

20th CEO Survey

20 years of transformation ^{p1} / Growth and competition ^{p2} / Technology and talent ^{p4} / Making globalisation work for all ^{p6} / Digital trust ^{p7}

20 years inside the minds of Entertainment and media CEOs



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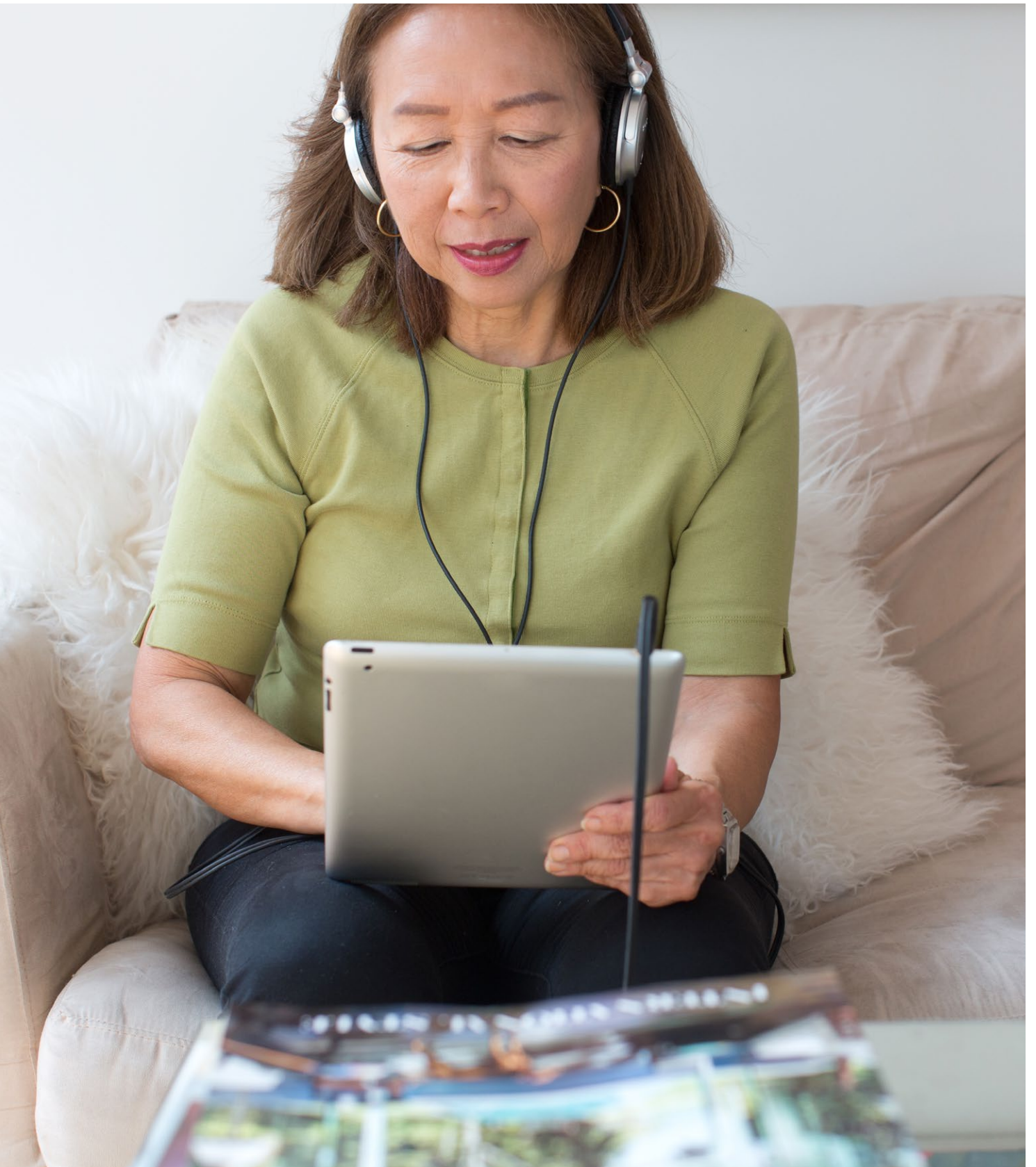
CEOs interviewed in 35 countries

