Executive Summary

Entertainment & Media Outlook in Italy 2020 - 2024

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For the first time, CEOs' optimism about market prospects is starting to falter.

According to PwC's 23rd Annual Global CEO Survey, conducted between September and October 2019, the economic uncertainty is among the 10 threats and concerns of the companies all over the world.

In the last few years the market has required companies to be constantly aligned with the evolution of demand and, at the same time, to stabilize revenues and handle suppliers and employees facing a completely new reality. The scale of the change that has been realized and what still needs to be faced would seem to strongly discourage CEOs from all industries.

Following the outbreak of the COVID-19 pandemic, the level of uncertainty has increased furtherly and according to PwC's CEO Panel Survey, conducted in June and July 2020 as an extension of PwC's Annual Global CEO Survey, CEOs are significantly more pessimistic about the direction of the global economy over the next 12 months now than they were at the end of 2019, with just 30% saying economic growth will improve in the year ahead.

Moreover, the uncertainty also lies in understanding what the prospects of the business will be: will it return to a pre-COVID condition or was the pandemic able to create a new era with new habits, new values, new need and behaviors? What will companies have to face?

The COVID-19 pandemic has wrought enormous personal, economic, and social damage. It has upended countless lives, and exacerbated the many disruptions afoot, laying bare the unviability of many business models. Beyond that, it has provided a new set of acute shocks to seemingly sturdy businesses and principles that have guided our thinking for decades. It is causing a recession of indeterminate length and severity.

Out of nowhere, COVID-19 has emerged as the top agenda item for leaders of organizations of all types: governments, NGOs, and the private sector. The central question in every (virtual) board meeting is how to grapple with the horrific short-term consequences — the health challenges faced by millions of people and the effective shuttering of economies and societies around the world. At the same time, leaders can't lose sight of the existential difficulties they faced before discussions of viral loads, reagents, and recovery rates became part of the vernacular — difficulties that, if anything, are intensifying.

Without a doubt, leaders will have to be able to continue to meet ever-new needs including digital, cloud, automation and, as results, solid infrastructures in terms of cybersecurity and upskilling.

The experience of global pandemic, in fact, has taught CEOs how it is of fundamental importance to have risk mitigation plans in order to ensure business continuity in such a way as to be able to react dynamically to threats, reducing the risk of negative impacts on productivity of their employees and results.

CEOs also face uncertainty about their own operations, with only 15% indicating that they are very confident in their organisation's revenue prospects.

Yet despite these sobering realities, it's clear that at least some CEOs feel they've passed a critical test and are now armed with important knowledge about their organisation — and are prepared to capitalise on the enduring trends brought about by COVID-19.

Fig. 1: Contributing to the decline in CEO confidence is uncertainty around regulation, trade and economic growth

Q: How concerned are you, if at all, about each of these potential threats to your organisation's growth prospects? (showing only 'extremely concerned')

Source: PwC, 23rd Annual Global CEO Survey

It is clear that from this context, the priorities of the CEOs have changed and the following key themes have emerged from the PwC panel survey:

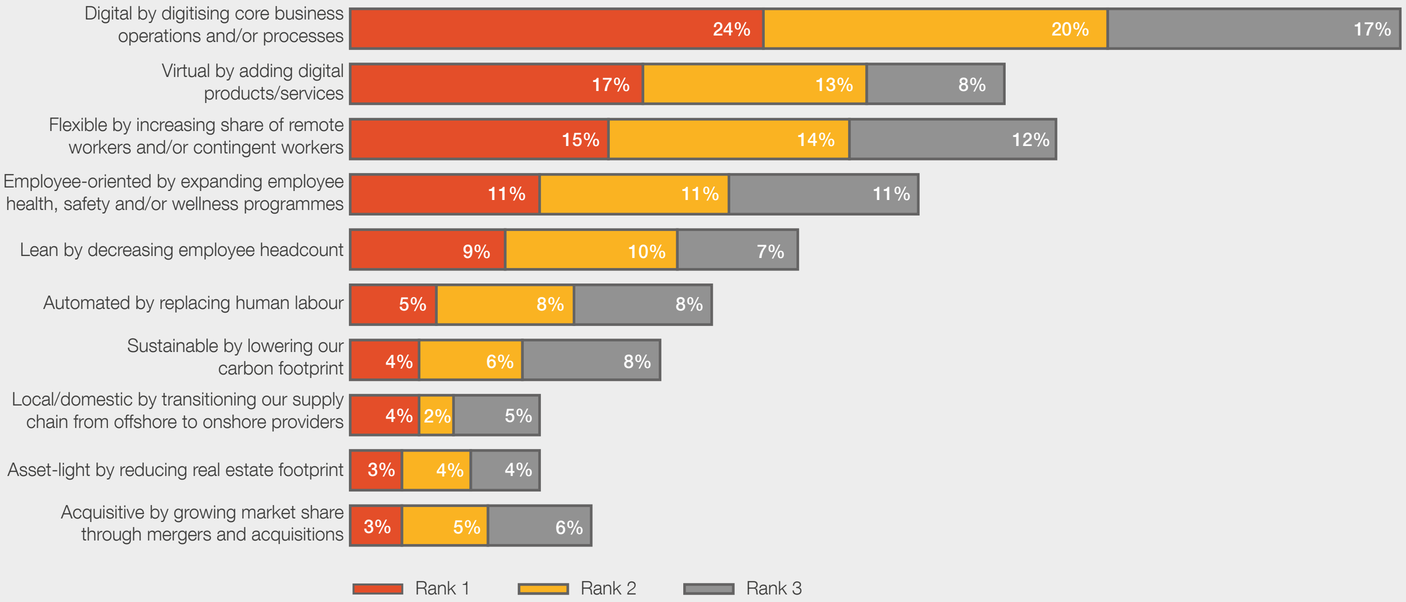
1. CEOs plan to make their companies more digital and virtual. They will digitise core business operations and processes, and add digital products and services.

2. CEOs plan to develop a more flexible and employee-oriented workforce. They will increase the share of remote or contingent workers, and expand employee health, safety and wellness programmes.

Underpinning these emerging business models are several trends identified by respondents as enduring shifts, meaning CEOs expect them to continue after the COVID-19 pandemic ends. Perhaps unsurprisingly, respondents believe shifts towards remote collaboration, automation, low-density workplaces and supply chain safety will have a lasting impact. Less expected were some of the changes caused by COVID-19 that CEOs view as temporary. For example, one-quarter of CEOs believe the trend towards climate change mitigation will be a short-term phenomenon (with another 28% not seeing any change when it comes to climate issues). And 43% think that the shift towards nationalism is temporary, despite the fact that populist and nationalist ideologies were on the rise before the pandemic.

Fig. 2: CEOs will prioritise business models that are digital and flexible

Q: Please choose up to three responses and rank them in order, with 1 being the long-term business model change you are prioritising most to adapt to trends resulting from the COVID-19 pandemic. “Our business model after the COVID-19 pandemic will become more...”



Source: PwC, CEO Panel Survey

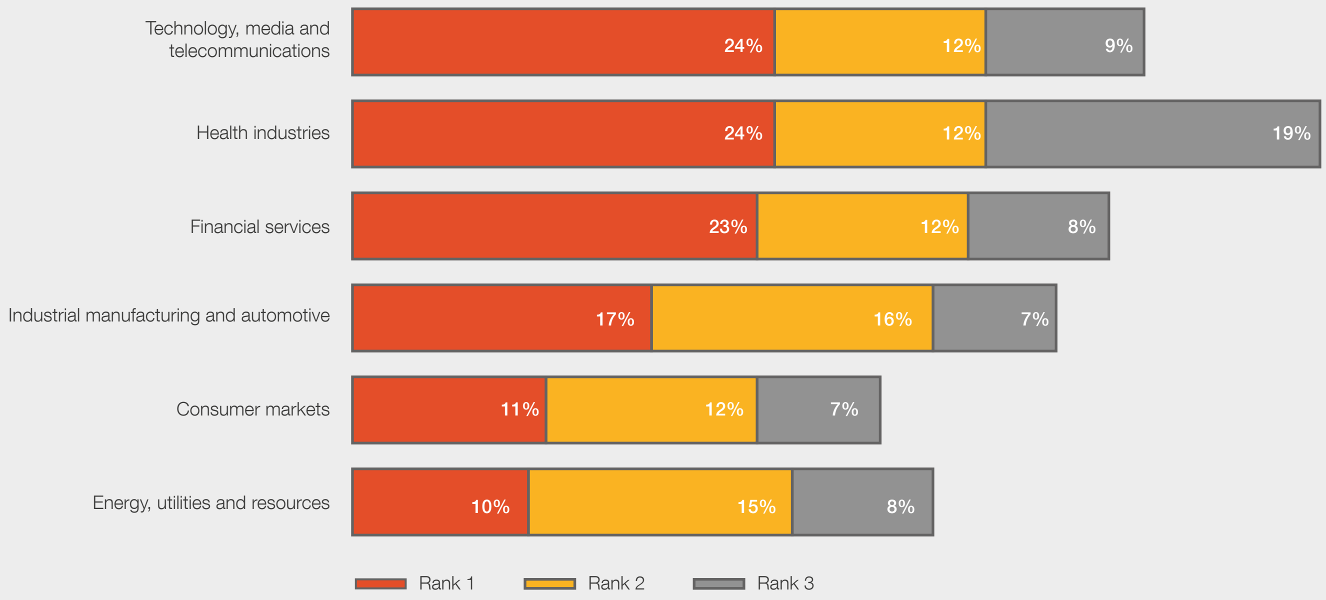
Digital and virtual companies

In the early days of the pandemic, many leaders quickly realised that the digital capabilities of their company would determine its ability to adapt to rapidly changing circumstances. This awareness has helped speed the adoption of digitisation initiatives, among both employees and customers.

