio would account for 9.8% of advertising spend in South Africa.

Public television licence fees, which cover the fee paid for both television and radio, have been included within the television segment.

# In brief

*Kenya is an emerging radio market with revenues of R2.25 billion (US$274 million) in 2012. Total radio revenue grew by a remarkable 215% between 2008 and 2012, reflecting the early growth stage of the Kenyan radio market. This growth is poised to continue albeit at a slower pace than in previous years and will see revenues reach R2.79 billion (US$339 million) in 2017.*

# Kenya

### Radio revenues, 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Advertising | 87 | 150 | 220 | 258 | 274 | 290 | 307 | 322 | 333 | 339 | |
| *YOY growth (%)* | | *72.9%* | *46.5%* | *17.2%* | *6.2%* | *5.8%* | *5.8%* | *4.7%* | *3.6%* | *1.9%* | *4.4%* |
| **Total** | **87** | **150** | **220** | **258** | **274** | **290** | **307** | **322** | **333** | **339** | |
| ***YOY growth (%)*** | | ***72.9%*** | ***46.5%*** | ***17.2%*** | ***6.2%*** | ***5.8%*** | ***5.8%*** | ***4.7%*** | ***3.6%*** | ***1.9%*** | ***4.4%*** |

Source: PwC, Informa Telecoms & Media

Kenya is an emerging radio market with revenues of US$274 million in 2012. Total radio revenue grew by a remarkable 215% between 2008 and 2012, reflecting the early growth stage of the Kenyan radio market.

Historically the commercial development of the radio market has been constrained by tight regulations.

Although the Kenya Broadcasting Corporation (KBC) is state funded, and aims to raise awareness of government policies, it also receives revenue from advertising. The KBC has a Swahili Service in addition to its flagship English Service. It also operates regional services in the 16 major languages spoken across Kenya.

Kenya's radio market is dominated by the KBC, not only because of its funding structure, but also its ability to cover the largest geographical area. Radio remains the most important medium in rural areas.

Commercial stations offer a wide range of choice to listeners with the combination of music and phone-ins being a popular format.
Capital FM and Kiss FM focus on providing contemporary music, EastFM caters for Nairobi's Asian listeners, while Milele FM broadcasts in Swahili.

The radio market is poised to continue its growth albeit at a slower pace than in previous years and will see revenues reach US$339 million in 2017.

Growth will be fuelled by the continued popularity of radio as a source of news and entertainment. Increasing incomes over the forecast period will increase demand for consumer goods on the back of real GDP growth of just under 6%.

Rising GDP will contribute to an increasing number of Kenyans moving from rural areas to urban areas, boosting radio audiences and radio advertising in the country. According to World Bank forecasts, 29% of Kenyans will be living in urban areas in 2017, representing a rise of nine percentage points from 2008.

Radio stations now make their content available for streaming and Internet-delivered services, which are likely to be widely adopted by Kenyans over the forecast period. Informa Telecoms & Media forecasts that by 2017, 24% of Kenyans will have a mobile Internet subscription, up from just 1.8% of the population in 2012. The actual penetration of Internet access will likely be far higher as users also access the Internet via standard data bundles.

In addition, the smartphone will be an important device for accessing radio with smartphone connections set to rise by 40% per annum over the forecast period to reach 15 million in 2017.

***After a period of rapid growth, Kenya's radio market will grow at a CAGR of 4.4% in the next five years.***

# Global trends in radio

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

**Radio revenues, 2008-2017 (US$ millions)**

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Advertising | 34 982 | 30 873 | 31 990 | 32 915 | 33 690 | 34 698 | 35 900 | 37 024 | 38 301 | 39 561 | |
| *YOY growth (%)* | | *-11.7%* | *3.6%* | *2.9%* | *2.4%* | *3.0%* | *3.5%* | *3.1%* | *3.4%* | *3.3%* | *3.3%* |
| Public funding | 6 514 | 6 635 | 6 656 | 6 624 | 6 606 | 6 708 | 6 746 | 6 773 | 6 802 | 6 809 | |
| *YOY growth (%)* | | *1.9%* | *0.3%* | *-0.5%* | *-0.3%* | *1.5%* | *0.6%* | *0.4%* | *0.4%* | *0.1%* | *0.6%* |
| Satellite radio | 2 378 | 2 479 | 2 617 | 2 834 | 3 213 | 3 536 | 3 828 | 4 109 | 4 390 | 4 651 | |
| *YOY growth (%)* | | *4.2%* | *5.6%* | *8.3%* | *13.4%* | *10.0%* | *8.3%* | *7.3%* | *6.8%* | *6.0%* | *7.7%* |
| **Total** | **43 874** | **39 987** | **41 263** | **42 373** | **43 509** | **44 942** | **46 474** | **47 906** | **49 493** | **51 021** | |
| ***YOY growth (%)*** | | ***-8.9%*** | ***3.2%*** | ***2.7%*** | ***2.7%*** | ***3.3%*** | ***3.4%*** | ***3.1%*** | ***3.3%*** | ***3.1%*** | ***3.2%*** |

Source: PwC, Informa Telecoms & Media

***The global radio market will grow at a CAGR of 3.2% to generate revenues of US$51 billion by 2017.***

- Thanks to persistent demand for radio content, accelerated by a rise in car ownership (and traffic congestion) in many markets, the global radio market is growing overall. Over the next five years, global radio revenues will grow to US$51 billion, a CAGR of 3%.
- Within that global figure, however, there are a number of shifts occurring. Revenues in North America and Europe will grow more slowly than the more rapid revenue growth in the emerging radio regions of Latin America, Asia and Africa.
- China stands out as the global radio industry's revenue success story. Its revenues grew by an impressive 69% between 2008 and 2012. It rose from being the seventh-largest radio market in 2008 to the third-largest in 2012.
- North America will continue to account for almost 50% of all global radio revenues, however, and will generate US$24 billion in 2017. But, while Europe and North America play a leading role in radio-technology and business-model innovation, their combined market shares will decline from 78% of global radio revenues in 2012 to 74% by 2017.
- Connected listeners want to access radio on a range of devices. Internet-based music streaming services and the rising use of smartphones as media consumption devices threaten traditional radio models, but broadcasters are investing in developing these platforms too. Experience-led innovation will be the key to success for radio companies in the digital era. Connected cars, for example, will provide a new opportunity.

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*Filter digital and nondigital spending data.*

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Nay Maps

# Music

*Lesrick Nayager*
*Manager, PwC Southern Africa*

# Definitions

The music segment consists of recorded music and live music played at concerts, and considers consumer spend on music. The recorded music component is split into physical and digital elements:

- Physical sales cover any retail or online purchase of albums, single sound recordings and music videos; and
- Digital consists of any music distributed digitally to mobile devices and includes any music downloaded via app stores and licensed services. Digital music is analysed by units and revenues. Revenues include subscription services, advertising-supported streaming services, master ring tones (not polyphonic or monophonic) and ringback tones. Unit sales comprise single track downloads, full album downloads and music video downloads only.

All consumer spend is measured at retail level, which can be substantially higher than the wholesale or trade value of revenue reported.

The recorded music market does not consider subscription fees paid to satellite radio providers or advertising generated by Internet radio services. The figures also do not include performance rights or synchronisation fees.

Figures for live music revenues are made up of consumer spending on tickets to concerts and music festivals as well as sponsorship payments. No other consumer spending at live music events, such as on merchandise or refreshments, is included in the live music total.

# *In brief*

***Kenya's music market generated revenues of R163 million (US$19.8 million) in 2012, up from R135 million (US$16.5 million) in 2008. Annual revenue is forecast to edge up in 2015 to R170 million (US$20.7 million), but fall back to R165 million (US$20.1 million) by 2017. Consumer spending on digital music will overtake physical spending in 2015.***

# Kenya

## *The value of the Kenyan music market will end 2017 at the same level as 2012.*

### Music revenues, 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| **Recorded music** | **15** | **16** | **16** | **17** | **18** | **18** | **18** | **19** | **18** | **18** | |
| ***YOY growth (%)*** | | ***7.1%*** | ***4.3%*** | ***3.8%*** | ***4.4%*** | ***1.4%*** | ***1.2%*** | ***0.5%*** | ***-1.5%*** | ***-1.8%*** | ***0.0%*** |
| Physical | 12 | 12 | 11 | 11 | 11 | 10 | 9 | 9 | 8 | 7 | |
| *YOY growth (%)* | | *0.1%* | *-3.0%* | *-2.9%* | *-3.1%* | *-4.8%* | *-5.0%* | *-5.6%* | *-7.7%* | *-9.7%* | *-6.6%* |
| Digital | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 10 | 11 | |
| *YOY growth (%)* | | *33.1%* | *25.2%* | *18.2%* | *17.7%* | *10.6%* | *8.9%* | *7.2%* | *4.8%* | *5.1%* | *7.3%* |
| **Live music** | **1** | **1** | **2** | **2** | **2** | **2** | **2** | **2** | **2** | **2** | |
| ***YOY growth (%)*** | | ***4.0%*** | ***4.1%*** | ***2.8%*** | ***0.6%*** | ***4.9%*** | ***5.1%*** | ***4.9%*** | ***1.8%*** | ***2.4%*** | ***3.8%*** |
| **Total** | **16** | **17** | **18** | **19** | **20** | **20** | **20** | **21** | **20** | **20** | |
| ***YOY growth (%)*** | | ***6.9%*** | ***4.2%*** | ***3.7%*** | ***4.1%*** | ***1.7%*** | ***1.5%*** | ***0.9%*** | ***-1.2%*** | ***-1.4%*** | ***0.3%*** |

Source: PwC, Informa Telecoms & Media

Kenya's music market generated revenues of US$19.8 million in 2012, up from US$16.5 million in 2008. Annual revenue is forecast to rise to US$20.7 million in 2015, but fall back to US$20.1 million in 2017.

Retail spending on physical formats has been edging down for the last few years and will continue to fall in the next five years. The retail value of physical sales will total approximately US$7.7 million in 2017, down from US$10.8 million in 2012.

In contrast, consumer spending on digital music will grow to overtake physical spending in 2015. Digital sales will increase at a CAGR of 7.3% in the next five years and will total an estimated US$10.6 million in 2017. This rise in digital sales will just compensate for the physical declines so that total spending on recorded music will be flat over the next five years.

Factors that should boost spending on digital music include a rising youth population, a growing economy and increased Internet access. Although only 2% of Kenyan households had access to fixed broadband in 2012 (rising to just 4% of households by 2017), by 2017, 24% of Kenya's population will have access to mobile Internet (up from just 2% in 2012).

Legal digital music services face stiff competition from unauthorised services and music that is available free online. Despite the fairly low prices charged by digital services, consumers with limited budgets are choosing to download music free rather than pay for it. Most ISPs take no action to prevent access to free music and lax copyright laws in the country make it difficult for rights holders to take action against illegal downloading.

Digital's share of total spending on recorded music will rise to 61.1% by 2017.

***Digital sales will account for 61% of recorded music retail sales in 2017.***

Consumer spending on live music events in Kenya is set to grow, with a CAGR over the next five years of 3.8%. However, live music is the smallest of the three music sectors and by 2017 will only account for 10% of music revenues. Kenya is not a major stop-off point for international artists. The most notable live music event in the country is the Kenya Music Festival, which is held at the Kenyatta International Conference Centre in Nairobi over ten days in August. Traditionally, only African music is played at this event.

***Consumer spending on live music in Kenya will account for 10% of consumer spending on music in 2017.***

### Recorded music unit sales, 2008-2017 (millions)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | CAGR % 2013-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Physical | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.3 | 2.2 | 2.2 | 2.0 | 1.9 | -4.3% |
| Digital | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 6.6% |
| **Total** | **2.5** | **2.6** | **2.6** | **2.7** | **2.7** | **2.6** | **2.5** | **2.6** | **2.4** | **2.3** | **-2.8%** |

Source: PwC, Informa Telecoms & Media

The pattern of recorded music unit sales will mirror spending, with unit sales of physical products falling and digital unit sales rising. The number of physical unit sales will decrease at a CAGR of -4.3% over the next five years, with unit sales in 2017 forecast at 1.9 million. Digital unit sales will rise at a CAGR of 6.6% to reach 0.4 million in 2017.

Although not the poorest country in Africa, Kenya offers little in the way of meaningful revenues for the recorded music industry. According to the World Bank, Kenya's gross national income per capita is below US$1 000, which is lower than the average for sub-Saharan developing countries.