74%

of CEOs say adaptability is very important to their organisation

81%

of CEOs are concerned about changing consumer behaviour



20 years of transformation

Over the past two decades Entertainment and media (E&M) CEOs have witnessed tremendous transformation – primarily driven by globalisation and technological evolution. Both were core to our enquiries when we conducted our first Annual Global CEO Survey back in 1997. Looking at the perspectives of 95 E&M CEOs from 35 countries, our 20th Annual Global CEO Survey reveals that their concerns centre on changing consumer behaviour, the availability of key skills, and the speed of technological change. Despite these concerns E&M CEOs are more optimistic about economic and business growth over the next year. To respond to consumers’ needs, E&M CEOs need to understand how economic, technological, and human capital forces are impacting the user experience and driving change with the entertainment and media industry.

As the Technology, Media, and Telecommunications (TMT) sector continues to evolve, E&M CEOs are focusing on growing their business acquisitions, partnerships and expansion of core capabilities. As they pursue revenue opportunities, today’s business leaders also must address potential risks brought on by these same globalisation trends and technological advances. CEOs need to mitigate reputational, legal, and financial risks—in areas such as social media, cyber security, data privacy, and content piracy. Most importantly, CEOs must prepare their organisations for a more complex future where consumers are even more at the centre of the business.

As in previous years, we’ve divided our questions into four main topics: growth, talent, trust and globalisation. On the following pages you will find a summary of our findings. To get more detailed responses, or to explore the data through a variety of filters, please visit our web site at www.pwc.com/ceosurvey.

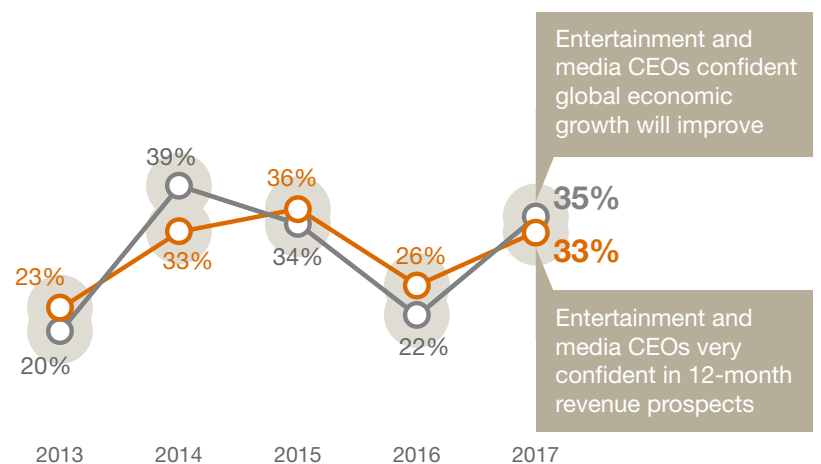
Increased confidence for economic growth

This year’s survey reflects increased optimism among E&M CEOs about the prospects for economic growth. Thirty-five percent of E&M CEOs believe the global economy will improve over the next 12 months, which is up from 22% last year and higher than the global CEO population. However, E&M CEOs are also more optimistic about their own company’s growth prospects. Thirty-three percent of E&M CEOs (vs. 26% last year) are “very confident” about their company’s business growth prospects in the next year. Key areas of growth within the entertainment and media industry include the growth of streaming and video-on-demand (VoD) services, improvements in content discovery, and the rise of mobile video.