For many CEOs, the need to continue to serve clients and minimise disruption to operations amid workforce and resources constraints has reinforced the value of automation. In the future, data computing and big data analysis will also enable more people to focus on meaningful work rather than on repetitive tasks — which will contribute to companies' ability to implement the kinds of business model changes CEOs told us they are prioritising. More than three-quarters of CEOs believe the shift towards automation will continue beyond the pandemic.

Fig. 3: TMT CEOs are among the most likely to prioritise a more virtual business model

Q: Our business model after the COVID-19 pandemic will become more virtual by adding digital products/services" (percentage who ranked virtual business models as one of their top three priorities)



Source: PwC, 23rd Annual Global CEO Survey

Technology, media and telecommunications CEOs are among the most likely (24%) to add virtual products and services; recognising customers' high demand for in-home entertainment.

The rise of digital services by consumers confirms the central role of technology and data, which are increasingly becoming a strategic asset.

Today, technology largely exploits big data, IoT, Artificial Intelligence, Internet, laying the foundations that will kick off the 4th industrial revolution that needs to be regulated in competitive terms. The amount of data that each company has on its customers is a weapon and therefore must be protected. It is therefore necessary to ensure clear regulation in the use and management of data, both to regulate levels of competitiveness and to increase consumer confidence.

Transforming the workforce

Two questions have loomed large for CEOs since the pandemic took hold: where will work happen, and how will it happen? A majority of CEOs surveyed (78%) say the shift towards remote collaboration is enduring, a nod to the momentum building around flexibility. More than half of our respondents (54%) believe the trend away from traditional employment and towards the gig economy is here to stay. Of course, the latter arrangement offers flexibility but often comes at the cost of stability and, in parts of the world, benefits such as healthcare insurance. In this case, the reported trend is at odds with what some workers want and need (flexibility with job security), especially amid a global health emergency and recession.

As companies embrace new ways of working, it is with a growing recognition that the shift will need to coincide with an increased focus on health and wellness. When employees are working from home, they are less likely to take time off or unplug, and thus are more prone to burnout. Among our respondents, 11% selected as their top emerging business model change the need to become more employee-oriented by expanding health, safety and wellness programmes.

Of course, some employees are already returning to physical worksites. But these sites have undergone changes to promote social distancing and other safety measures. The ability to create a safe workplace can be a differentiator, in terms of both the employee and customer experience. Employers who focus on safety will build loyalty and enhance their organisation's reputation. Moreover, many of our respondents indicate that their company is likely to require less real estate moving forward, because of managerial decisions about who will need to work onsite (versus staying remote) or because fewer employees will opt to return if remote work is an option. More than half (61%) of CEOs believe that the shift towards low-density workplaces will persist.

How to rethink your business model

Flexibility in business and workforce plan

Create a dynamic business and workforce plan that accounts for **health**, **economic** and **societal considerations** in order to approach "work" as something your organization **does** rather than somewhere it goes. In this way, you can adopt **new ways** to serve clients, **reduce costs** and gain access to **new talent** markets.

Invest in the digital tools

Improve your organisation's **information supply chain** and build a worldclass **analytics capability**, together with a deliberate approach to building digital workforce capabilities in order to sustain your **resilience**.

High commitment to agility

The **technology** and the new ways of work with agile purpose help to **sustain operations**, **supply chains**, employee and customer experience. Understand how your organisation can maintain agility, allowing it to pursue new opportunities.

Industry overview: the effects of COVID-19 and the main trends

Italy was one of the first countries in Western Europe to be significantly affected by the outbreak of COVID-19, experiencing months of disruption in early 2020 as lockdowns required citizens to stay indoors, while mass gatherings were banned, non-essential retailers closed and social distancing measures were brought in within businesses and workplaces that were allowed to remain open.

This unprecedented situation has affected societies, economies and industries across the world, and entertainment and media (E&M) markets will be no exception. E&M revenues in Italy are set to fall by -9.5% in Italy in 2020, as segments reliant heavily on advertising and those with an emphasis on live events such as B2B trade shows, live music and esports events are severely impacted.

Extended time spent indoors has been highly disruptive to consumer routines, with many having extra time available in their day to engage with E&M, as working from home eliminates the need to commute. The removal of the ability to socialise outside of the house also leaves time in the evenings and weekends for consumers to direct towards activities such as watching TV, playing games, listening to audio or reading books.

The virus will have a significant impact on content production, which has been effectively on hiatus until normal conditions return. When conditions do permit, there will be strong competition for talent and studio space. It is also difficult to predict whether consumers will be married to their new lockdown habits of higher consumption of E&M indoors, or whether they will be eager to “make up for lost time” once restrictions are lifted by attending multiple events after having to stay away for so long.

The inevitable recession also brings a level of uncertainty, as consumers may need to make cutbacks to their non-essential spend, which could include spend on E&M. This analysis, therefore, looks at the ‘core’ scenario, which predicts a cautious return to normal, with most areas back on track by 2022 after a strong rebound across most E&M sectors in 2021, with revenues set to increase by +11.2%.

Consumer AI is staying inside the home, for now

An increasing number of consumers are interacting with AI technology through AI assistants on their mobile phones, as the technology brings benefits of convenience and user personalisation. However, with consumers still unsure about the effect AI will have on their privacy, the uptake in other AI consumer technologies is slow. Research firm Omdia found that 43% of people were concerned that AI consumer technology will have a negative impact on their overall privacy.

While the smart home sector is where privacy concerns are the most pressing, it is also where the incorporation of AI is the most advanced. Google and Amazon have been vying for the top spot, with both manufacturing products and services that create an intelligent home environment. Amazon has leapt ahead of Google with its AI enabled smart home speakers which include capabilities such as security, connectivity, entertainment, and home automation. Alexa Guard, Alexa Concierge, and Alexa Guest Connect are some examples of how Amazon has evolved it AI assistant Alexa's functionality. Google has also based most of its AI strategy around Google Assistant and has developed an ecosystem of 10,000 hardware partnerships and monetization mechanisms through which to sell products.

In terms of AI enabled hardware over the last nine years, giant strides have been made. If we consider, for example, LG ThinQ products which, from tools that took advantage of machine learning, were integrated with Google Assistant and Alexa in 2018, and today, through the use of specific sensors, products in the same range are able to communicate with each other.

E&M players bolster subscription offerings and look to alternative payment models

Media and entertainment industry players are catching on to the value that the subscription model can bring to businesses, with consumers increasingly paying a monthly fee to access a library of entertainment content, such as films or music, rather than paying to physically own a product.

In this fiercely competitive environment, new users are the lifeblood of subscription services and maintaining growth impetus is key to longer-term survival.

Players in the pay-TV sector have also invested heavily in high quality content to keep subscribers engaged, and in late 2019 Sky Italia announced the full integration of Netflix into its advanced Sky Q set top box, bundling the service into some customer packages, an added-value move to reduce churn.

Meanwhile, podcasts, which were initially predominantly available on podcast-specific apps and platforms, have recently been snapped up by music-subscription services that are currently engaged in a battle to attract new users in the face of intense competition, acting as a value-add on. Spotify has invested significantly in podcasts to bolster its platform, by acquiring a host of podcast companies and signing exclusive deals with talent such as Joe Rogan. By expanding their content offerings in these ways, services can review their subscription pricing strategies in order to maximise revenues.