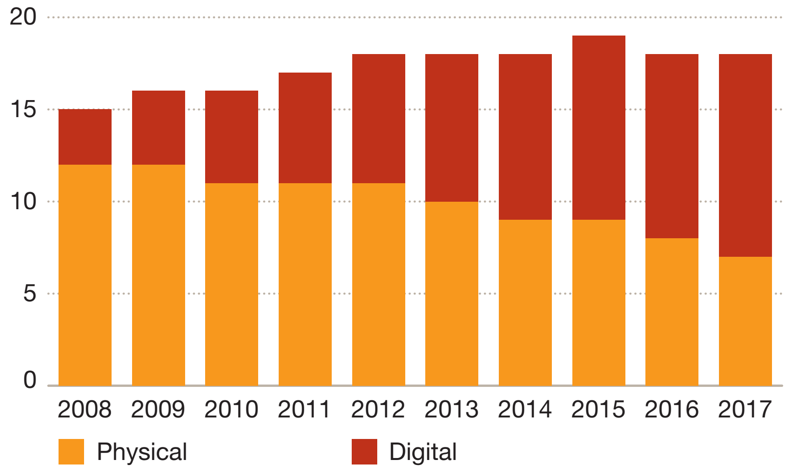
Widespread unauthorised distribution of CDs has severely limited any prospects of establishing a growing 'bricks and mortar' music retail sector. Music use and the need for businesses to pay for licences are slowly being recognised.

The rollout of digital services in Kenya has been limited to telecoms services but, as most mobile subscribers have simple handsets that are unable to receive full tracks, the sale of downloads is very small. Ringtones and ringback tones are the most popular digital formats.

A boost to the digital sector came at the end of 2012 with the entry into the country of Apple's iTunes store and the French subscription service Deezer. Although the prices charged by these services will be beyond the reach of most Kenyans in the short term, a significant number of consumers is expected to engage them.

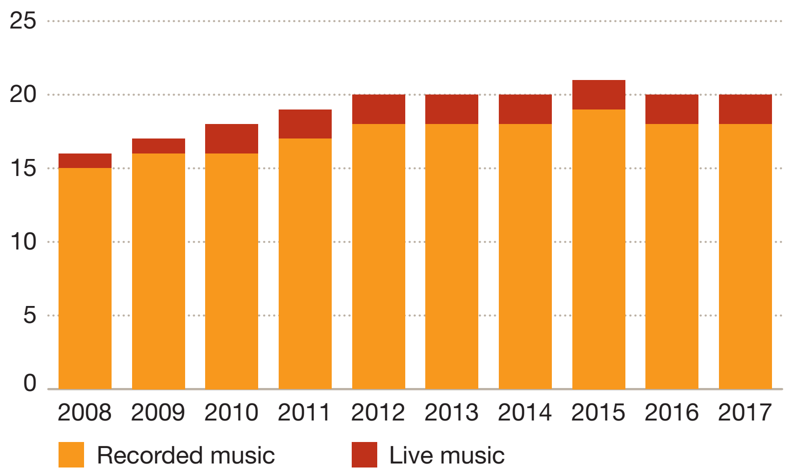
*Unit sales of recorded music will fall at a CAGR of -2.8% over the next five years.*

### Recorded music retail spending by format, 2008-2017 (US$ millions)




Source: PwC, Informa Telecoms & Media

### Consumer spending share of live and recorded music, 2008-2017 (US$ millions)




Source: PwC, Informa Telecoms & Media

# Global music trends

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

## *Globally, the music industry will grow at a CAGR of 1.5% over the next five years.*

### Music revenues, 2008-2017 (US$ millions)

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Recorded music | 30 146 | 27 155 | 24 787 | 24 140 | 23 404 | 23 070 | 22 952 | 22 904 | 22 891 | 22 927 | |
| *YOY growth (%)* | | *-9.9%* | *-8.7%* | *-2.6%* | *-3.0%* | *-1.4%* | *-0.5%* | *-0.2%* | *-0.1%* | *0.2%* | *-0.4%* |
| Physical | 23 818 | 20 302 | 17 491 | 15 967 | 14 389 | 13 227 | 12 326 | 11 494 | 10 713 | 9 996 | |
| *YOY growth (%)* | | *-14.8%* | *-13.8%* | *-8.7%* | *-9.9%* | *-8.1%* | *-6.8%* | *-6.8%* | *-6.8%* | *-6.7%* | *-7.0%* |
| Digital | 6 328 | 6 853 | 7 296 | 8 173 | 9 015 | 9 843 | 10 626 | 11 410 | 12 178 | 12 931 | |
| *YOY growth (%)* | | *8.3%* | *6.5%* | *12.0%* | *10.3%* | *9.2%* | *8.0%* | *7.4%* | *6.7%* | *6.2%* | *7.5%* |
| Live music | 24 973 | 26 099 | 25 200 | 25 966 | 26 528 | 27 409 | 28 339 | 29 215 | 30 035 | 30 902 | |
| *YOY growth (%)* | | *4.5%* | *-3.4%* | *3.0%* | *2.2%* | *3.3%* | *3.4%* | *3.1%* | *2.8%* | *2.9%* | *3.1%* |
| **Total** | **55 119** | **53 254** | **49 987** | **50 106** | **49 932** | **50 479** | **51 291** | **52 119** | **52 926** | **53 829** | |
| ***YOY growth (%)*** | | ***-3.4%*** | ***-6.1%*** | ***0.2%*** | ***-0.3%*** | ***1.1%*** | ***1.6%*** | ***1.6%*** | ***1.5%*** | ***1.7%*** | ***1.5%*** |

Source: PwC, Informa Telecoms & Media

- Globally, the music industry is getting back on track: Total consumer spending on music was US$49.9 billion in 2012, a slight decline from 2011. However, annual revenue will start to grow again in 2013 and will reach US$53.8 billion in 2017, a CAGR of 1.5% over the forecast period.
- The fastest growth will come from countries that are not traditionally the largest music markets, including Russia, Sweden, China and Brazil. India with a CAGR of 14% will be the fastest-growing market. The expansion of music streaming services will drive growth among smartphone users.
- Digital music revenues will exceed physical revenues globally by 2016, demonstrating the importance of digital formats to the industry. Widespread access to broadband and smartphones will encourage further growth in music subscription services, although there is no uniformity in the way digital markets will evolve.
- The challenges of licensing content for multiple territories will hinder the growth of services across multiple territories, notably in Europe. Active intervention will be required to ensure new flexible licensing deals can be struck.
- Live music continues to grow, with sales of tickets and sponsorship forecast to generate revenues of US$30.9 billion in 2017, up from US$26.5 billion in 2012, a CAGR of 3.1%. This growth will more than offset the continued decline in recorded music revenues.

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# Consumer magazine publishing

*Sharon Horsten*
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## Definitions

This segment consists of advertising spend in both traditional print and through online magazines – either direct through magazine websites, or magazines distributed directly to a mobile device. Magazines published under contract (customer magazines/contract or custom publishing) are included within the print advertising category.

Consumer spending includes circulation revenues and is split between spending by readers' direct purchases from retail outlets or via subscriptions in print and via downloads of individual editions or subscriptions delivered digitally direct to mobile devices.

Licensing of merchandise is not included in this segment and trade magazines are covered in the Business-to-business segment.

# *In brief*

***Consumer magazine revenues in Kenya will grow at a CAGR of 9.0% in the next five years as an emerging middle class purchase magazines. Print will dominate, however, and digital will comprise just 3% of the total circulation revenues, in 2017.***

***Today's so-called digital natives still interact with a mix of paper magazines and books, as well as tablets, smartphones and e-readers; using one kind of technology does not preclude them from understanding another.[1]***

[1] Ferris Jabr, "The Reading Brain in the Digital Age: The Science of Paper versus screen", *Scientific American, April 2013,* http://www.scientificamerican.com/article.cfm?id=reading-paper-screens (accessed 31 May 2013)

# Kenya

## *Circulation spend in Kenya's consumer magazine market will see strong growth.*

### Consumer magazine revenues, 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| **Circulation** | **36** | **34** | **50** | **54** | **58** | **64** | **71** | **78** | **84** | **92** | **9.6%** |
| Print | 36 | 34 | 50 | 54 | 58 | 64 | 71 | 78 | 83 | 89 | 8.9% |
| Digital | 0* | 0* | 0* | 0* | 0* | 0* | 0* | 0* | 1 | 3 | 147.1% |
| **Advertising** | **7** | **8** | **6** | **8** | **9** | **9** | **10** | **10** | **11** | **12** | **4.8%** |
| Print | 7 | 8 | 6 | 8 | 9 | 9 | 10 | 10 | 11 | 11 | 3.8% |
| Digital | - | - | - | 0* | 0* | 0* | 0* | 0* | 0* | 1 | 48.5% |
| **Total** | **43** | **42** | **56** | **62** | **67** | **73** | **81** | **88** | **95** | **104** | |
| ***YOY growth (%)*** | | ***-2.5%*** | ***35.3%*** | ***9.1%*** | ***7.8%*** | ***9.1%*** | ***10.5%*** | ***9.3%*** | ***7.3%*** | ***8.6%*** | ***9.0%*** |

* Less than US$1 million
Source: PwC, Informa Telecoms & Media

The consumer magazine market in Kenya is showing strong growth, particularly in circulation spending. From being worth only US$43 million in 2008, the market has seen significant expansion in recent years. Following a decline of 2% in 2009 due to wider economic problems, it rebounded and increased by 35.3% in 2010; it then saw growth of 9.1% and 7.8% in 2011 and 2012, respectively.

Kenya's total consumer magazine revenue stood at US$67 million in 2012 and will increase at an average annual rate of 9.0% to reach US$104 million in 2017.

Circulation will continue to increase but low broadband and mobile penetration will form a significant barrier to the growth of magazines online. Print is essential to the dissemination of news and other information in Kenya and it is unlikely that digital channels will have a significant impact on the consumer magazine market in the near future.

Total circulation spend in 2012 was US$58 million, an increase of 61% over the 2008 circulation spend of US$36 million. Circulation spend will increase by an annual average of 9.6% over the forecast period to reach US$92 million in 2017, as both circulations and average cover prices increase.

Print circulation will account for the vast majority of consumer magazine circulation spend in Kenya, where circulation totalled US$58 million in 2012. It will rise by a CAGR of 8.9% over the forecast period to US$89 million in 2017.

Growth in print advertising will be smaller; the average annual increase being 3.8% over the forecast period with print advertising spend increasing from US$9 million in 2012 to US$11 million in 2017.

While growth in print advertising is smaller than that in print circulation spend, this is due to the fact that the rise in print circulation spend is due to an increase in both overall circulation and in the average cover price. The strong economic growth will enable greater spending on advertising.

PCs and tablets have low rates of ownership in Kenya, which will restrict the growth of digital editions since mobile phones, which enjoy a greater level of ownership, do not provide an adequate interface for the reading magazines. Generally their screens are too small to display high-quality photography or large amounts of text. As a result, take-up of digital editions will be minimal. Digital circulation revenues will nevertheless reach US$3 million in 2017, up from a negligible amount in 2012.

Digital advertising revenues will still be very low at the end of the forecast period. While the demographic profile of the online audience is attractive to brands, with the growth of circulation spending outpacing growth in advertising spend, digital advertising growth will also be smaller than digital circulation growth.

Advertising spend on online editions will grow from a negligible amount in 2012 to US$1 million in 2017 when digital advertising will account for 8% of total consumer magazine advertising spend. In contrast, digital circulation will account for only 3% of total circulation spend.