33%

of E&M CEOs are very confident in their 12-month revenue prospects

Figure 1 Confidence about future growth



Base: All respondents (Entertainment and media, 2017=95, 2016=76; 2015=95; 2014=72; 2013=56)

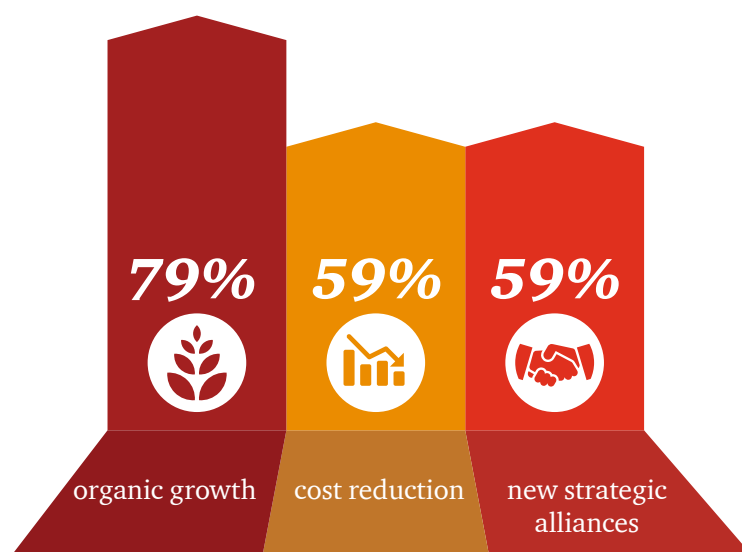
Source: PwC, 20th Annual Global CEO Survey.

Growth and competition

Seventy-nine percent of E&M CEOs expect to drive profitability through organic growth. Understanding regulatory conditions and the cultural differences at both the global and local level will be key to delivering the right types of products and services (e.g. blockbuster movies vs. local films vs. over-the-top content). Additionally, E&M CEOs plan to grow their business through collaboration and partnerships. Fifty-nine percent of this CEO population say their company will enter into a new strategic alliance or joint venture over the next year compared to 48% of all global CEOs. This focus on alliances reflects the need to be agile and responsive to changing consumer behaviours. As users expect more premium and ad-lite experiences, it becomes increasingly important for companies to explore alliances that support new transactions, business models, and capabilities that enhance the user experience.

Figure 2 E&M CEOs are using organic growth, cost reduction and new strategic alliances to drive growth

Q: Which of the following activities, if any, are you planning in the coming twelve months in order to drive corporate growth or profitability?



Source: PwC, 20th Annual Global CEO Survey.

Responding to risks

E&M CEOs understand the near-term benefits of business transformation, but they also must consider the long-term impact to their business. E&M leaders have grown far more concerned with changing consumer behaviour – 81% are concerned compared with 76% last year. For instance, emerging technology (virtual reality, wearable technology, and AI digital assistants) is impacting how content is created and

distributed. In other research (see our [Global entertainment & media Outlook 2016-2020](#)), we see spending on Internet advertising has maintained its momentum, as consumer demand for internet access continues to grow globally, and high-speed mobile connections become increasingly available and affordable in developing markets. The availability of key skills and volatile energy costs are the second and third top threats among E&M CEOs.

81%

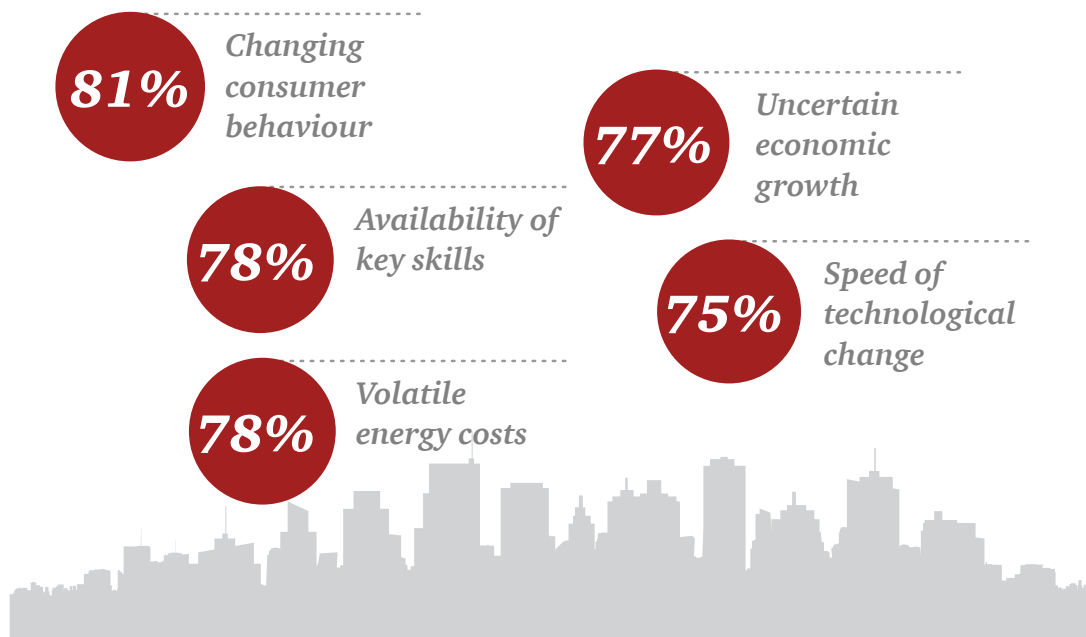
of E&M CEOs are concerned about changing consumer behaviour