Other key E&M stakeholders are exploring alternative payment models. In the gaming sector, the success of the “battle royale” genre in 2018, spearheaded by Fortnite, has reshaped the strategies of leading video game companies. While the base game remains free, Fortnite provides a stream of fresh content for all players, while encouraging purchase of a “Battle Pass” which unlocks additional content. Both Call of Duty and EA’s Battlefield V have adopted similar models and many more are expected to emerge.

However, these emerging business models present challenges. For the in-app purchase revenue model, game publishers are reliant on a small percentage of paying users. As the total number of free-to-play game players expands, game companies are having to increasingly look at diversifying revenue sources to include advertising. Meanwhile, while consumers are hungry for media and entertainment content, with many signing up to multiple subscription services, there remains a limit to how many services consumers want to sign up to, as well as how much they can ultimately afford to spend monthly, and players are becoming increasingly wary of consumers experiencing “subscription fatigue”.

E&M implications for cloud and edge computing

Over the course of last decade, consumer device technologies have evolved significantly, leading to smartphones, tablets, smart TVs and apps becoming ubiquitous. Accessing online content, videos and games was no longer restricted to PCs or consoles; millions of Italians could now access the ever-growing range of media content instantly, on growing number of smart devices. Consumers' appetite for immersive entertainment experiences has similarly grown – be that streaming the latest episodes of Suburra: Blood on Rome in 4K UHD or jumping into online multiplayer games, such as Fortnite or Call of Duty: Warzone. YouTube remains the prime destination for video content, while social networks including Facebook, Snapchat and Twitter feature video-rich content.

With these types of high-bandwidth uses, telco networks are under growing pressure. Games are already having additional impact on network requirements through esports streaming and downloads, but the re-emergence of cloud gaming imposes new requirements on infrastructure from a demanding, premium user base. In conjunction with increasing Internet speeds worldwide, cloud gaming is set to democratize premium games, meaning anybody with a smartphone can enjoy a premium, console-type gaming experience. Several cloud gaming services already exist in Italy, including Google Stadia and PlayStation Now. Italian network operators such as Vodafone are heralding cloud gaming as one of the leading use cases for 5G, however, the consumer uptake is expected to be gradual, reaching an inflection point in 2023.

Network operators are having to adapt to this increasing demand. More complex networks spanning mobile and fixed with compute capabilities pushed out to the edge and even into the home or onto devices will require more comprehensive mechanisms of control and decision-making. The implementation of AI to automatically manage traffic, capacity, and caching makes this higher connectivity act intelligently.

World leading cloud service providers are already making sizable moves in Italy. At the end of 2019, Telecom Italia, in partnership with Google announced major investments in building new data centres to support edge computing services. In April 2020, Amazon's AWS opened its datacentre in Milan, as the country's businesses drew on public cloud resources to support them through the COVID-19 pandemic. Meanwhile in May 2020, Microsoft announced a €1.3bn investment plan to accelerate digital transformation in Italy, including the intent to bring Microsoft's first datacentre region to the country. Italy's migration towards 5G will also enable a more intelligent and adaptive network, as it implements concepts such as software-defined networking (SDN), network functions virtualization (NFV) and edge computing.

5G offers new market opportunities for TMT players

In the 5G era, on-the-go consumers using high-speed mobile data will start to access greater quantities of content, games, and services. These mobile consumers will seamlessly transition between mobile and Wi-Fi networks. The revenue opportunity in 5G spans far beyond wireless data and communications themselves, encompassing markets like gaming, entertainment, music, security, smart home, OTT video, banking, insurance, healthcare, and a plethora of other services.

The rollout of the first 5G smartphones in 2019 was associated with high prices, particularly for consumers. Therefore, their acceptance into the market was inhibited by high costs and a disparity between consumer expectations and network performance.

The impact from 5G networks may take longer than expected to become apparent. The initial difference from 4G will be speed and capacity, with other capabilities such as network slicing, and edge computing taking years to become widely available. The use cases immediately available will be similar to those of 4G, just faster. The impact from the use cases commonly associated with 5G will therefore be limited in 2020.

According to research firm Omdia, more than 70% of operators said that the timing of major sporting events had influenced their 5G rollout decisions. Sports will provide a powerful platform to win consumers over to 5G, with live streaming video of events already one of the most popular and demanding applications on 4G networks. The arrival of 5G promises to enable more people to watch at higher quality and experience sports in new ways, such as via augmented and virtual reality. However, as many live sports events were cancelled in 2020 due to the outbreak of COVID-19, some of these launches will be less effective.

This situation is expected to change rapidly in the coming years. The return to normal of the supply chain after COVID-19 coupled with the ramping up of 5G component and device manufacturing will drive sales. The supply chain’s undiluted support for the 5G standard will be one of the main factors driving down costs and pushing up volumes.

5G network capacity is likely to continue reducing the cost of mobile data, removing the principal constraint for media and entertainment activities such as mobile video consumption over cellular networks, with faster speeds also significantly improving the quality of video streaming. Other entertainment use cases that are substantially improved by distribution over 5G or enabled by 5G networks include cloud gaming and mobile VR, AR and MR. 5G represents a wide-ranging technological transformation that will catalyze a major strategic pivot for all those involved in the TMT ecosystem.

Entertainment and media by segment

Segments at a glance

Books

Total books revenue increased by +2.7% to €2.1bn in 2019, which indicates the strength of the sector before the sudden downturn in 2020. Ricardo Franco Levi, president of the Association of Italian Publishers (AIE) stated that, according to April's estimates, 23,200 fewer books will be published in 2020 (about 30% of the total italian production) than were planned before the crisis. He also estimated that 49mn fewer books will be printed than would have been the case without COVID-19.

Business-to-business

Business information is by far the largest source of B2B revenue in Italy, claiming just over 51% of the market in 2019. This share will increase to 61.9% in 2020 as other sub-sectors contract due to the COVID-19 pandemic. Trade shows generally represent the second-biggest source of B2B revenue in Italy, however, in 2020, trade show sector will see its market share dramatically decline as conferences and events were cancelled.

Cinema

There was a strong rise in box office and advertising revenues in 2019, with titles like Joker, Avengers: Endgame and The Lion King performing well in Italy. 2020 will be marked by the devastating effect of the COVID-19 pandemic. By mid-March 2020, a package of €130mn was approved by the Italian government to assist the Country's film and TV sector.

Data consumption

The 2020 outbreak of COVID-19 disrupted data consumption in Italy, causing significant short-term spikes in demand as large sections of the population quarantined at home. Video will continue to account for the majority of data consumption in Italy on all devices. A proliferation of new streaming services and the slow shift to 4K as the new industry standard will see video's already high share grow consistently to 2024.

5G

Italy has launched 5G early, but initial uptake is limited, with 256,000 5G connections at the end of 2019. However, as coverage improves and 5G moves into mass market devices uptake will begin to draw together. By 2024, the number of 5G connections in Italy is expected to reach 35.7mn.

Internet

All operators reduced tariffs and/or raised data allowances in Q1 2020 in response to the COVID-19 outbreak. Subscriber growth slowed after lockdown began in March 2020, as did churn, and aggressive pricing and reduction in mobile activation fees dampened mobile revenues. Internet access revenue will increase at a +3.8% CAGR to €13.2bn in 2024. On the online advertising front, video is the single most important category in the market. YouTube accounted for the largest share of video advertising revenues in the Italian market until 2018, when it was overtaken by Facebook.

Magazines

The coronavirus pandemic in 2020 will cause a sharp contraction in magazine revenue for that year. Publishers have tried to support consumers during the crisis with offers of free online subscriptions, webinars, children's entertainment magazine channels and other initiatives which could help boost digital circulation in the long term.

Music, radio and podcasts

The live music sector will be hit hard by COVID-19, with the Italian concert promoters' association Assomusica announcing in May 2020 that all live concerts scheduled for the summer were postponed until 2021. In radio, long average listening times of 200 minutes are attracting advertisers, helping to boost revenue at a +2.0% CAGR to 2024. The Italian podcast market is experiencing rapid growth, with listener figures increasing at a +21.9% CAGR. Spotify by far the most popular podcast platform in Italy, with 62% of listeners naming it their preferred podcast platform according to data by Statista.

Newspapers

Total newspaper revenue, which totaled €1.5bn in 2019, is forecast continue to fall to €1.2bn in 2024 at a CAGR of -3.4%. According to the Italian socio-economic research organisation Censis, the readership of print newspapers dropped to a 37.3% penetration in 2019. Online newspaper websites as an information source showed an improvement in 2019 at 11.4%, up from 10% in 2018.