# Global consumer magazine trends

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

## *The global magazine market is stabilising after a period of decline.*

### Global consumer magazine publishing market, 2008-2017 (US$ millions)

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| **Circulation** | **46 910** | **46 370** | **45 602** | **44 563** | **43 613** | **43 410** | **43 247** | **43 310** | **43 632** | **44 315** | **0.3%** |
| Print | 46 907 | 46 357 | 45 419 | 44 307 | 42 778 | 41 920 | 41 173 | 40 445 | 39 729 | 39 067 | -1.8% |
| Digital | 3 | 13 | 183 | 256 | 835 | 1 490 | 2 074 | 2 865 | 3 903 | 5 248 | 44.4% |
| **Advertising** | **44 772** | **35 756** | **37 011** | **37 820** | **38 273** | **38 686** | **38 892** | **39 024** | **39 117** | **38 972** | **0.4%** |
| Print | 44 096 | 34 608 | 35 091 | 34 593 | 33 786 | 32 987 | 32 320 | 31 752 | 31 298 | 30 914 | -1.8% |
| Digital | 676 | 1 148 | 1 920 | 3 227 | 4 487 | 5 699 | 6 572 | 7 272 | 7 819 | 8 058 | 12.4% |
| **Total** | **91 682** | **82 126** | **82 613** | **82 383** | **81 886** | **82 096** | **82 139** | **82 334** | **82 749** | **83 287** | |
| ***YOY growth (%)*** | | ***-10.4%*** | ***0.6%*** | ***-0.3%*** | ***-0.6%*** | ***0.3%*** | ***0.1%*** | ***0.2%*** | ***0.5%*** | ***0.6%*** | ***0.3%*** |

Source: PwC, Informa Telecoms & Media

- The global consumer magazine market is proving resilient and at a global level will even see a slight recovery, rising in value from US$81.9 billion in 2012 to reach US$83.3 billion in 2017, a CAGR of less than 1%. It has declined over the past few years but publishers are now responding to changing consumer demands, especially around digital content.
- Digital revenue – from both circulation and advertising – will account for 15% of total magazine industry revenues by 2017, up from less than 8% in 2013. Digital advertising revenue will reach US$8.1 billion in 2017, having increased by a CAGR of 12% from US$4.5 billion in 2012.
- In 2012, digital circulation revenue accounted for just 1% of total magazine circulation revenue, but this will reach 11% by 2017, as digital revenues rise on the back of increased smartphone and tablet adoption. Creating effective pricing strategies for digital content will be a major challenge for magazine publishers.
- The US will continue to dominate global magazine revenues, while China, Brazil and South Africa (all 7% CAGR) are the world's most notable growth markets. Although starting from a lower base, the fastest-growing markets are Nigeria and Kenya (each at 9% CAGR).

*Access additional individual country (South Africa, Nigeria and Kenya) commentary.*

*Visit the online Outlook at www.pwc.co.za/outlook*

# *Newspaper publishing*

*Nico Oosthuizen*
*Associate Director, PwC Southern Africa*

# Definitions

The newspaper publishing market consists of spending on daily print newspapers by advertisers and readers and of advertising on newspaper websites, tablet and mobile phone apps.

Spending by readers includes newsstand purchases and subscriptions as well as payments for newspapers delivered to mobile devices and fees to access online content.

Circulation represents the number of copies sold. This data is sourced from Audit Bureau of Circulations of South Africa (ABC) reports.

Readership reflects the estimated number of people who read the newspaper. This data is sourced by the South African Advertising Research Foundation's All Media and Products Study (AMPS).

# *In brief*

*Kenya's newspaper sector is resilient and set to expand. Its advertising revenue has grown from R336 million (US$41 million) in 2008 to R1.1 billion (US$136 million) in 2012 and will continue growing to reach R1.5 billion (US$184 million) in 2017, a CAGR of 6.2%. Circulation revenues will also grow, but at a slower rate at a CAGR of 3.6%.*

# Kenya

### Newspaper revenues, 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Advertising | 41 | 44 | 76 | 100 | 136 | 151 | 161 | 169 | 177 | 184 | 6.2% |
| Print | 41 | 43 | 75 | 98 | 134 | 147 | 156 | 163 | 170 | 175 | 5.5% |
| Digital | - | 1 | 1 | 2 | 2 | 4 | 5 | 6 | 7 | 9 | 26.8% |
| Circulation | 57 | 55 | 54 | 52 | 54 | 55 | 58 | 60 | 62 | 64 | 3.6% |
| Print | 57 | 55 | 54 | 52 | 54 | 55 | 56 | 57 | 57 | 57 | 1.4% |
| Digital | - | - | - | - | - | - | 2 | 3 | 5 | 7 | - |
| **Total** | **98** | **99** | **130** | **152** | **190** | **206** | **219** | **229** | **239** | **248** | **-** |
| ***YOY growth (%)*** | | ***0.4%*** | ***31.1%*** | ***17.0%*** | ***25.3%*** | ***8.5%*** | ***6.0%*** | ***5.2%*** | ***4.2%*** | ***3.6%*** | ***5.5%*** |

Source: PwC, Informa Telecoms & Media

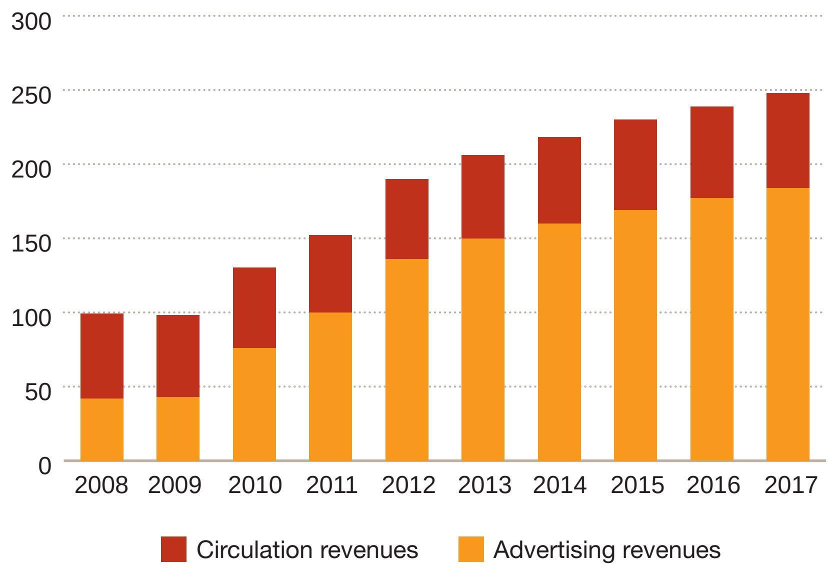
***Kenya's newspaper market continues to go from strength to strength with a CAGR of 5.5% over the next five years.***

Kenya's newspaper sector is resilient and set to expand. Advertising revenue has grown from US$41 million in 2008 to US$136 million in 2012 and will continue growing to reach US$184 million in 2017, a CAGR of 6.2%.

Growth in newspaper revenues will be fuelled primarily by the continued popularity of newspaper advertising in Kenya. Circulation revenues will also grow, but at a slower CAGR of 3.6%.

***Advertising revenues will continue to outstrip circulation revenues.***

### Newspaper revenues, advertising vs. circulation, 2008-2017 (US$ millions)




Source: PwC, Informa Telecoms & Media

## The Kenyan market offers a wide choice of content

The Kenyan newspaper market has four daily national newspapers published in English and one in Swahili, which were reported to have a combined daily circulation of almost 400 000 in May 2012. The most popular newspaper is *The Nation*, published by Nation Media Group (NMG). Its popularity stems from its reputation for impartial, unbiased and independent content.

NMG's other titles include *Business Daily*, *The East African* and *Taifa Leo*. *Business Daily* covers business and investment news affecting Kenya and the African continent. *The East African* is a weekly newspaper covering the news in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Burundi. *Taifa Leo* is the only Swahili newspaper in Kenya and targets Swahili-speaking people in Kenya and the East African region.

*The Star* newspaper was launched in 2007. In addition to news, sports and business in Kenya, it includes gossip and opinion columns. Since its launch, it has taken share from other newspapers.

*Coastweek* focusses on the coastal region of Kenya, including the counties of Mombasa, Lamu, Kwale and Malindi, with content concerning tourism and entertainment.

## Growth in GDP and smartphone ownership will fuel growth in newspaper advertising

Real GDP in Kenya is forecast to grow by an average of 6.1% per annum over the forecast period with significant benefits accruing to the retail sector and advertising industries.

Smartphone connections are set to rise by an average of 40% per annum over the forecast period to reach 15 million in 2017 and their adoption has already led to advertisers incorporating QR codes in their print advertisements.

Digital access via fixed broadband will remain relatively low. Just 2% of Kenyan households had fixed broadband in 2012. This will grow as an increasing number of Kenyans move to urban areas, where incomes and access to the Internet (as well as to printed newspapers) remain higher, but even by 2017 only 4% of all Kenyan households will have access to fixed broadband.

However, the percentage of the population having access to the mobile Internet is forecast to grow from 2% in 2012 to 24% in 2017. Delivering content to mobile devices will be a priority for publishers.

Growth in the Kenyan newspaper sector will be constrained in the near term by the high proportion of the population living in rural areas, where distribution of both physical and digital content will remain more of a challenge. According to the World Bank, 70% of Kenya's population will still live in rural areas by 2017.

## Local news is set to thrive

Code4Kenya and FlashCast are examples of Kenyan initiatives to promote the publication of local news. By definition, 'hyperlocal' content is oriented around a well-defined community with its primary focus directed toward the concerns of its residents. Code4Kenya helps publishers create hyperlocal versions of newspapers by enabling newsrooms to mine their archives for localised content and provide the content to third-party apps or other new media outlets.

FlashCast transmits hyperlocal news and information to location-aware LED displays in buses and taxis. The platform is targeting commuters and is encouraging readers to submit comments via mobile devices.

# Global trends in newspapers

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

**Newspaper revenues, 2008–2017 (US$ millions)**

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Advertising | 108 772 | 89 570 | 89 024 | 87 541 | 86 048 | 84 790 | 83 727 | 83 099 | 82 826 | 82 803 | -0.8% |
| Print | 102 181 | 83 848 | 82 617 | 80 524 | 78 411 | 76 338 | 74 390 | 72 772 | 71 358 | 70 073 | -2.2% |
| Digital | 6 591 | 5 722 | 6 407 | 7 017 | 7 637 | 8 452 | 9 337 | 10 327 | 11 468 | 12 730 | 10.8% |
| Circulation | 78 707 | 77 825 | 77 637 | 77 237 | 77 475 | 78 106 | 78 729 | 79 361 | 80 051 | 80 823 | 0.8% |
| Print | 78 647 | 77 745 | 77 459 | 76 694 | 76 382 | 76 353 | 76 255 | 76 132 | 75 985 | 75 898 | -0.1% |
| Digital | 60 | 80 | 178 | 543 | 1 093 | 1 753 | 2 474 | 3 229 | 4 066 | 4 925 | 35.1% |
| **Total** | **187 479** | **167 395** | **166 661** | **164 778** | **163 523** | **162 896** | **162 456** | **162 460** | **162 877** | **163 626** | |
| ***YOY growth (%)*** | | ***-10.7%*** | ***-0.4%*** | ***-1.1%*** | ***-0.8%*** | ***-0.4%*** | ***-0.3%*** | ***0.0%*** | ***0.3%*** | ***0.5%*** | ***0.0%*** |

Source: PwC, Informa Telecoms & Media

- Global newspaper publishing revenues from sales and advertising reached US$164 billion in 2012, down from US$187 billion in 2008. But the decline will not continue at this rate. Revenues will stabilise and even start to increase a little to reach US$164 billion in 2017. Globally, continued expansion in growth markets will offset the longer-term declines in mature markets.
- The Indian newspaper market will be the only one to grow at a double-digit CAGR (10%) to 2017 and will emerge as the world's sixth-largest newspaper market by the end of the forecast period. A new middle-class readership in growth markets generally will boost the newspaper industry.
- Monetisation will remain the most urgent priority for newspaper brands in mature markets. While readers have embraced digital platforms to access newspaper content, new measurement tools will be needed to grow ad revenues as newspapers deliver content across multiple platforms.
- A long-term decline in newspaper advertising revenues means that circulation will represent an increasingly significant proportion of overall revenues. Free ad-supported newspapers will remain an important part of the landscape, though in mature markets, digital paywalls will become mainstream.
- Digital will account for 10% of global newspaper revenues by 2017, up from 5% in 2012. But digitisation's influence is greater than that share of revenues suggests it is changing the definition of what a newspaper is. With print just one among a number of distribution channels, newspapers are becoming newspaper brands.

# *Consumer and educational book publishing*

*Rilien Nienaber*
*Senior Manager, PwC Southern Africa*

# *Definitions*

The consumer and educational book publishing market includes:

- Retail spending by consumers on consumer books;
- Spending by schools, government agencies and students on elementary, secondary school and tertiary education textbooks, including postgraduate and academic textbooks;
- Spending on books in electronic formats, also known as electronic books or e-books;
- Spending on library and institutional subscriptions to electronic book databases; and
- Spending on audio books, books on CDs and books on DVDs, which are included in print sales.