“Despite these regressions caused by anti-globalisation, counter-market forces or planned economies, the impetus for strong market forces is irreversible, and it continues to march forward.”

Dr. Charles Zhang
Chairman & CEO,
Sohu.com Inc, China

Figure 3 Top 5 concerns for Entertainment and media CEOs

Q: How concerned are you, if at all, about the following issues?



Base: All respondents (Entertainment and media, 2017=95). Respondents who stated 'Somewhat Concerned' or 'Extremely Concerned'

Source: PwC, 20th Annual Global CEO Survey.

Technology and talent

56%

of E&M CEOs believe that technology will completely reshape competition over the next five years

“Technology has completely changed the world of advertising in a number of ways. One is the information and the ability to understand people, understand what motivates them, understand where they are, and when they want messages.”

Tamara Ingram
CEO
J. Walter Thompson, US

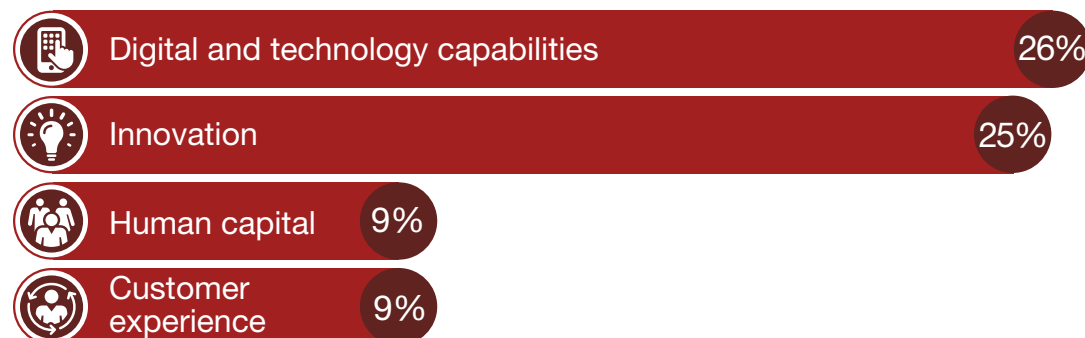
To capitalise on new opportunities, organisations must have the right capabilities in place. E&M CEOs see ‘digital and technological capabilities’ and ‘innovation’ as their top two areas of focus. Additionally, many E&M CEOs believe that technology will completely reshape competition in their industry over the next five years: 56% of E&M CEOs vs. 23% of global CEOs. Technological advancements require companies to rethink transactions, business models, and capabilities. By balancing agile and lean practices in innovation, companies can take steps forward and expand their media capabilities. In a *strategy+business* article, ‘[You’re a Media Company. Now what?](#)’, PwC’s John Sviokla and Deborah Bothun explain that “the battle for the consumer’s attention has become brutal, and requires new strategies and capabilities. Companies across many sectors are

reaching the same conclusion: We all have to be in the media business.”