OOH

Italy's OOH market growth, as in every other major country, will be hit hard in 2020 by the global coronavirus pandemic. This is expected to have a stronger dampening effect on physical revenues than digital revenues in 2020, with digital OOH remaining on course to be the dominant format by 2023.

TV and video

SVOD will continue to drive the Italian OTT market, with Disney+, the biggest rival to Netflix and Amazon, launching in Italy in March 2020. In the traditional sector, public licence fees will be the only driver of growth across the forecast period, but the overall sector will contract at a -0.8% CAGR to 2024. While TV viewing has boomed under lockdown conditions as a result of COVID-19, broadcasters have not seen an accompanying surge in TV ad spend.

Video games and esports

The result of people being involuntarily house bound during the coronavirus pandemic has been a short-term boost to Italy's games industry on the whole. It will be further boosted following the launch of the PS5 and Xbox Series X, which are both still due for a Q4 2020 launch. Meanwhile, Italian total esports revenue reached €8.6mn in 2019, up a strong 71.0%. In the coming years, mobile esports will benefit from 5G's ability to host competitive mobile-gaming tournaments that offer the same high-quality experience as their wired equivalent.

VR

Italy's VR market is growing, but not at the pace initially predicted five years ago. The VR industry is now coming to terms with the reality that any new technology takes many years to perfect and become a mainstream proposition. Italian VR market nevertheless will continue to develop and grow, with total VR content revenue increasing from €42mn in 2019 to €106mn in 2024.

Fig. 4: Total E&M revenues will increase by over €5.0bn to 2024
Entertainment & media spending by segment, 2015-2024 (€mn)

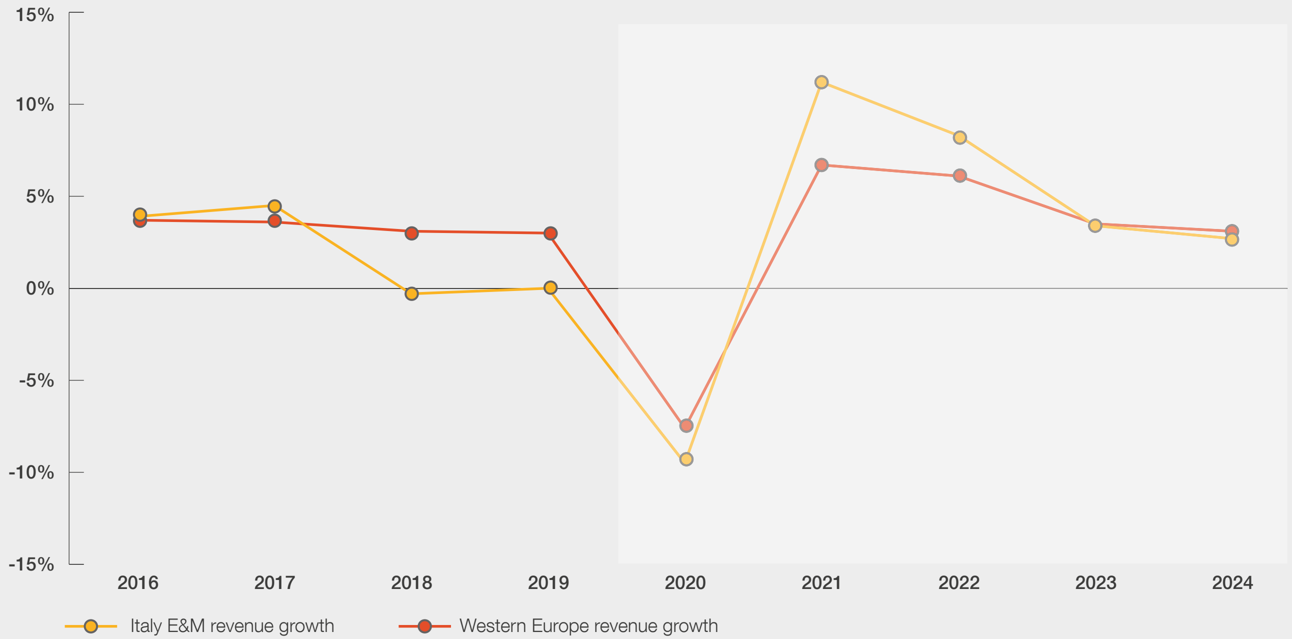
	Total E&M (€ millions)										
	Historical data					Forecast data					CAGR %
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019-24
Books	1,936	1,948	2,033	2,014	2,069	1,832	2,038	2,109	2,114	2,112	
y-o-y growth		0.6%	4.4%	-0.9%	2.7%	-11.5%	11.3%	3.5%	0.2%	-0.1%	0.4%
Business-to-business	2,782	2,793	2,821	2,821	2,835	2,166	2,494	2,907	2,950	2,990	
y-o-y growth		0.4%	1.0%	0.0%	0.5%	-23.6%	15.1%	16.6%	1.5%	1.4%	1.1%
Cinema	687	720	644	606	698	302	548	696	723	740	
y-o-y growth		4.7%	-10.4%	-5.9%	15.2%	-56.8%	81.6%	26.9%	3.9%	2.5%	1.2%
Internet	12,611	13,171	14,611	14,394	14,253	13,387	14,673	16,196	16,967	17,612	
y-o-y growth		4.4%	10.9%	-1.5%	-1.0%	-6.1%	9.6%	10.4%	4.8%	3.8%	4.3%
Magazines	1,974	1,952	1,909	1,724	1,623	1,302	1,502	1,504	1,448	1,399	
y-o-y growth		-1.1%	-2.2%	-9.7%	-5.8%	-19.8%	15.4%	0.1%	-3.7%	-3.4%	-2.9%
Music and podcasts	864	881	927	965	1023	554	763	970	1104	1195	
y-o-y growth		2.0%	5.3%	4.1%	6.0%	-45.9%	37.7%	27.1%	13.8%	8.3%	3.2%
Newspapers	1,912	1,800	1,653	1,543	1,466	1,343	1,327	1,302	1,267	1,237	
y-o-y growth		-5.9%	-8.2%	-6.6%	-5.0%	-8.4%	-1.2%	-1.9%	-2.8%	-2.4%	-3.4%
Out-of-home	181	176	175	185	187	135	180	191	200	202	
y-o-y growth		-2.6%	-0.5%	5.2%	1.5%	-28.1%	34.0%	6.0%	4.3%	1.4%	1.6%
Radio	480	503	516	538	545	449	522	584	593	601	
y-o-y growth		4.8%	2.6%	4.3%	1.4%	-17.7%	16.3%	11.8%	1.6%	1.4%	2.0%
TV	8,114	8,680	8,636	8,798	8,614	8,059	8,684	9,029	9,090	9,198	
y-o-y growth		7.0%	-0.5%	1.9%	-2.1%	-6.4%	7.7%	4.0%	0.7%	1.2%	1.3%
Video games	1148	1339	1564	1819	2,102	2,547	2,874	3,053	3,372	3,614	
y-o-y growth		16.6%	16.8%	16.3%	15.6%	21.1%	12.9%	6.2%	10.5%	7.2%	11.4%
VR	-	9.2	22.5	31	42	56	70	76	89	106	
y-o-y growth		-	144.5%	39.7%	34.3%	32.5%	24.9%	9.6%	16.7%	18.8%	20.3%
Esports	1.1	1.8	2.9	5.0	8.6	13.1	20	31	39	46	
y-o-y growth		61.8%	59.9%	69.9%	71.0%	53.5%	54.4%	55.3%	24.5%	18.0%	40.1%
Total	31,508	32,733	34,220	34,133	34,121	30,869	34,321	37,172	38,436	39,478	
y-o-y growth		3.9%	4.5%	-0.3%	0.0%	-9.5%	11.2%	8.3%	3.4%	2.7%	3.0%