Educational books do not include supplemental educational spending, administrative software or testing materials.

Professional books are not included in this segment and are covered in the business-to-business publishing chapter.

# *In brief*

*The books market in Kenya is showing signs of maturity after rapid growth in 2010 (7.7%) and 2011 (17.1%) and is forecast to remain in the region of R304 million (US$37 million) throughout the next five years.*

# Kenya

## Consumer and educational book revenue 2008-2017 (US$ millions)

| Nigeria | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Consumer | 3.2 | 2.5 | 2.4 | 2.3 | 2.2 | 2.2 | 2.3 | 2.4 | 2.4 | 2.4 | 1.8% |
| Print | 3.2 | 2.5 | 2.4 | 2.3 | 2.2 | 2.2 | 2.3 | 2.4 | 2.4 | 2.4 | 1.6% |
| Electronic | - | - | - | 0.0* | 0.0* | 0.0* | 0.0* | 0.0* | 0.0* | 0.0* | 92.3% |
| Educational | 28.0 | 29.0 | 31.0 | 37.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | -0.1% |
| Print | 28.0 | 29.0 | 31.0 | 37.0 | 34.0 | 34.0 | 33.0 | 33.0 | 32.0 | 32.0 | -1.5% |
| Electronic | - | - | 0.0* | 0.0* | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 3.0 | 0.0% |
| **Total** | **31.2** | **31.5** | **33.4** | **39.9** | **37.2** | **37.2** | **37.3** | **37.4** | **37.4** | **37.4** | |
| ***YOY growth (%)*** | | ***2.5%*** | ***7.7%*** | ***17.1%*** | ***-6.5%*** | ***-0.8%*** | ***0.6%*** | ***0.5%*** | ***0.0%*** | ***-0.2%*** | ***0.0%*** |

* Less than US$1 million
Source: PwC, Informa Telecoms & Media

The books market in Kenya is showing signs of maturity after rapid revenue growth in 2010 (7.7%) and 2011 (17.1%), followed by a drop of 6.5% in 2012. Annual revenues are forecast to stabilise, remaining in the region of US$37 million throughout the next five years.

Despite increased prosperity in the country, consumer book revenues are forecast to remain at 6% of the market. But there will be subtle changes to the overall market with electronic formats in both the education and consumer markets gaining share. Electronic formats will account for 8.0% of market revenues in 2017.

A key player in the market is the Kenyan Literature Bureau, whose role is to deliver reading materials at affordable prices and to promote local authorship. The Bureau has published more than 800 titles and its educational books have been approved by the Ministry of Education.

Kenyan booksellers received a boost in November 2011 following an agreement with donors to enlarge the country's free learning programme, ensuring wider distribution of printed books. Donors included the UK Government's Department for International Development (DFID), USAID, UNESCO and UNICEF.

The donors will partner with the Kenya Booksellers and Stationers Association instead of the money being disbursed through Ministry of Education. The government had previously been blacklisted by donors due to alleged corruption in the use of funds for the programme.

The leading publishers in the Kenyan market tend to focus on educational titles. For example, Evans Brothers (Kenya) Ltd produces textbooks for primary and secondary schools, teacher training colleges and tertiary institutions, including books in English and Swahili. Dhillon Publishers produces full-colour course books, while Evangel Publishing House's titles cover marriage and family, leadership and theological education.

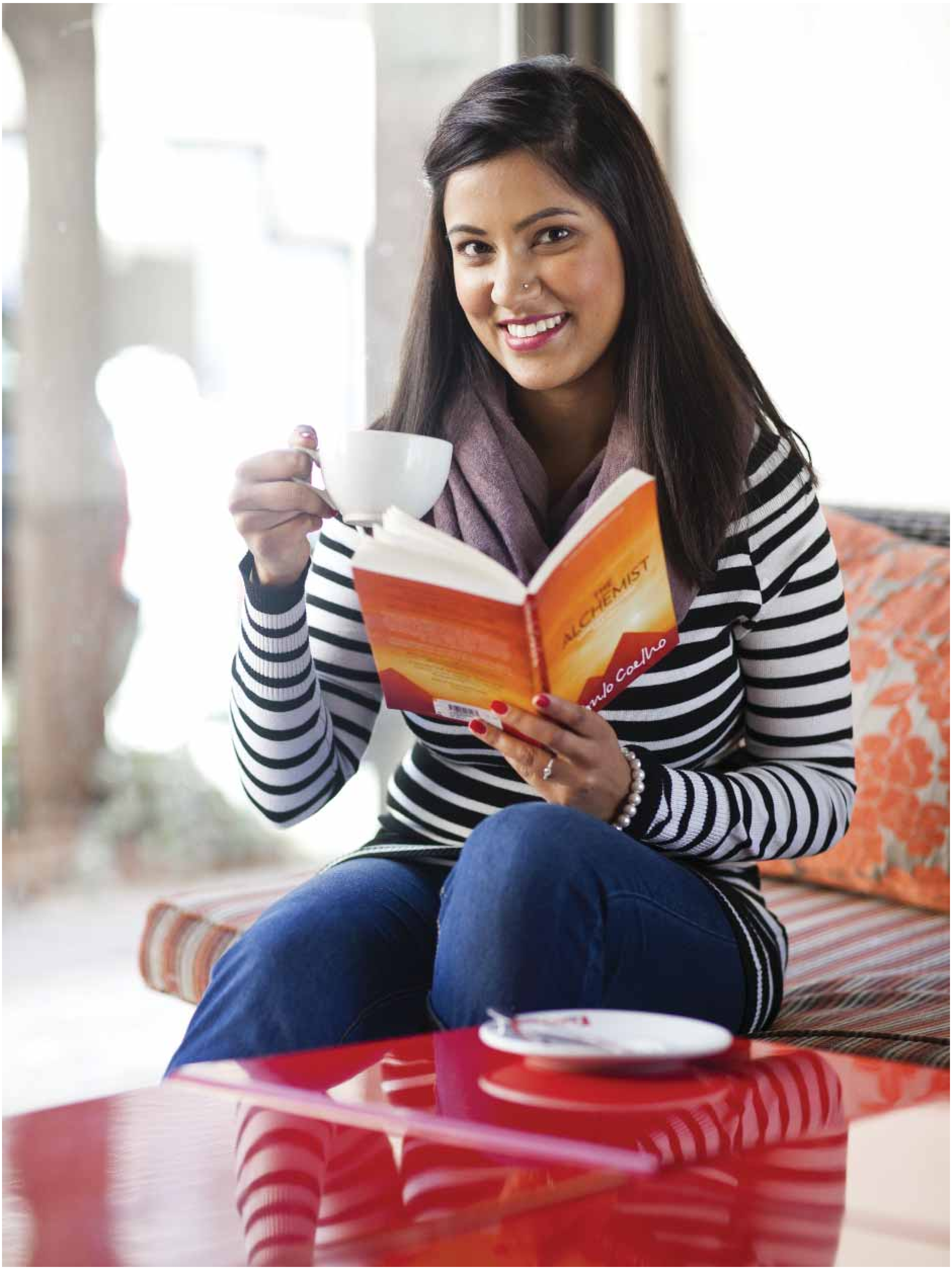
New publishers are emerging with Big Books Ltd, started in 2009, publishing novels, novellas and short stories for both teenage and adult readers. Storymoja, meanwhile, is a venture recently formed by five writers looking to publish contemporary East African writing by identifying local writers and mentoring them through the publication process with initial categories of stories including business, fiction and crime.

Despite these efforts, consumer titles still represent a fraction of the total market, with educational publishers' dominance of the market set to continue. Piracy of physical books continues to be a problem with booksellers offered titles at up to 50% lower than the official price. Kenyan publishers do have the Copyright Board at their disposal, but it is ill-equipped to deal with cases that occur outside Nairobi.

E-books could be a solution to piracy for publishers. but the cost of e-readers has hindered adoption of the format in the country. The adoption of smartphones by relatively affluent Kenyans and the increasing availability of e-books could, however, see the market grow further.

One local platform, eKitabu, offers more than 250 000 titles across a range of fiction and non-fiction categories. eBooks can be purchased with mobile money transfer service M-Pesa as well as with credit cards.

The company has partnered with Text Book Centre to introduce e-book kiosks inside retail stores. The kiosks help consumers understand how to locate books and use the interface to start reading.


ALCHEMIST

# Global trends in consumer and educational book publishing

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

**Consumer and educational book publishing market (US$ millions)**

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Consumer | 65 290 | 64 687 | 64 516 | 64 111 | 64 065 | 64 332 | 64 649 | 64 984 | 65 260 | 65 497 | 0.4% |
| Print | 64 369 | 62 893 | 61 446 | 59 543 | 57 405 | 55 363 | 53 292 | 51 340 | 49 442 | 47 759 | -3.6% |
| Electronic | 921 | 1 794 | 3 070 | 4 568 | 6 660 | 8 969 | 11 357 | 13 644 | 15 818 | 17 738 | 21.6% |
| Educational | 36 380 | 36 167 | 35 926 | 37 518 | 37 566 | 37 903 | 38 148 | 38 390 | 38 620 | 38 833 | 0.7% |
| Print | 36 121 | 35 608 | 35 081 | 36 102 | 35 572 | 35 313 | 34 960 | 34 597 | 34 250 | 33 861 | -1.0% |
| Electronic | 259 | 559 | 845 | 1 416 | 1 994 | 2 590 | 3 188 | 3 793 | 4 370 | 4 972 | 20.0% |
| **Total** | **101 670** | **100 854** | **100 442** | **101 629** | **101 631** | **102 235** | **102 797** | **103 374** | **103 880** | **104 330** | |
| ***YOY growth (%)*** | | ***-0.8%*** | ***-0.4%*** | ***1.2%*** | ***0.0%*** | ***0.6%*** | ***0.5%*** | ***0.6%*** | ***0.5%*** | ***0.4%*** | ***0.5%*** |

Source: PwC, Informa Telecoms & Media

- The total combined value of the consumer and educational book sectors will grow from US$101.6 billion in 2012 to US$104.3 billion in 2017, a CAGR of 0.5%. By 2017, e-books will account for 22% of all book revenues globally, US$22.7 billion up from 9% in 2012. This will be driven by the increased adoption of e-reading devices, including tablets and will help to offset flat or declining growth for printed books.
- The fastest-growing markets for books will include both traditional markets from Europe and North America and the Asia-Pacific growth markets.
- Digitisation fuelled by the widespread adoption of tablets and other e-reading devices will prove a mixed blessing for the book industry in the near term. While e-book sales will rise, physical bookstores will continue to close. This will spur further growth for online retailers of both physical and digital books, including new entrants from adjacent industries such as supermarkets and telcos.
- The consumer book publishing market is ready for further consolidation. Most publishers are too small to negotiate successfully with retailers, so, in the near term, further mergers and acquisitions will create new, bigger entities. Traditional publishers can harness and integrate new trends such as self-publishing as they adapt their role in the value chain.
- With the growth in e-books, the industry must prioritise strategies for countering piracy, especially in emerging markets. One of these will be to ensure that they supply the right content at the right price on the right platforms to encourage readers to pay for legitimate content rather than to seek out pirated copies.

# *Business-to-business publishing*

*Tana Viviers*
*Manager,*
*PwC Southern Africa*

# Definitions

The business-to-business (B2B) market comprises five segments: business information; trade shows; trade directories; trade magazines and professional books.

Business information comprises financial information such as securities, credit and economic information; marketing information which is used for selling products or services or monitoring sales such as surveys and research databases; and industry information such as data relating to market share and competitive intelligence regarding a specific industry.

Trade shows comprises spending by companies on exhibition space at trade shows.

Trade directories comprises spending on print and online directory advertising.

Trade magazines comprises circulation spending and print and digital advertising (online content and distribution to tablets or other mobile devices).

Professional books comprises publications bought by an employer to ensure that staff knowledge is up to date.