Dr. Charles Zhang, Chairman & CEO, Sohu.com Inc, describes the impact that innovation will have on the pace of business like this: “The world is changing as innovations for human life and knowledge generation are accelerating. Many intractable problems facing people are now being resolved. What might have taken ten years in the past, now only takes one year. We can feel the pace of change accelerating, although growth in our lifetime will be relatively slow. If our lifespan increases from 70 years to 100 years, we will feel the changes of the world more because we really do not know what the world will be like in 2030.” [Click here](#) to see the full interview.

Figure 4 Entertainment and media CEOs are focusing on technology and innovation

Q: Given the business environment you’re in, which one of the following do you most want to strengthen in order to capitalise on new opportunities?



Base: All respondents (Entertainment and media, 2017=95)

Source: PwC, 20th Annual Global CEO Survey.

E&M CEOs are facing a critical skills gap

Seventy-eight percent of the E&M executives say that they are concerned about the availability of talent. E&M CEOs ranked ‘Leadership’ as the third most important skill for the E&M industry and view it as the hardest skill to source. ‘Creativity’ is the second-most difficult skill to find. As technology, data, and analytics become more powerful, expanding the use of automation, executives will need to think through which human tasks are being assisted or augmented by emerging technologies – and which ones are being replaced. Forty percent of the E&M executives say that, over the next five years, headcount will decrease to a large extent as a result of automation and other technologies. That number compares to just 25% for all CEOs in the study. The result is conundrum for E&M CEOs; the hardest skills to find are those that can’t be performed by machines and yet the E&M industry is expected to lose more jobs to technology than most other sectors.

Executives in the entertainment and media industry are investing in employee development and are prioritising relevant areas such as digital skills. Seventy-four percent of the E&M CEOs say they have added digital training to their learning programmes, compared to 65% of CEOs overall. Because of changing consumer behaviour, there’s a drive to adapt the workforce to the broader set of skills, agility and creativity needed for the future. For instance, 83% of E&M CEOs either ‘agree or agree strongly’ that they promote diversity and inclusiveness.

Seeking out diverse talent is key to meeting customers’ needs, since consumers’ interests and cultural tastes vary from market to market. J. Walter Thompson’s Tamara Ingram explains, “The only thing we ever have is talent, and I think my task as the chief executive is to enable a culture that enables talent to flourish, but also it’s about how do we get the best talent. I am really clear that getting the best talent is by having diversity, and that means different types of people, divergent thinking from different backgrounds, and not always from the traditional places.” [Click here](#) to see the full interview.

40%

of the E&M respondents expect that to a large extent, a decrease in headcount will be the result of automation

Figure 5 The hardest skills to find are those that can’t be performed by machines

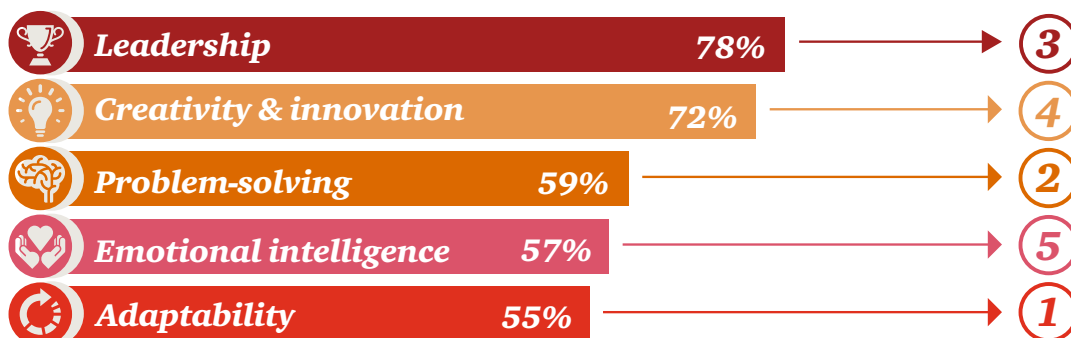
Q: How difficult, if at all, is it for your organisation to recruit people with these skills or characteristics? In addition to technical business expertise, how important are the following skills to your organisation?