Source: PwC, Omdia

Total excludes double counting

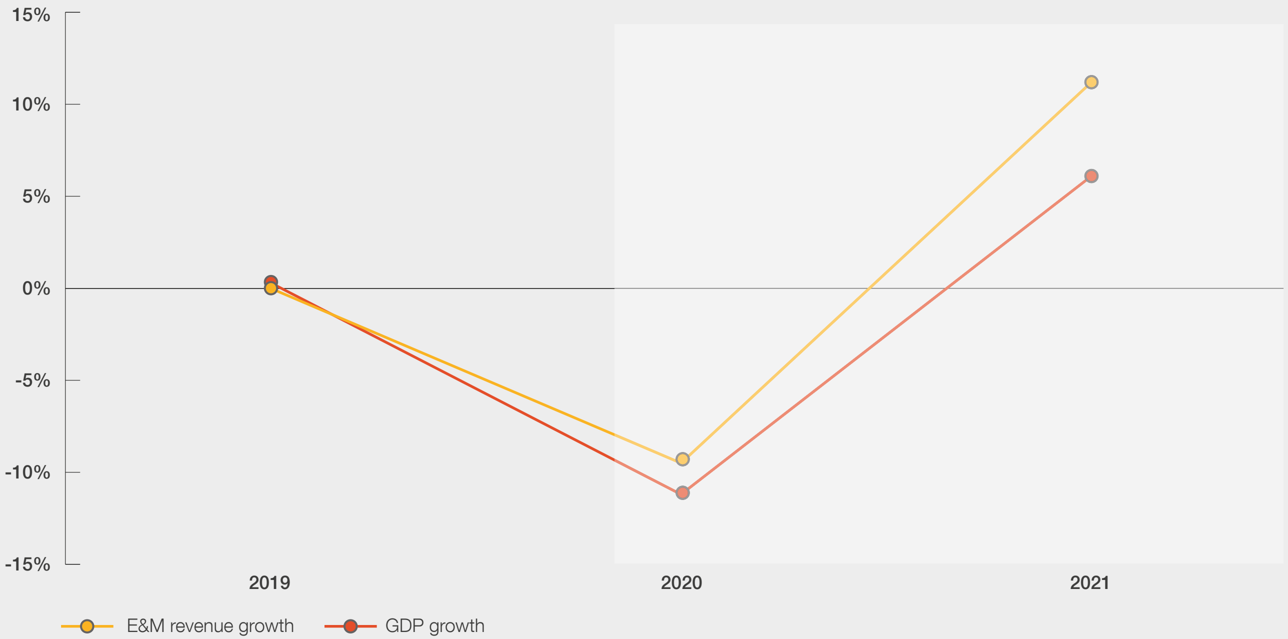
The Italian E&M market totalled €34.1bn in 2019, flat against the previous year. Over the next five years, despite a large hit to revenues in 2020 as a result of the COVID-19 pandemic, overall E&M revenues will increase at a +3.0% CAGR, with the market set to be worth €39.5bn in 2024. Although Italy's E&M market will be hit harder by COVID-19 than the wider Western Europe region in 2020, the country will experience a faster rebound in 2021. However, Western Europe will begin to outpace Italy in 2023, and will continue to grow at a faster rate for the rest of the forecast period.

Fig. 5: Italy's annual growth to be broadly in line with Western Europe's over the forecast period
Italy E&M revenue growth vs Western Europe, (%), 2016-2024



Source: PwC, Omdia

Fig. 6: Italy’s E&M sector will be hit harder, but recover more quickly than the wider economy
Italy, E&M spend vs GDP growth, 2019-2021 (%)



Source: PwC, Omdia

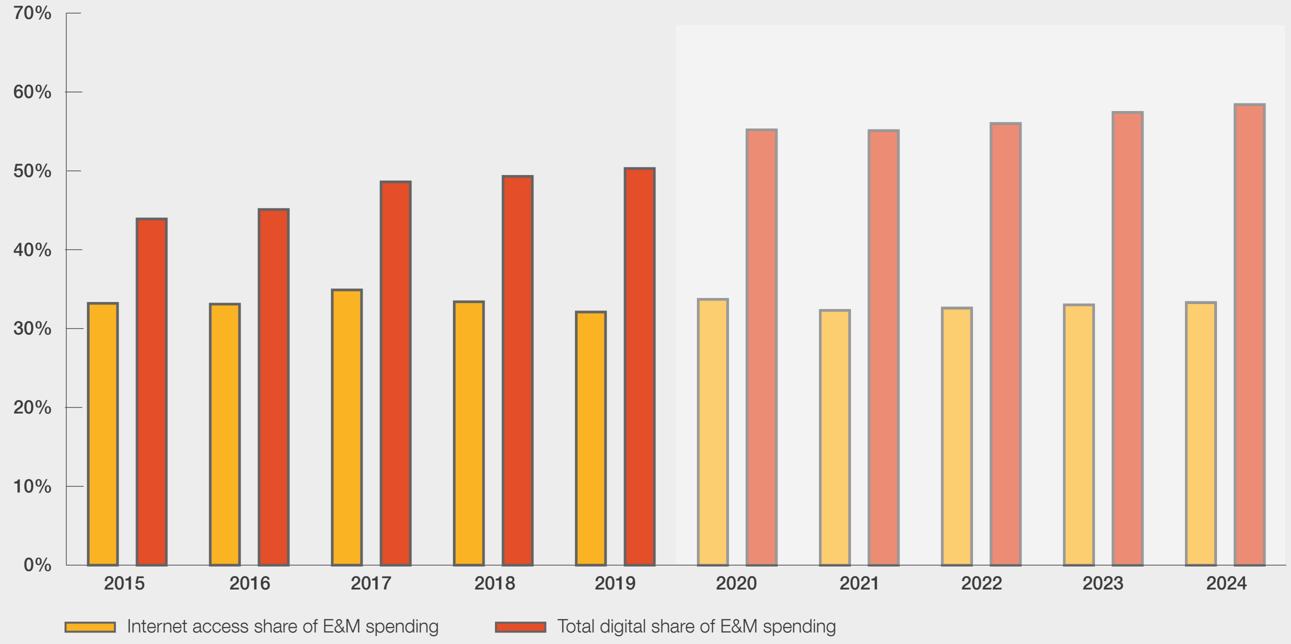
Italy’s E&M sector will be more affected by the COVID-19 pandemic than the wider Italian economy, although both will contract sharply in 2020. However, in 2021, the E&M sector will experience growth of +11.2%, while GDP growth will be +6.1%.

According to the latest news (Sept. 2020), the GDP trend in 2020 could be slightly higher than expected, ranging between -10% and -9% (Source: Ocse, Fitch, NADEF). This growing optimism is reflected in the E&M industry trend, that is expected to improve, specially for the most sensitive segments.

A key tipping point was met for the first time in 2019, when digital revenues accounted for over half of E&M spend for the first time.

The digital sector is driven by fast-growing audio segments like podcasts and music streaming, as well as rapid growth in emerging industries like VR and OTT. Meanwhile, non-digital revenue areas, often those focused largely on print such as magazines and newspapers, are seeing annual contractions. However, the long-term outlook of the non-digital sector is improving, with revenues declining only slightly at a -0.7% CAGR over the next five years, despite experiencing a large hit in 2020. Digital will continue to dominate however, accounting for nearly two-thirds of revenues in 2024, having increased its share by 6.1% over the forecast period.

Fig. 7: Digital now accounts for more than half of E&M spending
Internet access share, and total digital share, of E&M spending, 2015-2024 (%)



Source: PwC, Omdia

Consumer spending

Consumer revenues account for over three quarters of Italy's E&M market, but have declined over the last two years, with revenues falling to €25.7bn in 2019, down -0.5% on 2018. However, the sector will return to growth in 2021 and see annual increases from thereon.

Esports is by far the fastest-rising consumer sector, although this is from an extremely low base, with the market still in its infancy.

2020 began strongly with the announcement of the Serie A esports league, backed by the Italian football league and with players representing all 20 top-division clubs. However, as COVID-19 hit, live tournaments were cancelled, which will result in a fall in ticket sales of -67.2% in 2020. The market will rebound significantly in 2021 and esports events such as the F1 Esports Virtual Grand Prix series which took place as a result of the outbreak will act as a shop window for esports to F1 fans, opening up the sport to a new audience, driving further growth in the long term.