# *In brief*

***Kenya's B2B market will be one of the fastest-growing markets in the world with a CAGR of 8.2% and is forecast to reach R722 million (US$88 million) in 2017. Business information will account for more than 45% of revenues.***

# Kenya

## Business-to-business revenues, 2008-2017 (US$ millions)

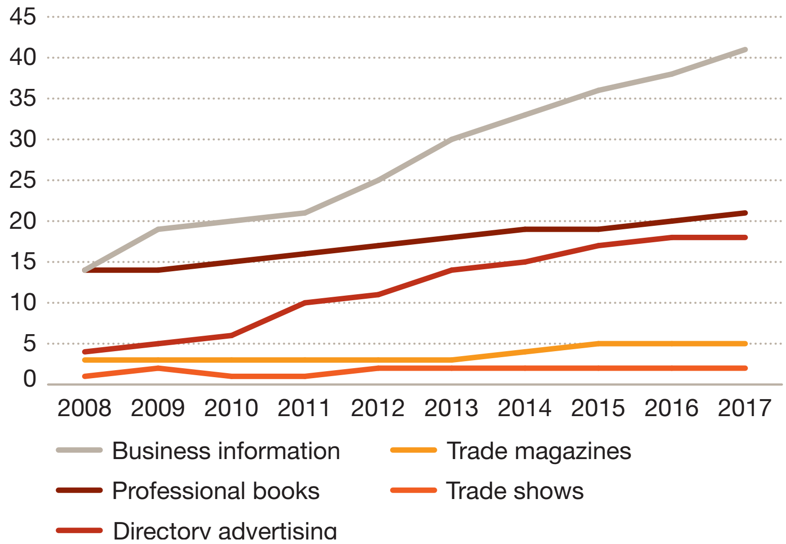
| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Business information | 14 | 19 | 20 | 21 | 25 | 30 | 33 | 36 | 38 | 41 | 10.0% |
| Directory advertising | 4 | 5 | 6 | 9 | 12 | 13 | 15 | 17 | 18 | 19 | 9.9% |
| Print | 3 | 4 | 5 | 8 | 9 | 10 | 11 | 12 | 12 | 12 | 5.3% |
| Digital | 1 | 1 | 1 | 1 | 3 | 3 | 4 | 5 | 6 | 7 | 21.9% |
| Professional books | 14 | 14 | 15 | 16 | 17 | 17 | 19 | 19 | 21 | 21 | 5.0% |
| Print | 14 | 14 | 15 | 15 | 16 | 16 | 17 | 17 | 18 | 18 | 2.7% |
| Electronic | - | 0* | 0* | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 27.8% |
| Trade magazine advertising | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 5.7% |
| Print | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3.8% |
| Digital | - | - | - | - | - | - | 0* | 0* | 0* | 0* | - |
| Trade magazine circulation | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 2.9% |
| Print | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 2.9% |
| Digital | - | - | - | - | - | - | - | - | - | - | - |
| Trade shows | 1 | 2 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 6.8% |
| Consumer spend | 31 | 37 | 38 | 40 | 46 | 51 | 57 | 60 | 64 | 67 | |
| *YOY growth (%)* | | *18.4%* | *5.6%* | *6.1%* | *12.8%* | *12.0%* | *8.1%* | *7.3%* | *6.4%* | *5.4%* | *7.8%* |
| Advertising spend | 5 | 6 | 7 | 10 | 13 | 14 | 16 | 19 | 20 | 21 | |
| *YOY growth (%)* | | *26.1%* | *16.5%* | *48.0%* | *16.3%* | *18.3%* | *10.9%* | *8.9%* | *5.9%* | *3.8%* | *9.5%* |
| **Total** | **36** | **43** | **45** | **50** | **59** | **65** | **73** | **79** | **84** | **88** | |
| ***YOY growth (%)*** | | ***19.5%*** | ***7.3%*** | ***12.9%*** | ***13.6%*** | ***13.3%*** | ***8.7%*** | ***7.7%*** | ***6.3%*** | ***5.1%*** | ***8.2%*** |

* Less than US$ 1 million
Source: PwC, Informa Telecoms & Media

*B2B will grow at a CAGR of 8.2% in the next five years.*

The Kenyan B2B market is one of the fastest-growing markets in the world with a CAGR of 8.2%. It is forecast to reach US$88 million in 2017. The market was worth US$59 million in 2012 having grown by 64% between 2008 and 2012.

**Business-to-business revenues by segment (US$ millions), 2008-2017**



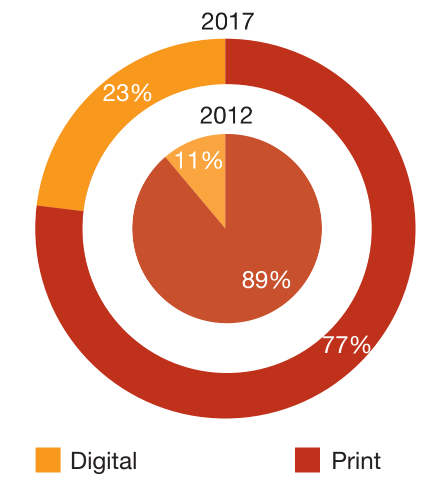

Source: PwC, Informa Telecoms & Media

***B2B will be boosted by growth in business information and directory advertising.***

Business information is the largest segment, accounting for 43% of revenues in 2012, and is forecast to grow by 10% per annum, the second-highest rate in the world, to reach US$41 million in 2017. The business information segment will benefit from Kenya's double-digit GDP growth and an increasing interest in the country as an investment destination.

The Kenyan business information market is relatively sophisticated with firms such as Globetrack International (GTI) gaining a foothold. GTI is a Kenyan social media monitoring company whose coverage includes Facebook, Twitter, LinkedIn, YouTube and MySpace.

**Business-to-business spend, print vs digital market share, 2012-17 (%)**




Source: PwC, Informa Telecoms & Media

***23% of B2B spend in Kenya will be digital by 2017.***

Digital spending on B2B (both via advertising and on products & services) will grow by a CAGR of 24% over the next five years. The emergence of digitisation will come directly a result of the impact of mobile devices, as consumers increasingly use their mobile handsets as their first point of access to Internet services.

Mobile phone ownership is booming. By 2017, 54% of Kenya's population will own a mobile phone, contributing to a significant rise in Internet usage. This will help the growth of digital advertising, which is set to account for 37% of directory advertising in 2017 and 14% of the professional books segment.

However, digitisation is not forecast to have a major impact on the trade magazine segment. Digital advertising will only become a feature of the Kenyan market in the second half of the forecast period with publishers sticking with print subscriptions for the time being.

Advertising revenues will be the engine of B2B growth. In 2008, 86% of Kenya's B2B revenues came from consumer spend, but advertising revenues are forecast to grow by CAGR of 9.5% and will account for nearly a quarter of the B2B market in 2017.

Trade show revenues are growing at 6.8% per annum, albeit from a low base, as the country looks to establish itself as a commercial hub. Recognising the country's potential, London-based organiser Montgomery has formed a joint-venture partnership with the Kenyan-based company Event and Conference Organisers (ECO).

The venture's objective is to run shows in Kenya and surrounding East African countries. Its first event will be *Hostex* East Africa, a hospitality show scheduled to take place in Nairobi in September 2013. Following Hostex, there are plans to run events in the ICT, oil & gas and mining sectors.

# Global trends in business-to-business publishing

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

**Global Business-to-business revenues, 2008-2017 (US$ millions)**

| | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Business information | 87 475 | 80 148 | 83 577 | 88 126 | 90 969 | 93 848 | 97 074 | 101 090 | 105 478 | 110 220 | 3.9% |
| Directory advertising | 32 121 | 29 128 | 26 639 | 24 947 | 24 081 | 23 348 | 22 815 | 22 394 | 22 266 | 22 307 | -1.5% |
| Print | 27 020 | 23 544 | 20 284 | 17 594 | 15 294 | 13 368 | 11 719 | 10 257 | 8 996 | 7 888 | -12.4% |
| Digital | 5 101 | 5 584 | 6 355 | 7 353 | 8 787 | 9 980 | 11 096 | 12 137 | 13 270 | 14 419 | 10.4% |
| Professional books | 22 417 | 21 915 | 21 765 | 22 140 | 22 719 | 23 305 | 23 703 | 24 105 | 24 552 | 24 987 | 1.9% |
| Print | 20 642 | 20 038 | 19 612 | 19 451 | 19 274 | 18 972 | 18 499 | 18 001 | 17 551 | 17 063 | -2.4% |
| Electronic | 1 775 | 1 877 | 2 153 | 2 689 | 3 445 | 4 333 | 5 204 | 6 104 | 7 001 | 7 924 | 18.1% |
| Trade magazine advertising | 12 905 | 10 511 | 11 027 | 11 609 | 12 086 | 12 413 | 12 588 | 12 698 | 12 752 | 12 715 | 1.0% |
| Print | 12 427 | 9 739 | 9 775 | 9 583 | 9 337 | 8 999 | 8 732 | 8 506 | 8 273 | 8 089 | -2.8% |
| Digital | 478 | 772 | 1 252 | 2 026 | 2 749 | 3 414 | 3 856 | 4 192 | 4 479 | 4 626 | 11.0% |
| Trade magazine circulation | 8 640 | 8 334 | 8 058 | 7 724 | 7 418 | 7 282 | 7 280 | 7 362 | 7 598 | 7 865 | 1.2% |
| Print | 8 640 | 8 334 | 8 033 | 7 685 | 7 260 | 6 965 | 6 699 | 6 442 | 6 199 | 5 975 | -3.8% |
| Digital | - | - | 25 | 39 | 158 | 317 | 581 | 920 | 1 399 | 1 890 | 64.3% |
| Trade shows | 31 255 | 27 202 | 27 807 | 28 280 | 29 411 | 30 396 | 31 498 | 32 858 | 34 362 | 36 018 | 4.1% |
| Consumer spend | 149 787 | 137 599 | 141 207 | 146 270 | 150 517 | 154 831 | 159 555 | 165 415 | 171 990 | 179 090 | |
| *YOY growth (%)* | | *-8.1%* | *2.6%* | *3.6%* | *2.9%* | *2.9%* | *3.1%* | *3.7%* | *4.0%* | *4.1%* | *3.5%* |
| Advertising spend | 45 026 | 39 639 | 37 666 | 36 556 | 36 167 | 35 761 | 35 403 | 35 092 | 35 018 | 35 022 | |
| *YOY growth (%)* | | *-12.0%* | *-5.0%* | *-2.9%* | *-1.1%* | *-1.1%* | *-1.0%* | *-0.9%* | *-0.2%* | *0.0%* | *-0.6%* |
| **Total** | **194 813** | **177 238** | **178 873** | **182 826** | **186 684** | **190 592** | **194 958** | **200 507** | **207 008** | **214 112** | |
| ***YOY growth (%)*** | | ***-9.0%*** | ***0.9%*** | ***2.2%*** | ***2.1%*** | ***2.1%*** | ***2.3%*** | ***2.8%*** | ***3.2%*** | ***3.4%*** | ***2.8%*** |

Source: PwC, Informa Telecoms & Media

- The top three B2B markets at the end of the forecast period will be the US, Germany and France. Of the top-10 ten markets, China and Russia will grow the fastest – each at a CAGR of 8%.
- In 2013, a revolution in data collection techniques will influence the business information segment as traditional forms of market research are threatened by behavioural research and analytics via social media platforms. Meanwhile, buyers of research will consider a DIY route for research through better use of business intelligence.
- Advertising revenues are stabilising as B2B and B2B2C advertising move to digital formats. The growth of digital is a key factor in this segment and digital is expected to surpass print in the directories category in 2015. Digital revenues (digital advertising in trade directories and magazines and digital subscriptions to trade magazines and digital sales of professional books) will grow from US$7.4 billion in 2008 to US$28.9 billion in 2017. However, the combined revenues of print and digital will fall by over US$8.2 billion between 2008 and 2017.
- China's trade show market will become the largest in the Asia-Pacific region, while government support for the trade show sector in the Middle East, Russia and Brazil will create more competition for venues in Europe. The global trade show business will be worth more than US$36 billion in 2017, up from approximately US$29.4 billion in 2012. The US, Germany, France, UK and Japan will again be the key markets. However, China can expect to surpass the UK and Japan in 2014 to become the fourth-largest trade show market.

# *Out-of-home advertising*

*Sunet Liebenberg*
*Senior Manager, PwC Southern Africa*


# Definitions

The out-of-home advertising (OOH) market consists of advertiser spending on OOH media such as billboards, street furniture (for example bus shelters, transit displays such as bus sides, on-train print, wraps on taxis and private vehicles), displays at sports arenas, airports, shopping malls, inside retail stores, wash rooms and other OOH spaces. The OOH market includes the so-called digital out-of-home advertising market, which has become a key growth area for the overall OOH market.