Difficulty in recruiting people with skill

Respondents who answered somewhat difficult or very difficult

Importance of skill

Respondents who answered somewhat important or very important



Base: All respondents (Entertainment and media, 2017=95)

Source: PwC, 20th Annual Global CEO Survey.

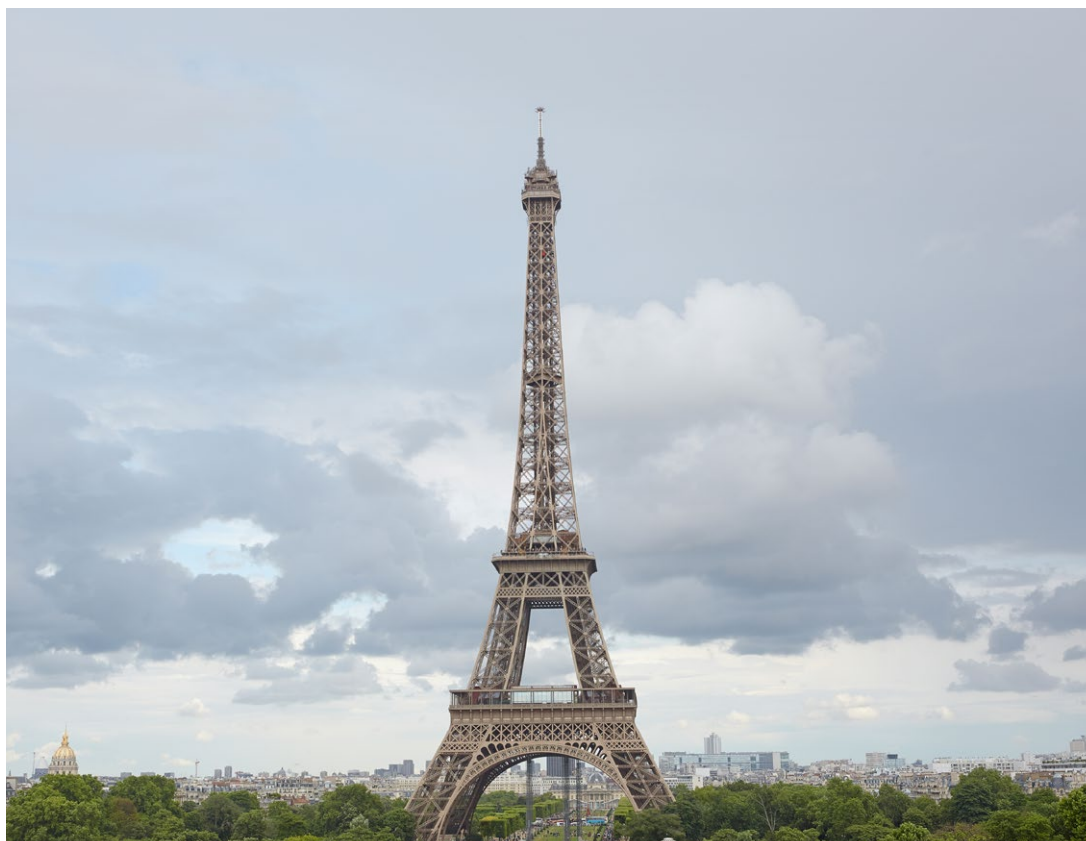
Making globalisation work for all

The vast majority of E&M CEOs (96%) think globalisation has helped to facilitate universal connectivity – propelled by an increase in high-speed internet access. However, many CEOs don't believe globalisation has helped close the gap between rich and poor (60%), enhance the fairness and integrity of global tax systems (44%), and avert climate change and resource scarcity (39%).

How can we make globalisation work? According to the E&M results, government action is needed to alleviate regulatory and distribution issues. Collaboration between business and government can help to close the gap between rich and poor. Within E&M, brands can better connect with consumers and commerce at the local level in meaningful ways by fine tuning their content strategies with a mix of global and local fare.

“People on this earth are becoming more intelligent...through globalisation. All issues are relatively similar, and things are relatively easier to understand by different people. It could be said that the gap between cultures has been bridged. This is the biggest change.”