Fig. 8: Consumer revenues will increase at a 3.1% CAGR
End-user E&M spending, 2015-2024 (€mn)

	Total consumer market (€ millions)										
	Historical data					Forecast data					CAGR %
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019-24
Books	**1,936**	**1,948**	**2,033**	**2,014**	**2,069**	**1,832**	**2,038**	**2,109**	**2,114**	**2,112**	
y-o-y growth		*0.6%*	*4.4%*	*-0.9%*	*2.7%*	*-11.5%*	*11.3%*	*3.5%*	*0.2%*	*-0.1%*	*0.4%*
Business-to-business	**1,742**	**1,771**	**1,808**	**1,813**	**1,829**	**1,668**	**1,782**	**1,874**	**1,897**	**1,916**	
y-o-y growth		*1.7%*	*2.1%*	*0.3%*	*0.9%*	*-8.8%*	*6.9%*	*5.1%*	*1.2%*	*1.0%*	*0.9%*
Cinema	**664**	**695**	**619**	**579**	**668**	**289**	**525**	**666**	**692**	**709**	
y-o-y growth		*4.6%*	*-10.9%*	*-6.4%*	*15.3%*	*-56.7%*	*81.6%*	*26.9%*	*3.8%*	*2.5%*	*1.2%*
Internet	**10,450**	**10,820**	**11,940**	**11,410**	**10,940**	**10,388**	**11,086**	**12,134**	**12,695**	**13,161**	
y-o-y growth		*3.5%*	*10.4%*	*-4.4%*	*-4.1%*	*-5.0%*	*6.7%*	*9.4%*	*4.6%*	*3.7%*	*3.8%*
Magazines	**1,422**	**1,387**	**1,351**	**1,217**	**1,139**	**901**	**1,052**	**1,007**	**957**	**912**	
y-o-y growth		*-2.4%*	*-2.6%*	*-9.9%*	*-6.4%*	*-20.9%*	*16.8%*	*-4.2%*	*-5.0%*	*-4.7%*	*-4.3%*
Music	**715**	**721**	**750**	**771**	**808**	**436**	**585**	**736**	**832**	**894**	
y-o-y growth		*0.9%*	*4.0%*	*2.9%*	*4.8%*	*-46.0%*	*34.1%*	*25.9%*	*13.0%*	*7.4%*	*2.0%*
Newspapers	**1,184**	**1,120**	**1,015**	**945**	**903**	**852**	**845**	**820**	**804**	**793**	
y-o-y growth		*-5.4%*	*-9.4%*	*-6.9%*	*-4.4%*	*-5.6%*	*-0.9%*	*-2.9%*	*-1.9%*	*-1.5%*	*-2.6%*
Radio	**107**	**121**	**112**	**113**	**113**	**113**	**113**	**113**	**113**	**113**	
y-o-y growth		*12.8%*	*-7.0%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*
TV and video	**5,101**	**5,525**	**5,513**	**5,635**	**5,580**	**5,479**	**5,750**	**5,923**	**6,040**	**6,111**	
y-o-y growth		*8.3%*	*-0.2%*	*2.2%*	*-1.0%*	*-1.8%*	*4.9%*	*3.0%*	*2.0%*	*1.2%*	*1.8%*
Video games	**1,110**	**1,300**	**1,523**	**1,776**	**2,056**	**2,499**	**2,826**	**3,001**	**3,319**	**3,558**	
y-o-y growth		*17.1%*	*17.2%*	*16.6%*	*15.8%*	*21.6%*	*13.0%*	*6.2%*	*10.6%*	*7.2%*	*11.6%*
VR	**0**	**9.2**	**22.5**	**31**	**42**	**56**	**70**	**76**	**89**	**106**	
y-o-y growth		*-*	*144.5%*	*39.7%*	*34.3%*	*32.5%*	*24.9%*	*9.6%*	*16.7%*	*18.8%*	*20.3%*
Esports	**0.2**	**0.3**	**0.5**	**0.8**	**1.5**	**1.6**	**3.5**	**5.5**	**6.7**	**7.7**	
y-o-y growth		*45.2%*	*67.5%*	*75.6%*	*78.7%*	*5.1%*	*123.6%*	*55.2%*	*22.0%*	*15.2%*	*38.7%*
Total	**23,914**	**24,886**	**26,158**	**25,802**	**25,662**	**24,073**	**26,219**	**28,009**	**29,112**	**29,954**	
y-o-y growth		*4.1%*	*5.1%*	*-1.4%*	*-0.5%*	*-6.2%*	*8.9%*	*6.8%*	*3.9%*	*2.9%*	*3.1%*

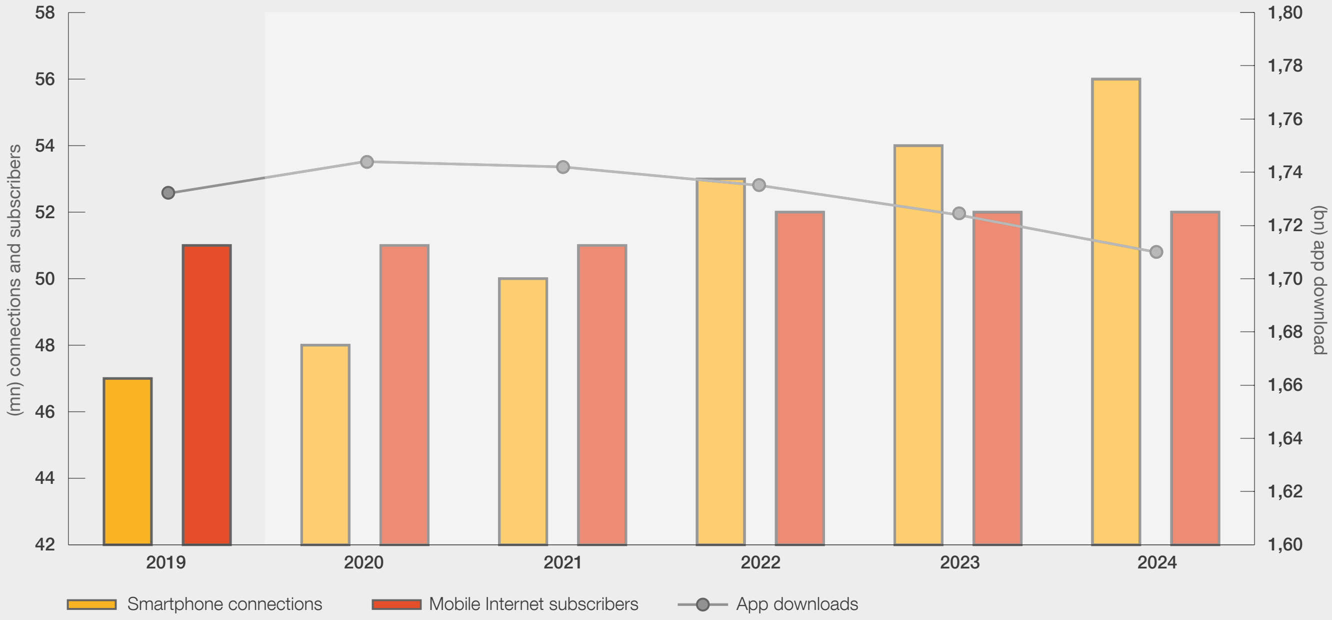
Source: PwC, Omdia

Includes Internet access. Total excludes double counting.

The video games market, while significantly more mature than the esports sector, is continuing to experience robust growth. App-based social/ casual gaming accounts for over half of consumer video games revenues and will continue to grow its share to 2024. There are some limits to the growth of the addressable market, as the number of mobile Internet subscribers in Italy is reaching saturation point and app downloads will remain around the 1.7bn mark, although not all of these downloads are games. However, thanks to the constant flow of new and engaging mobile games, alongside lasting titles such as Clash of Clans and Game of War, app-based social/ casual gaming revenue will nevertheless grow from €1.2bn in 2019 to €2.4bn in 2024, at an impressive CAGR of +16.3%.

The demand for video content continues to grow in Italy, particularly in-home video, as cinema revenues are set to plummet in 2020 as a result of COVID-19 related measures. Demand for data hungry services such as gaming and video streaming led the European authorities to request services like Netflix, Amazon and Disney+ to slow their streaming speeds by 25% during lockdown periods in Italy and across Europe.

Fig. 9: Mobile gaming booms despite slowdown in app downloads and new mobile Internet subscribers
Smartphone connections, mobile Internet subscribers (mn) and app downloads (bn), 2019-2024