Advertising spending is tracked net of agency commissions.

# *In brief*

***The Kenyan OOH market will be worth a forecast R1.3 billion (US$153 million) in 2017, growing by a CAGR of 9.4%. An increasingly urbanised market will help drive this growth, as will increased use of traffic hotspots and airline travel with airports becoming a key site for OOH advertising.***

# Kenya

## *Kenya's OOH market will grow at a CAGR of 9.4% in the next five years.*

### OOH revenues 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Out-of-home advertising | 32 | 58 | 67 | 90 | 97 | 106 | 116 | 129 | 141 | 153 | |
| *YOY growth (%)* | | *78.8%* | *16.6%* | *34.5%* | *8.0%* | *8.5%* | *9.7%* | *10.9%* | *9.4%* | *8.6%* | *9.4%* |

Source: PwC, Informa Telecoms & Media

The OOH market in Kenya was worth US$ 97 million in 2012, an increase of 203% from 2008. Growth in Kenya's OOH market is forecast to slow to an annual growth rate of 9.4%, but this growth rate will be one of the highest in the world, as revenues reach US$ 153 million in 2017.

Growth in the Kenyan OOH market is being driven by a number of factors, including real GDP growth of more than 6.1% per annum throughout the forecast period. Kenya is experiencing rapid rates of urbanisation as a result of government and developmental activities, with 29% of the population forecast to live in urban areas by 2017, up from 19% of the population in 2006. Literacy levels among the population are improving, with 87% of the population considered literate in 2010, up from 78% in 1995.

The OOH market is also benefitting from a rise in airline departures by international and national carriers and rising car ownership rates, providing larger audiences for campaigns aimed at international travellers and regular commuters.

Mobile devices represent an effective channel for the OOH industry to integrate online and physical campaigns with the mobile now the primary way for Kenyans to access the Internet. Informa Telecoms & Media forecasts that a quarter of the population will access the Internet via a cellular interface by 2017, while fixed broadband will see household penetration of just 4%.

The Kenyan OOH market received a boost with global advertising agency Posterscope establishing an office in the country in 2011, as it recognises the country as a regional hub. Similarly, Alliance Media uses its Kenyan office as a gateway to East and Central African markets.

Key formats in the OOH Kenyan market include:

- Roadside billboards;
- Street furniture (including lamp posts);
- Building wraps; and
- Airport media.

In Nairobi, the most popular billboard campaigns focus on beverages, banking services, food outlets, insurance, telecoms services and motor vehicles, while beauty products for hair and skin are also heavily advertised. An example of a recent billboard campaign came from Alliance Media Kenya, which in March 2013 introduced a number of billboards to communicate the partnership between Visa and Shell for making fuel payments with a Visa card.

Roadside billboards have, however, come under threat from regulators. Kenyan authorities are planning to remove several billboards in Nairobi, as it is believed their size and proximity to each other distract drivers.

Another format that has been launched is vehicles equipped with public address systems and screens mounted on all sides. The trucks, owned by Motion Pictures, travel along routes in Nairobi and staff distribute marketing collateral as they move through the streets.

The roads in and around Jomo Kenyatta International Airport (JKIA), (which unfortunately burned down in August 2013), are the most expensive outdoor sites per square metre in the country, with the country's largest mobile network operator Safaricom dominating advertising space in and around the airport.

Digital signage is also becoming a part of consumers' retail experience with First Community Bank (FCB) implementing digital signage in branches across the country. Until now DOOH has not been widespread in Kenya, but shopping malls are expanding the number of locations available for OOH and given that malls are frequented by the most affluent members of Kenyan society, it is only a matter of time for static posters to become digitised.

Digital signage is a rarity in rural areas, but as in Nigeria, Umuntu Media has launched the Mimiboard. The company aims for the boards to be used as electronic notice boards in local communities with content provided by local bloggers and community leaders. The boards have the potential to carry more advertisings as they become more popular and could become revenue generating for county councils keen to manage the process, especially in Nairobi.

# Global trends in out-of-home advertising

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

## *Global OOH revenues will grow at a CAGR of 4.9% in the next five years.*

**Global OOH revenues, 2008-17 (US$ millions)**

| | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Out-of-home advertising | 32 105 | 28 757 | 30 949 | 32 479 | 33 771 | 35 400 | 37 151 | 38 944 | 40 841 | 42 809 | |
| *YOY growth (%)* | | *-10.4%* | *7.6%* | *4.9%* | *4.0%* | *4.8%* | *4.9%* | *4.8%* | *4.9%* | *4.8%* | *4.9%* |

Source: PwC, Informa Telecoms & Media

- Following a fall in spending towards the end of the last decade, the OOH advertising market will enter a sustained period of growth as expenditure increases from US$33.8 billion in 2012 to US$ 42.8 billion in 2017, a 5% CAGR.
- Continued urbanisation will be a force for growth in the OOH advertising market. By 2017, 57% of the world's population will live in cities and towns, and, as a consequence, major infrastructure spend in urban areas is set to increase, especially around public transport and roads. This will make OOH advertising more attractive to advertisers.
- The rise of digital OOH advertising will be another industry driver. Dynamic and innovative, digital signage allows the advertiser to be relevant, up-to-the-minute and agile in its consumer engagement. Revolutionising the industry, the use of digital will ensure that OOH becomes a far more compelling route to the advertising market in 2013 and beyond.
- The rise in smartphone and tablet adoption is encouraging the use of interactive advertising campaigns in close proximity to points of purchase. This enables contextual advertising, which is positive for consumers and brands alike. Global smartphone usage will spiral to 3.1 billion connections by 2017, up from 1.1 billion in 2012, which will encourage greater use of digital OOH.
- The measurement of OOH advertising audiences must continue to improve. This means a need for more comprehensive inventory management of billboards, better estimates of traffic passing panels and greater insights into the movement patterns of people. Improved data analytics will continue to enhance the measurement techniques of billboard OOH advertising.


Audi
Untamed beauty
Submitted by Chris Steyl
The New Audi RS 5 Cabri

# Video games

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# Definitions

This segment breaks down advertising via video games and consumer spending on video games by component, including console, personal computer (PC), online and wireless or mobile games. Revenues from console and PC games are split by physical and digital.

The console category covers all revenues from playing games of any type on a games console (both in home and handheld). It includes game sales at retail, digital game sales, additional downloadable content (DLC) and subscription services.

PC games covers revenues from traditional, more complex PC game sales. This category includes sales revenues from retail and digital download stores and additional downloadable content.

Mobile gaming considers all revenues from playing games on a mobile device (tablet or mobile phone). It includes digital game sales, subscription services and associated virtual items.

Online gaming includes games played at a PC that require an Internet connection. It covers subscription massive multiplayer online games (MMOs), free-to-play MMOs, casual games and social games.

Video game advertising covers all revenues generated from advertising on any games platform and access type, including in-game and console-dashboard advertising.

# In brief

*In Kenya, the late development of broadband and the relatively high cost of PCs and consoles means that its gaming market is also dominated by mobile and online games. Revenues in 2012 were R336 million (US$41 million), but this will rise to an estimated R829 million (US$101 million) by 2017, a CAGR of 20%.*

# Kenya

### Video games market by category, 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Console | - | - | - | - | - | - | - | - | - | - | - |
| PC | - | - | - | - | - | - | - | - | - | - | - |
| Mobile | 7 | 7 | 9 | 11 | 15 | 18 | 21 | 26 | 30 | 35 | 19.6% |
| Online | 6 | 9 | 13 | 19 | 26 | 33 | 40 | 48 | 56 | 66 | 20.2% |
| Advertising | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **13** | **16** | **22** | **30** | **41** | **51** | **61** | **74** | **86** | **101** | |
| ***YOY growth (%)*** | | ***30.0%*** | ***35.1%*** | ***37.5%*** | ***33.6%*** | ***24.3%*** | ***21.2%*** | ***19.4%*** | ***18.2%*** | ***16.9%*** | ***20.0%*** |

Source: PwC, Informa Telecoms & Media

As in Nigeria, the late development of broadband in Kenya and the relatively high cost of PCs and consoles mean that the gaming market is dominated by mobile and online games.

Fuelled by a rise in the adoption of mobile phones and with rising levels of Internet access, especially in urban areas, Kenya's video games market will grow rapidly in the next five years, albeit from a very small base. Revenues in 2012 were US$41 million, but this will rise to US$101 million by 2017, a CAGR of 20%.

The urbanisation of the Kenyan market has created a fast-developing middle class in the capital city of Nairobi, where there is a notable rise in appetite for access to entertainment and media services. Innovation in the Kenyan market has come partly on the back of this urbanisation trend, as best exemplified by dominant mobile operator Safaricom's mobile money-transfer service.

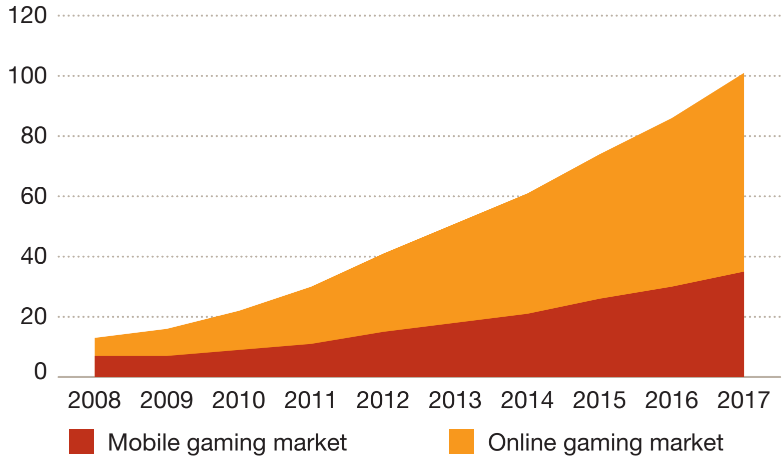
***Kenya's games market is dominated by mobile and online.***

The appetite of Kenyans to use their mobile device for a wide range of activities (such as money transfers) shows the potential for the mobile device to become a key access point for entertainment and media services, with video games being a key driver of that demand.

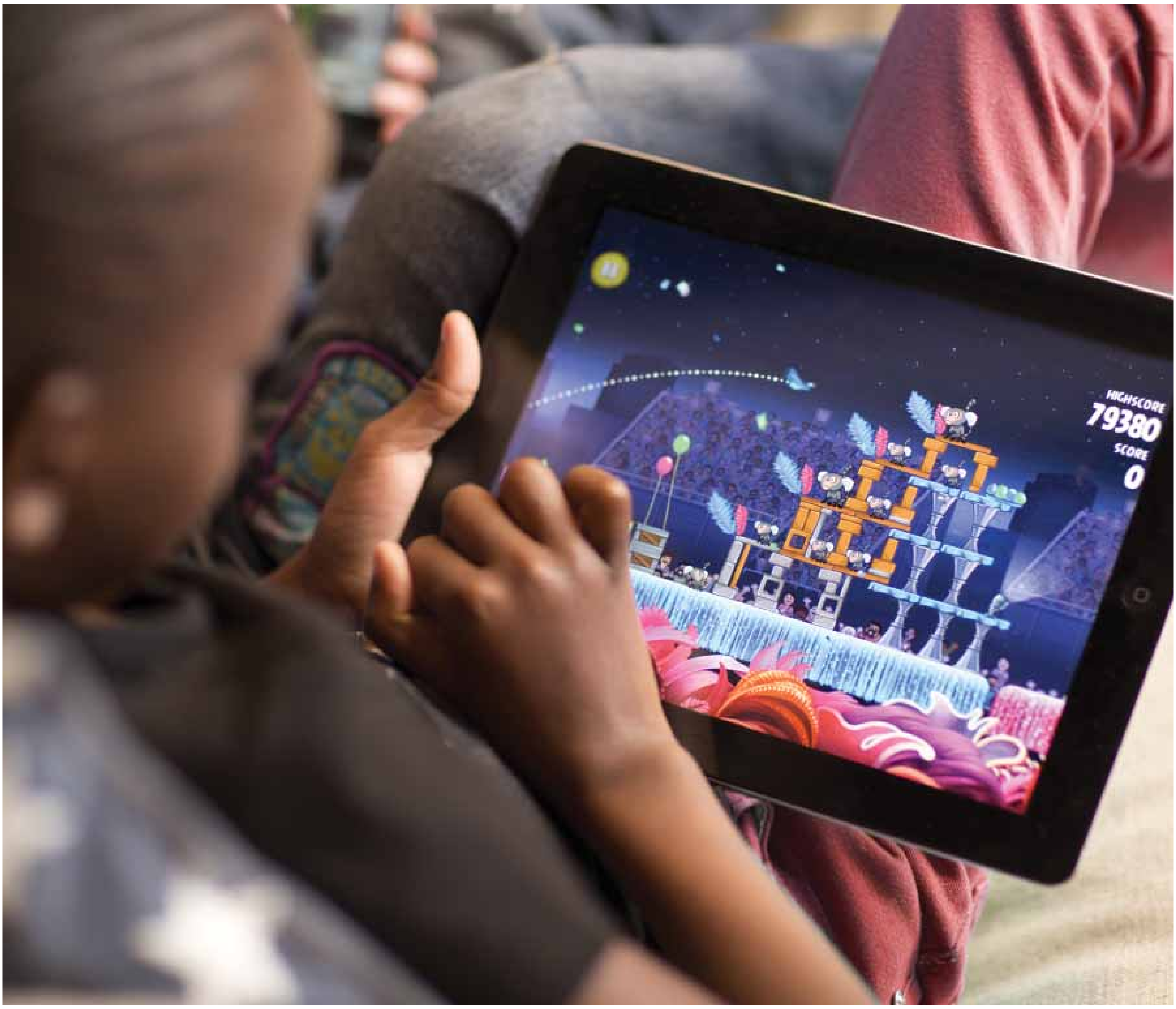
Interesting projects include the University of Games, a Kenyan independent developer with a number of successful locally-influenced games (like *Election Thief*) to its name. Kenya is also home to the Half the Sky movement, which is using games to communicate important messages about women's rights.