Dr. Charles Zhang
Chairman & CEO,
Sohu.com Inc, China



Digital trust

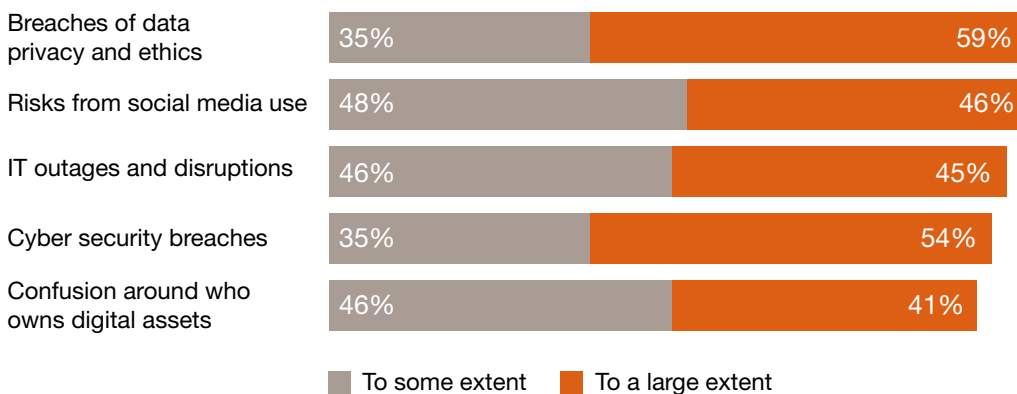
Twenty years ago, trust wasn't as high on the business radar as it is today. In fact, we didn't survey CEOs about it until 2002, when the business community was reeling from accounting fraud scandals, the bursting of the dotcom bubble and the collapse of the equity markets. With greater cyber security breaches and data privacy threats, E&M leaders have increasingly focused on ways to improve stakeholder trust. The majority of E&M CEOs say that breaches of data privacy and cyber security breaches will have a negative impact on stakeholder trust over the next five years.

In an increasingly digitalised world, E&M CEOs are finding it harder to gain and retain people's trust. Social media is a prime example of a threat that is concerning E&M leaders. 95% of E&M CEOs believe social media could have a negative impact on the level of stakeholder trust in their industry over the next five years. Moreover, emerging technologies also have a direct impact on consumer trust. As innovation continues to transform business models, content strategy and data measurement, CEOs must stay agile and address these ever-evolving threats proactively.

95%
of E&M CEOs believe social media will have a negative impact on stakeholder trust over the next five years

Figure 6 E&M CEOs worry about a variety of digital risks

Q: To what extent do you think the following areas will impact negatively on stakeholder trust levels in your industry in the next five years?



Source: PwC, 20th Annual Global CEO Survey.

Tough questions to ask about addressing greater expectations



In a more uncertain world, where will your increase your investment and where will you 'hunker down'? How will you measure the relative success of your ventures?



Have you adjusted your business models to adapt to changing consumer expectations and behaviours?



Is your HR function ready to adapt to managing man and machine? What's missing from its capabilities and how will you fix it fast?



Does your CIO know the extent to which the technology you're investing in today will affect how your stakeholders will trust you tomorrow?

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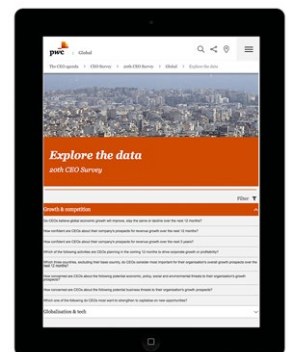
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Explore the data

See for yourself what else entertainment and media CEOs told us about leading in complicated times.

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Acknowledgment

PwC gratefully acknowledges the contribution to 20th CEO Survey: Entertainment and media industry key findings provided by the CEOs who participated in our in-depth interview programme, listed below. Watch the [CEO video interviews](#) for more great insights.

Tamara Ingram

CEO

J. Walter Thompson

US

Dr. Charles Zhang

Chairman & CEO

Sohu.com Inc

China

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