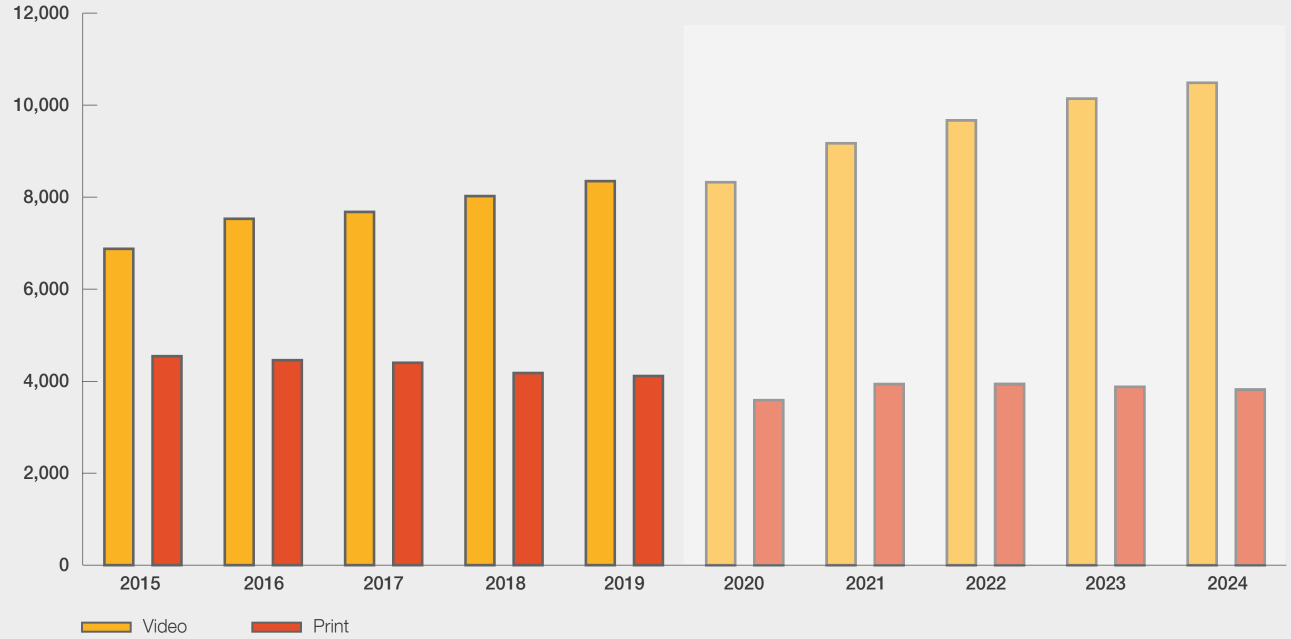


Source: PwC, Omdia

Demand for print products continues to fall across all categories except the books segment, which saw growth in 2019, driven by a strong consumer sector. According to the AIE and Nielson, fiction revenues were up 7.3%, non-fiction was up 9%, imported fiction was down -1% and children's fiction was up 3.4% in 2019.

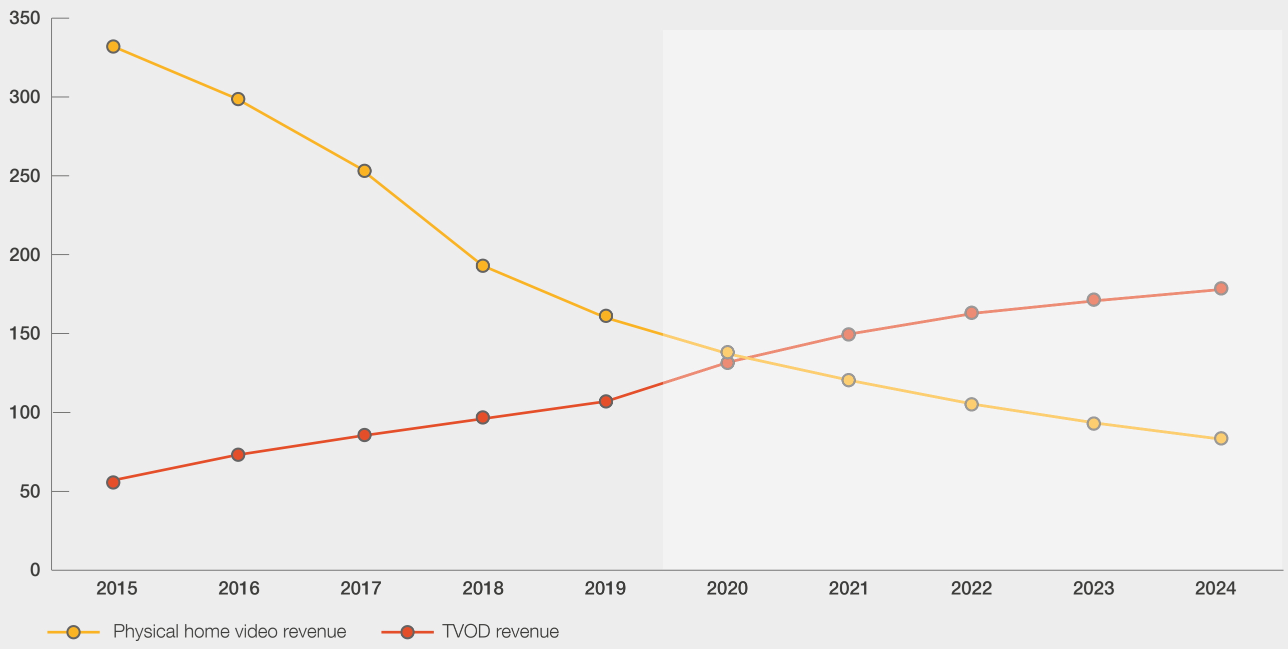
Magazines will experience the deepest declines in print revenues to 2024. In the consumer magazine sector, publishers tried to support consumers during the COVID-19 crisis with offers of free online subscriptions, webinars, children's entertainment magazine channels and other initiatives which could help boost digital circulation in the long term. But even before the pandemic, readership of both print and digital weekly and monthly consumer magazines was down. While magazines will experience a short-term rebound in 2021, revenues are set to return to their normal trend of contracting annually in 2022, while newspaper revenue will decline each year until 2024.

Fig. 10: Consumer video revenues to be nearly triple print's in 2024
Video vs print, 2015-2024 (€mn)



Source: PwC, Omdia

Fig. 11: TVOD to overtake physical in 2021
TVOD vs physical home video revenues, 2015-2024 (€mn)



Source: PwC, Omdia

The closure of cinemas in Italy and many other countries across the world, has left Hollywood studios with no choice but to either delay the theatrical release of films until later on in 2020, or to bypass cinemas completely and release their titles via VOD services. The TVOD sector will benefit from the latter, with high-profile releases such as The Invisible Man and Trolls World Tour boosting revenues in 2020.

By comparison, the physical home video market will see double-digit declines to 2024. On-demand services and streaming platforms such as Sky Store, Apple TV, Netflix and, most recently Disney+, continue to hasten the demise of the physical sector. By 2024, physical home video revenue will account for just 1.7% of traditional TV spend, and in 2021, the TVOD sector will overtake the physical sector.

Advertising spending

E&M advertising revenues in Italy totalled €8.5bn in 2019 after showing annual growth of +1.5%, while the consumer sector was flat. Over the next five years, the advertising sector will increase at a +2.4% CAGR, after a sharp contraction in 2020 as a result of the COVID-19 pandemic. Advertising is closely linked with the economy, which means that is more likely to be affected by wider economic downturns and low consumer confidence.

Besides rapid growth from a low base in emerging areas like esports and podcasting, Internet advertising is the fastest-rising advertising segment and became the largest in 2019, when it overtook the TV advertising sector.

TV advertising will be hit hard by the cancellation of live sporting events like the UEFA European Football Championship and the Olympic Games, as well as the temporary suspension of domestic tournaments like Serie A. Total TV advertising revenue is set to fall by -14.9% in 2020 to €2.6bn, with revenues down -€453mn on 2019. Even online TV advertising will record its first year on record of negative growth, an expected contraction of -3.3% to €181mn.

Fig. 12: Advertising revenues will near the €10.0bn mark in 2024
Advertising E&M spending, 2015-2024 (€mn)