By keeping their games relevant to their local market, Kenyan developers will be able to fight off – or at least share the limelight – with titles from EA and other global publishers.

Video games market by category, 2008-2017 (US$ millions)




Source: PwC, Informa Telecoms & Media



# Global trends in video games

The following is extracted from the PwC's *Global Entertainment & Media Outlook: 2013-2017*

**Global video games market by category, 2008-2017 (US$ millions)**

| Global | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Console | 29 350 | 29 199 | 28 721 | 27 616 | 24 927 | 25 977 | 27 628 | 28 898 | 30 231 | 31 220 | 4.6% |
| Physical | 27 985 | 27 024 | 25 596 | 23 791 | 20 468 | 20 118 | 20 393 | 20 583 | 20 750 | 20 469 | 0.0% |
| Digital | 1 365 | 2 175 | 3 125 | 3 825 | 4 459 | 5 859 | 7 235 | 8 315 | 9 481 | 10 751 | 19.2% |
| PC | 5 255 | 5 685 | 6 318 | 6 745 | 7 016 | 7 147 | 7 183 | 7 161 | 7 099 | 6 995 | -0.1% |
| Physical | 3 711 | 3 337 | 3 427 | 3 030 | 2 764 | 2 362 | 2 000 | 1 669 | 1 382 | 1 161 | -15.9% |
| Digital | 1 544 | 2 348 | 2 891 | 3 715 | 4 252 | 4 785 | 5 183 | 5 492 | 5 717 | 5 834 | 6.5% |
| Mobile | 5 024 | 5 660 | 6 460 | 7 549 | 8 757 | 9 942 | 11 065 | 12 156 | 13 256 | 14 407 | 10.5% |
| Online | 11 110 | 13 235 | 15 724 | 18 187 | 20 407 | 22 476 | 24 522 | 26 439 | 28 358 | 30 270 | 8.2% |
| Advertising | 1 396 | 1 642 | 1 850 | 2 094 | 2 330 | 2 584 | 2 917 | 3 280 | 3 671 | 4 084 | 11.9% |
| **Total** | **52 135** | **55 421** | **59 073** | **62 191** | **63 437** | **68 126** | **73 315** | **77 934** | **82 615** | **86 976** | **6.5%** |
| ***YOY growth(%)*** | | ***6.3%*** | ***6.6%*** | ***5.3%*** | ***2.0%*** | ***7.4%*** | ***7.6%*** | ***6.3%*** | ***6.0%*** | ***5.3%*** | ***6.5%*** |

Source: PwC, Informa Telecoms & Media

- Console gaming will see steady growth as the eighth generation of games consoles hits the market. Consumer spend on console games will increase by a CAGR of 5% from US$24.9 billion in 2012 to US$31.2 billion in 2017, as Sony's PS4 and Microsoft's Xbox One reignite interest in console gaming. This growth will lead to North America overtaking Western Europe to regain its number one position for console sales in 2014.
- In many segments covered within the Global Entertainment & Media Outlook, 2013-2017, China will overtake Japan in terms of size by 2017 – in some cases, it has already. This is not, however, the case with video gaming where Japan will retain its position as the world's second-largest market, worth US$13.7 billion in 2017, behind the US on US$18.2 billion and ahead of China on US$11.4 billion.
- Although PC revenues remain stagnant, consumers are not abandoning the platform. With online revenues set to reach US$30 billion in 2017, consumers are merely shifting from pay-to-own to pay-to-play.
- Online spending will increase by an average of 8% per year over the next five years. By 2017, the online platform will have almost reached parity with consoles and US$97 will be spent on online games for every US$100 spent on console games.
- Mobile will be the fastest-growing video games sector over the next five years, with revenues increasing from US$8.8 billion in 2012 to US$14.4 billion in 2017, a CAGR of 10%, as an increasing number of consumers turn to smartphones for entertainment.

*Drill down through data sets across segments, components and countries.*

*Visit the online Outlook at www.pwc.co.za/outlook*

# *Sports*

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*Jerry Varachia*

## *Definitions*

The sports market consists of gate revenues for live sporting events, media rights fees paid to show sports on television stations, sponsorships, which include payments to have a product associated with a team or event as well as naming rights, and merchandising revenues, which include the selling of licensed products with team or league logos and/or other intellectual property. Overall spending also includes sports betting, which consists of the house win or the revenues retained by sports books.

# In brief

*Kenya's sports industry will generate revenues of R1.2 billion (US$150.4 million) in 2017, up from R650 million (US$79.2 million) in 2012, a CAGR of 13.7%. This growth will come as a result of improving economic conditions and a subsequent increase in mobile and household broadband penetration. Recent increases in sponsorship and media rights reflect the positive developments in the Kenyan sports market.*

# Kenya

## Sports market, 2008-2017 (US$ millions)

| Kenya | Historical data | | | | | Forecast data | | | | | CAGR % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013-17 |
| Gate revenues | 21 | 25 | 41 | 23 | 27 | 30 | 33 | 36 | 40 | 43 | |
| *YOY growth (%)* | | *22.0%* | *60.5%* | *-42.9%* | *17.7%* | *10.9%* | *9.8%* | *9.7%* | *9.3%* | *8.0%* | *9.5%* |
| Media rights | 2 | 3 | 14 | 6 | 11 | 14 | 17 | 21 | 28 | 34 | |
| *YOY growth (%)* | | *44.0%* | *387.5%* | *-57.6%* | *93.0%* | *17.7%* | *28.7%* | *21.3%* | *33.9%* | *19.4%* | *24.1%* |
| Sponsorships | 1 | 5 | 22 | 17 | 25 | 29 | 37 | 41 | 48 | 51 | |
| *YOY growth (%)* | | *231.3%* | *387.6%* | *-24.7%* | *49.1%* | *13.8%* | *28.3%* | *10.7%* | *17.2%* | *6.9%* | *15.2%* |
| Merchandising | 3 | 3 | 7 | 3 | 4 | 4 | 4 | 5 | 5 | 5 | |
| *YOY growth (%)* | | *21.9%* | *118.2%* | *-57.4%* | *18.3%* | *18.1%* | *7.2%* | *9.6%* | *6.3%* | *3.4%* | *8.8%* |
| **Total sports market** | **27** | **36** | **84** | **49** | **67** | **77** | **91** | **103** | **121** | **133** | |
| ***YOY growth (%)*** | | ***34.5%*** | ***133.7%*** | ***-41.7%*** | ***37.7%*** | ***13.5%*** | ***19.9%*** | ***12.3%*** | ***17.3%*** | ***10.0%*** | ***14.6%*** |
| Sports betting | 6 | 7 | 10 | 9 | 12 | 13 | 14 | 15 | 17 | 17 | |
| *YOY growth (%)* | | *23.0%* | *48.3%* | *-13.8%* | *33.3%* | *7.8%* | *12.7%* | *7.9%* | *10.2%* | *2.2%* | *8.1%* |
| **Total sports spending** | **33** | **43** | **94** | **58** | **79** | **90** | **105** | **118** | **138** | **150** | |
| ***YOY growth (%)*** | | ***32.5%*** | ***120.0%*** | ***-38.6%*** | ***37.1%*** | ***12.7%*** | ***18.9%*** | ***11.7%*** | ***16.4%*** | ***9.1%*** | ***13.7%*** |

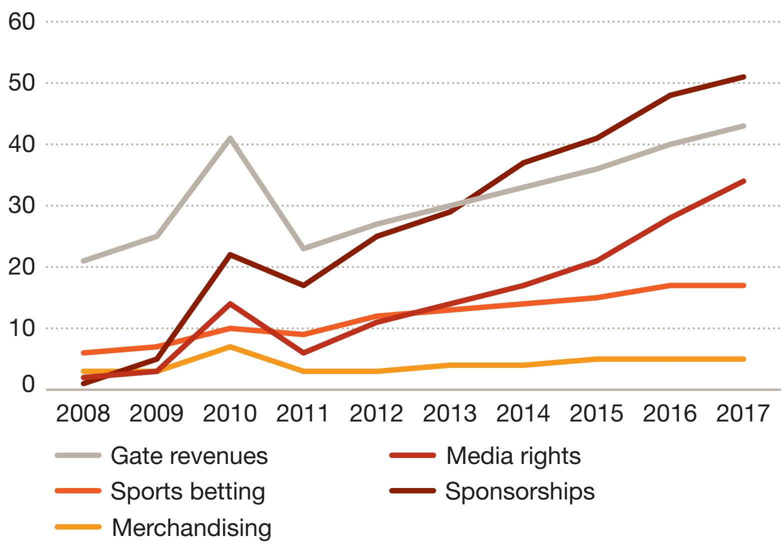
Source: PwC, Informa Telecoms & Media

***The sports market in Kenya will grow at a CAGR of 13.7% over the next five years.***

Kenya's sports industry will generate estimated revenues of US$150.4 million in 2017, up from US$79.2 million in 2012, a CAGR of 13.7%. This growth will be driven primarily by rapid growth in media rights and sponsorship deals, although it will also be influenced by improving macroeconomic conditions and a subsequent increase in mobile and household broadband penetration.

***Sponsorship, gate revenues and media rights will drive growth in Kenya's sports market.***

## Sports revenues by category, 2008-2017 (US$ millions)




Source: PwC, Informa Telecoms & Media

## Gate revenues

*Gate revenues will generate US$43 million in 2017.*

Gate revenues are expected to grow as a result of a steady increase in Kenyan GDP, as Kenyans elect to spend more of their disposable income on the increasingly popular sporting events in the country.

Gate revenues constitute 34% of the total Kenyan sports market and revenue is expected to grow at a CAGR of 9.5% over the forecast period, reaching US$43.0 million in 2017.

It is also thought that the growth of rugby sevens in Kenya could result in a heightened interest in viewing the sport, as it is shorter and faster than the full format game and is considered to be more commercially sustainable.

## Media rights

*Sports media rights in Kenya will grow at a CAGR of 24.1%.*

The media rights industry in Kenya is set to increase steadily over the forecast period, growing at a CAGR of 24.1% and generating revenues of US$33.8 million in 2017.

SuperSport International is the official media partner of Tusker Premier League football. In 2011 it was announced that SuperSport had agreed to renew its deal with the Kenyan Premier League (as it was then known) in a five-year deal worth 'close to double' the US$5.5 million value of the previous package. This renewal came with the added benefits of financing the payment of referees' allowances and funding club activities. Since then, the broadcaster has gone on to screen close to 90 live matches a season.