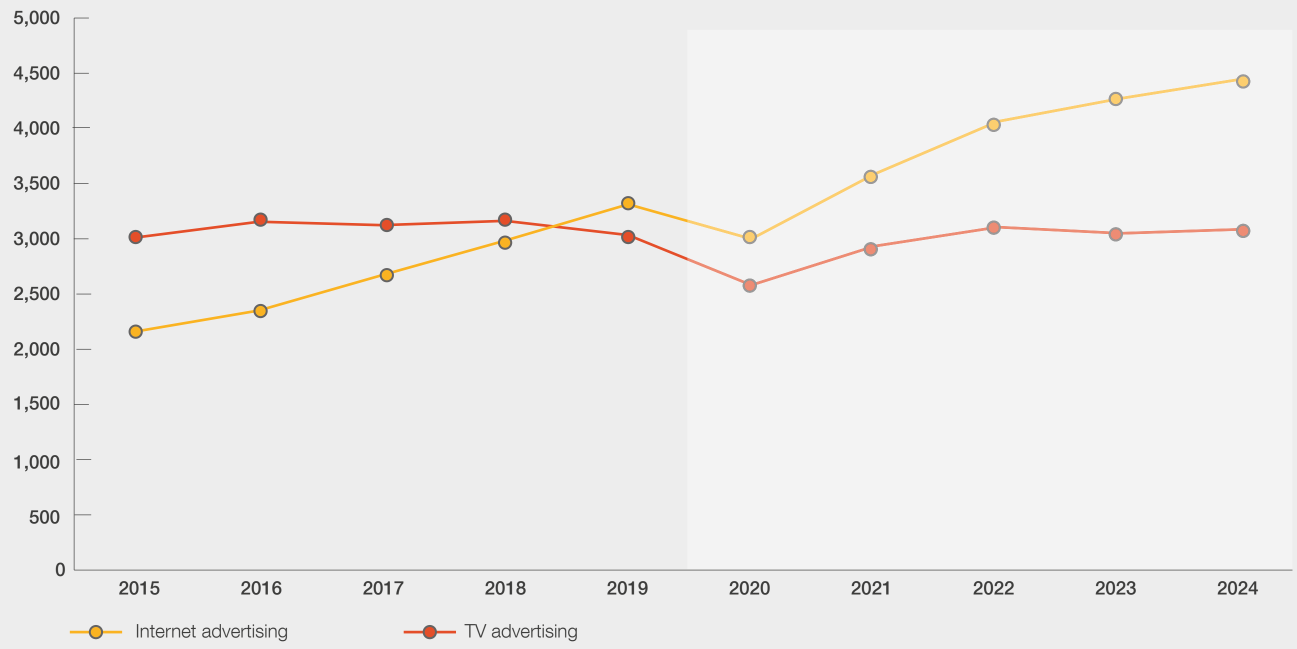
	Total advertising market (€ millions)										
	Historical data					Forecast data					CAGR %
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019-24
Business-to-business	1,040	1,021	1,013	1,008	1,006	498	711	1,033	1,053	1,074	
y-o-y growth		-1.8%	-0.8%	-0.5%	-0.2%	-50.5%	42.9%	45.3%	1.9%	2.0%	1.3%
Cinema	23	24	25	27	30	13	23	29	31	31	
y-o-y growth		6.0%	2.4%	6.4%	13.8%	-58.3%	82.4%	27.7%	4.4%	1.7%	0.6%
Internet	2,161	2,351	2,671	2,984	3,313	2,999	3,587	4,063	4,272	4,450	
y-o-y growth		8.8%	13.6%	11.7%	11.0%	-9.5%	19.6%	13.3%	5.2%	4.2%	6.1%
Magazines	552	564	558	507	484	402	451	497	492	487	
y-o-y growth		2.2%	-1.1%	-9.1%	-4.5%	-17.0%	12.2%	10.3%	-1.0%	-0.9%	0.1%
Music and podcasts	149	160	178	194	215	118	178	233	271	302	
y-o-y growth		7.2%	11.0%	9.3%	10.8%	-45.2%	50.7%	31.3%	16.4%	11.1%	7.0%
Newspapers	729	679	638	598	563	490	482	482	462	444	
y-o-y growth		-6.7%	-6.1%	-6.2%	-5.9%	-12.9%	-1.6%	0.0%	-4.2%	-3.9%	-4.6%
Out-of-home	181	176	175	185	187	135	180	191	200	202	
y-o-y growth		-2.6%	-0.5%	5.2%	1.5%	-28.1%	34.0%	6.0%	4.3%	1.4%	1.6%
Radio	373	382	403	425	433	336	409	471	480	488	
y-o-y growth		2.5%	5.6%	5.5%	1.7%	-22.3%	21.7%	15.0%	2.0%	1.7%	2.4%
TV and video	3,012	3,155	3,124	3,163	3,034	2,581	2,934	3,106	3,050	3,087	
y-o-y growth		4.7%	-1.0%	1.3%	-4.1%	-14.9%	13.7%	5.8%	-1.8%	1.2%	0.3%
Video games	37	39	41	43	46	47	49	51	53	55	
y-o-y growth		4.5%	4.6%	4.8%	8.3%	2.3%	3.1%	5.4%	3.1%	4.5%	3.7%
Esports	0.9	1.6	2.5	4.2	7.0	11.5	17	26	33	39	
y-o-y growth		65.2%	58.5%	68.8%	69.5%	63.8%	45.0%	55.3%	25.0%	18.5%	40.5%
Total	7,595	7,847	8,063	8,331	8,459	6,796	8,102	9,163	9,324	9,523	
y-o-y growth		3.3%	2.7%	3.3%	1.5%	-19.7%	19.2%	13.1%	1.8%	2.1%	2.4%

Source: PwC, Omdia

Total excludes double counting.

Internet advertising will be driven by growth in the mobile segment, which is expected to overtake wired revenues in 2022 and account for 53.9% of total digital advertising revenue in 2024. Some of this growth will be as a result of the launch of 5G networks in 2019, which will expand coverage and increase speeds over the next few years. Ultra-high definition video delivery will also be possible via 5G networks, providing new opportunities for data hungry video advertising, which is increasingly favoured by both advertisers and consumers.

Fig. 13: Internet began to lead the advertising market in 2019
Internet advertising vs TV advertising, 2015-2024 (€mn)



Source: PwC, Omdia

Italy's share of Western European spending

Italy's share of Western European E&M spend has remained between 8.8% and 9.3% since 2015. Italy will see its share of regional spend decrease in 2020 to a low of 8.6%, before it rebounds and settles at 9.1% towards the end of the forecast period.

In 2024, many sectors will hold a near-identical share to what they held in 2019. B2B, books, OOH and magazines will each account for nearly exactly the same share, while there will be small shifts in other sectors such as music and podcasts.

The largest movers will be gaming-heavy sectors such as esports, video games and VR. Esports will see the largest gains, increasing its share of regional spend from 5.3% in 2019 to 12.8% in 2024. Meanwhile VR will see its share fall by -2.3 p.p. over the forecast period. Only five VR markets are tracked in Western Europe including Italy, and Italy will lose share to other countries such as France and the UK, which are seeing more robust growth.

TV and video continues to be one of the largest contributors to regional spend, with revenues equating to a 10.8% share in 2024, up from 10.5% in 2019. Within the OTT sector, SVOD revenue is supported by strong growth in the number of OTT subscribers, which have surged since the arrival of Netflix and Amazon's Prime Video in 2016. Meanwhile, pay-TV advertising revenue will rise, contributing to overall growth, with broadcaster Sky committing in early 2020 to making 80 original TV series available across its European operations, including Italy – its biggest slate of programmes ever. This move is a bid to keep existing viewers engaged, while attracting new subscribers and advertisers.

Fig. 14: Italy will account for 9.1% of total spend in 2024
Italy's share of Western Europe spending, 2015-2024 (%)

	Historical data					Forecast data				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Books	9.4%	9.3%	9.7%	9.6%	9.7%	8.7%	9.5%	9.8%	9.8%	9.8%
Business-to-business	6.2%	6.1%	6.1%	6.0%	5.9%	5.4%	5.6%	6.0%	5.9%	5.8%
Cinema	9.4%	9.9%	8.8%	8.5%	9.3%	9.9%	11.2%	11.0%	10.8%	10.8%
Esports	2.4%	2.8%	3.2%	4.2%	5.3%	7.0%	8.6%	11.2%	12.3%	12.8%
Internet access	12.5%	12.2%	12.6%	11.5%	10.5%	9.8%	10.0%	10.3%	10.2%	10.0%
Internet advertising	7.0%	6.8%	6.8%	6.7%	6.7%	6.4%	7.2%	7.6%	7.6%	7.5%
Magazines	8.8%	8.9%	8.9%	8.4%	8.1%	7.9%	8.4%	8.3%	8.1%	7.9%
Music and podcasts	6.1%	6.0%	6.0%	6.2%	6.3%	5.4%	5.6%	5.6%	6.1%	6.4%
Newspapers	6.2%	6.1%	5.9%	5.7%	5.5%	5.9%	5.8%	5.9%	5.8%	5.8%
Out-of-home	3.4%	3.2%	3.1%	3.1%	3.1%	3.2%	3.4%	3.1%	3.0%	3.0%
Radio	4.9%	5.1%	5.2%	5.4%	5.5%	5.2%	5.5%	5.8%	5.9%	6.0%
TV and video	10.2%	10.7%	10.5%	10.6%	10.4%	10.2%	10.6%	10.8%	10.8%	10.8%
Video games	7.3%	7.5%	8.1%	8.5%	9.0%	10.1%	10.5%	10.5%	11.0%	11.2%
VR	-	11.3%	17.8%	17.6%	17.1%	16.9%	16.7%	15.7%	15.3%	14.8%
Total	**9.2%**	**9.2%**	**9.3%**	**9.0%**	**8.8%**	**8.6%**	**8.9%**	**9.1%**	**9.1%**	**9.1%**

Source: PwC, Omdia

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