## Sponsorship

*Sponsorship is growing across a number of sports.*

Kenyan sport is developing in terms of sports sponsorships, with soccer in particular benefitting from an increase in televised coverage and the increasingly professionalised management of teams.

The Kenyan Premier League, for example, recently changed its name to the Tusker Premier League in a three-year sponsorship deal worth US$2.0 million (KES170 million). The league then went on to sign three-and-a-half-year deal with sportswear manufacturer Puma worth US$100 000 (KES10 million), showing that the Tusker deal had boosted the league's ability to attract large corporate sponsors.

In golf, Kenya Airways was named as the official airline of the Barclays Kenya Open in 2011, in a deal thought to be worth around US$25 000 (KES2.2 million). The competition was boosted further by an improved sponsorship arrangement with Coca Cola's Dasani water brand.

In addition, athletics, Kenya's most successful sport, received a boost when the National Bank of Kenya decided to increase its sponsorship of Athletics Kenya from US$230 000 (KES20 million) to US$350 000 (KES30 million) in 2012, while 800m Olympic gold medallist David Rudisha, who is currently sponsored by Adidas among others, has recently been listed as the 41st most marketable athlete in the world by *SportsPro* magazine.

## Merchandising

Merchandising in Kenya is set to continue to grow at a CAGR of 8.8% over the next five years, although modest growth previously means that revenues of US$3.5 million in 2012 were relatively low. Merchandising sales, like gate revenues, are intrinsically linked to the state of the overall economy and growth in Kenya's GDP will result in an increase in Kenyan merchandising revenues.

Merchandising revenues are also linked to large-scale sporting events and Kenya, as with the rest of Africa, saw an increase in merchandising revenues as a result of the 2010 FIFA World Cup, despite the Kenyan national team not competing at the tournament. This figure fell sharply into 2011 as the influence of the FIFA World Cup declined, but grew again in 2012 thanks to the popularity of the London Olympics.

***Merchandising will grow but from a small base.***

## Sports betting

Sports betting in Kenya is forecast to generate revenues of US$17.3 million in 2017, up from US$11.7 million in 2012, a CAGR of 8.1%. However, revenues from betting will still form only a small part of overall sporting revenues in the country close to 90 live matches a season.

***Sports betting will grow at a CAGR of 8.1%.***

# Glossary of terms

| | |
|---|---|
| 3D | Three-dimensional |
| 3G | Third-generation wireless |
| ABC | Audit Bureau of Circulations of South Africa |
| ACE | Africa Coast to Europe undersea cable |
| Act-SA | Association of Community Television South Africa |
| ADSL | Asymmetric digital subscriber line |
| AFCON | Africa Cup of Nations |
| AIRCO | Association of Independent Record Companies |
| AMF | Advertising Media Forum |
| AMPS | All Media and Products Study |
| ANA | Association of Nigerian Authors |
| ANIC | African News Innovation Challenge |
| AR | Augmented reality |
| ARPU | Average revenue per user |
| B2B | Business-to-business |
| B2B2C | Business-to-business-to-consumer |
| BRICS | Brazil, Russia, India, China and South Africa |
| CAF | Confederation of African Football |
| CAGR | Compound annual growth rate |
| CD | Compact disk |
| CDMA | Code Division Multiple Access (radio channel access method) |
| CEO | Chief Executive Officer |
| CPC | Cost-per-click |
| CPI | Consumer Price Index |
| CPM | Cost per mille |
| DAB | Digital audio broadcasting |
| DEC | Daily effective circulation |
| DFID | Department for International Development (UK) |
| DIFF | Durban International Film Festival |
| DLC | Downloadable content |
| DMB | Digital multimedia broadcasting |
| DMCA | Digital Millennium Copyright Act of 1998 (US) |
| DoC | Department of Communications |
| DOOH | Digital out-of-home |
| DRM | Digital rights management |

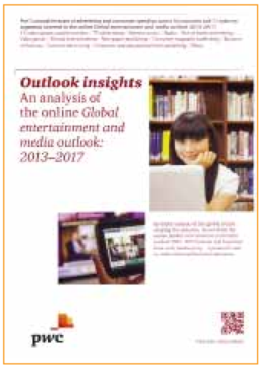
| | |
|---|---|
| DTI | Department of Trade and Industry (South Africa) |
| DTT | Digital terrestrial television |
| DVB-T2 | Digital Video Broadcasting – Second Generation Terrestrial |
| DVD | Digital versatile disc |
| DVR | Digital video recorder |
| E&M | Entertainment and media |
| ECTA | Electronic Communications and Transactions Act No 25 of 2002 (South Africa) |
| EA | Electronic Arts |
| e-Commerce | Electronic commerce |
| EDGE | Enhanced Data rates for GSM Evolution |
| EMEA | Europe, the Middle East and Africa |
| EV-DO | Evolution Data Optimised (telecommunications standard) |
| EXSA | Exhibition and Events Association of Southern Africa |
| FCB | First Community Bank (Kenya) |
| FM | Frequency modulation |
| FTTB | Fibre-to-the-building |
| FTTH | Fibre-to-the-home |
| FTTx | Fibre-to-the-exchange |
| FWA | Fixed-wireless access |
| GB | Gigabyte |
| GDP | Gross domestic product |
| GPRS | General packet radio service |
| GSM | Global System for Mobile Communications |
| HD | High-definition |
| HDTV | High-definition television |
| HSPA | High Speed Packet Access |
| ICASA | Independent Communications Authority of South Africa |
| ICT | Information and communication technology |
| IPTV | Internet Protocol television |
| ISDN | Integrated Services Digital Network |
| ISP | Internet service provider |
| ISPS | International Sports Promotion Society |
| JKIA | Jomo Kenyatta International Airport |
| KBC | Kenya Broadcasting Corporation |
| KES | Kenyan shilling (currency) |

| | |
|---|---|
| LED | Light-emitting diode |
| LDR | Listener driven radio |
| LSM | Living Standards Measure |
| LSSAA | Lagos State Signage and Advertisement Agency |
| LTE | Long Term Evolution |
| m4Lit | Mobile phones for literacy |
| MB | Megabyte |
| MBps | Megabytes per second |
| MEA | Middle East and Africa |
| MMDS | Multichannel multipoint distribution service |
| MMOs | Massive multiplayer online games |
| MOVE | Measurement of Outdoor Visibility and Exposure |
| MPASA | Magazine Publishers Association of South Africa |
| NAB | National Association of Broadcasters |
| NBBF | Nigerian Basketball Federation |
| NBC | National Broadcasting Commission (Nigeria) |
| NCC | Nigerian Communications Commission |
| NCC | Nigerian Copyright Commission |
| NFC | Near-field communications |
| NFVF | National Film and Video Foundation |
| NGN | Nigerian naira (currency) |
| NMG | Nation Media Group (Kenya) |
| NPA | Nigerian Publishers' Association |
| NPL | Nigeria Premier League |
| NPod | Nielsen Personal Outdoor Device |
| OAAN | Outdoor Advertising Association of Nigeria |
| OECD | The Organisation for Economic Co-operation and Development |
| OHMSA | Out of Home Media South Africa |
| OTT | Over-the-top (video content delivered via the Internet) |
| PC | Personal computer |
| PDF | Portable Document Format |
| POSIB | Protection of State Information Bill |
| PPV | Pay-per-view |
| PSL | Premier Soccer League (South Africa) |
| PVR | Personal video recorder |
| QR code | Quick Response Code |
| RAB | Radio Advertising Bureau |
| rAge | Really Awesome Gaming Expo |
| RAMS | Radio Audience Measurement Survey |
| RAPU | RISA Anti-Piracy Unit |
| RISA | Recording Industry of South Africa |
| RTB | Real-time bidding |
| SAARF | South Africa Audience and Research Foundation |

| | |
|---|---|
| SABC | South African Broadcasting Corporation |
| SACS | South Atlantic Cable System |
| SAex | South Atlantic Express undersea cable |
| SAFA | South African Football Association |
| SAITEX | Southern Africa International Trade Exhibition |
| SAMPRA | South African Music Performance Rights Association |
| SANZAR | South Africa, New Zealand and Australia Rugby |
| SAPS | South African Police Service |
| SARFU | South African Rugby Football Union |
| SARS | South African Revenue Service |
| SASCOC | South African Sports Confederation and Olympic Committee |
| SME | Small and medium enterprises |
| SMS | Short Message Service |
| SPCV | Special purpose corporate vehicle |
| TPM | Technological protection measure |
| TRIPS | Agreement on Trade-Related Aspects of Intellectual Property Rights |
| TWSM | The World Sponsorship Monitor |
| UAE | United Arab Emirates |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNICEF | United Nations Children's Fund |
| URL | Uniform resource locator |
| USAID | United States Agency for International Development |
| USB | Universal Serial Bus |
| VAT | Value added tax |
| VOD | Video on demand |
| WACS | West African Cable System |
| W-CDMA | Wideband Code Division Multiple Access (3G wireless standard) |
| WCT | World Intellectual Property Organisation Copyright Treaty |
| Wi-Fi | Wireless Fidelity (wireless standard) |
| WiMAX | Worldwide Interoperability for Microwave Access |
| WIPO | World Intellectual Property Organization |
| WPPT | World Intellectual Property Organisation Performance and Phonograph Treaty |
| xDSL | Digital subscriber line technologies |
| YOY | Year on year |

# Further reading

## Other entertainment and media outlook publications




*2013 Global entertainment and media outlook*
*www.pwc.com/outlook*


2013 Entertainment & media outlook – South Africa
*www.pwc.co.za/outlook*

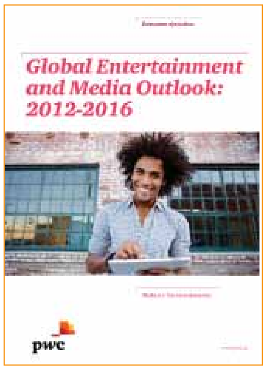

2013 Entertainment & media outlook – Isreal
*www.pwc.com/il*

2013 Entertainment & media outlook – Germany
*www.pwc.de*

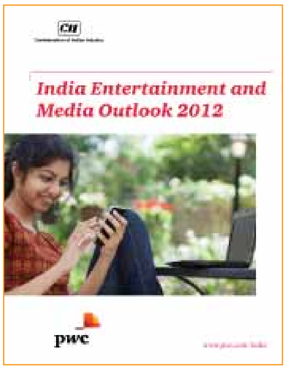

2013 Entertainment & media outlook – Australia
*www.pwcoutlook.com.au*


2013 Entertainment & media outlook – Italy
*www.pwc.com/it*


2013 Entertainment & media outlook – Netherlands
*www.pwc.nl*




2013 Entertainment & media outlook – Spain
*www.pwc.es*

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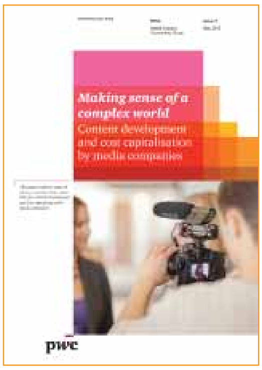
2012 Entertainment & media outlook – Switzerland
*www.pwc.ch/outlook*


2012 Entertainment & media outlook – New Zealand
*http://www.pwc.co.nz/entertainment-media-outlook*

## *Making sense in a complex world*


This paper explores the critical considerations under IFRS relating to the recognition, presentation, amortisation and impairment of acquired programming rights.
*www.pwc.com/miag*




This paper explores some of the key considerations under IFRS for content development and cost capitalisation by media companies.
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This paper explores some of the main implications for media companies of the revenue recognition ED re-exposed in November 2011.
*www.pwc.com/miag*


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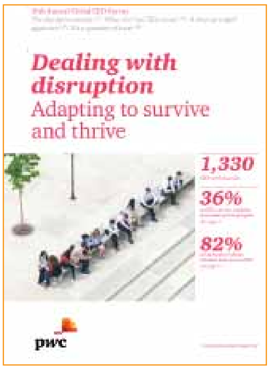


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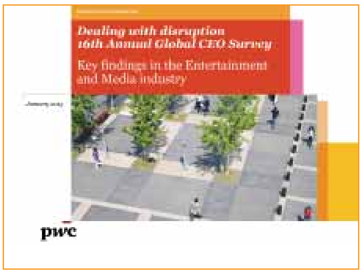


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