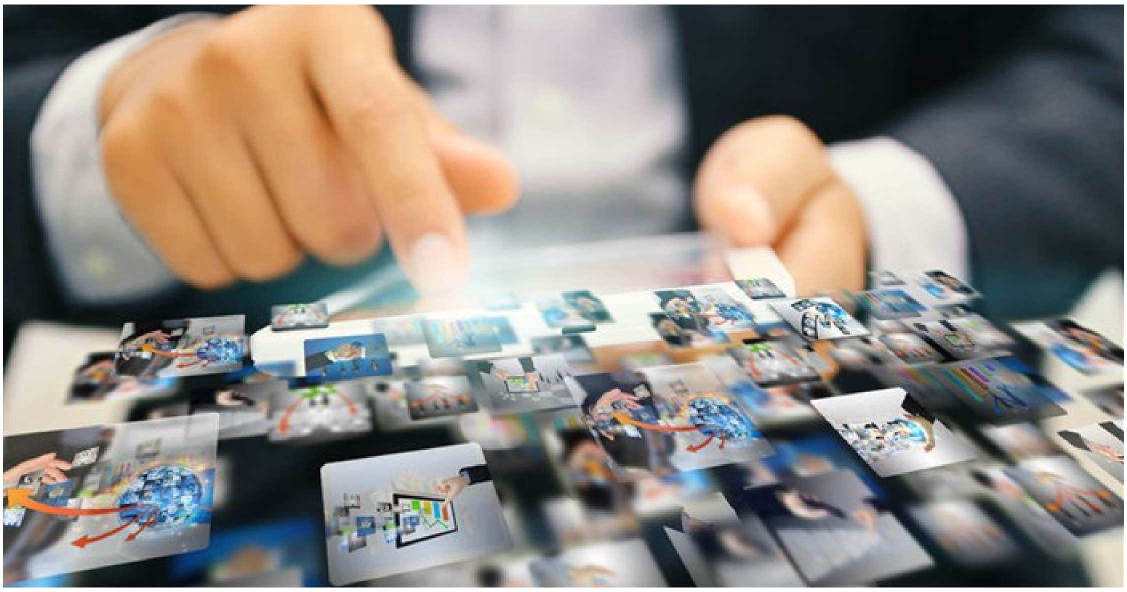
Five key shifts shaping Africa's entertainment and media industry

The internet, video games, television, and filmed entertainment segments of sub-Saharan Africa's entertainment and media industry are projected to continue to grow in the following years but the publishing industry is having to work very hard to make any headway, according to PwC's Entertainment and Media Outlook: 2016 - 2020 report (South Africa - Nigeria - Kenya).



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Key findings of the report include:

- Despite a relative slower growth projection for the industry, the Outlook forecasts that South Africa's entertainment and media industry is expected to grow from R125.7 billion in 2015 to R173.3 billion in 2020, at a compound annual growth rate (CAGR) of 6.6%.
- South Africa's internet access market will rise from R39.4 billion in 2015 to R68.5 billion in 2020, as broadband – both fixed and mobile – becomes an essential utility.
- The video game market is also performing well and revenue is forecast to grow at a CAGR of 5.6% to reach R3.7 billion in 2020, up from R2.8 billion in 2015.
- The newspaper market in South Africa is expected to be R1 billion smaller than in 2015.

"In spite of widespread disruption in the entertainment and media industry, as well as intense competition for consumer attention, there are growth opportunities aplenty for companies to capitalise from in the new media landscape," says Vicki Myburgh, Entertainment & Media Industry Leader for PwC Southern Africa.

Digital spend is expected to drive the overall growth. South Africa's internet access market will rise from R39.4 billion in 2015 to R68.5 billion in 2020, as broadband – both fixed and mobile – becomes an essential utility. "Although the forecast CAGR of 11.7% is lower than previously predicted, this still makes Internet access by far the largest contributor to total E&M spend," adds Myburgh.

The Outlook presents annual historical data for 2011 – 2015 and provides annual forecasts for 2016 – 2020 in 11 entertainment and media segments for South Africa, Nigeria, and Kenya: internet, television, filmed entertainment, video games, business-to-business publishing, recorded music, newspaper publishing, recorded music, magazine publishing, book publishing, out-of-home-advertising and radio.

Aside from the Internet, the Outlook predicts that growth will also be seen in the video game market, filmed entertainment and television segments. “As internet revenue continue to rise, the forecast for newspaper and magazine circulation is on the decline as consumers migrate from print copies to free online alternatives – and aren’t as yet moving to paid digital formats in great numbers,” says Myburgh.

South Africa has the largest TV market in Africa and continues to grow strongly, with pay-TV subscription revenues expected to expand by a 5.0% CAGR to reach R25.2 billion in 2020. The video game market is also performing well and revenue is forecast to grow at a CAGR of 5.6% to reach R3.7 billion in 2020, up from R2.8 billion in 2015.

Social/casual gaming revenue overtook traditional game revenue for the first time in 2015 and is expected to be the key growth area over the next five years, exceeding R2 billion by 2020.

Alongside video providers, the B2B market will be a strong source of revenue for South Africa’s entertainment and media industry over the next five years. The amount of data that businesses are using for decision-making is increasing, and the tools used to access the information are increasingly cloud-based with more and more users gaining access via mobile handsets. The market is forecast to grow at a 4% CAGR to reach just under R11.6 billion in 2020.

By contrast, the newspaper market in South Africa is expected to be R1 billion smaller than in 2015. In 2015 total newspaper revenue was worth R9.1 billion, but this figure will drop to R8.1 billion in 2020. Circulation figures are also forecast to start declining, as price rises are unable to compensate for the declining numbers of copies sold.

By the same note, South Africa’s consumer’s magazine market is also forecast to see a decline in later years. A growing number of South Africans are accessing magazine content and websites via their smart devices, but the boom in smartphone and tablet ownership will be the biggest driver for digital magazine revenue growth over the forecast period.

Although physical music continues on its downward trajectory, it is streaming revenue that will be responsible for keeping recorded music revenue from large falls. Digital music streaming revenue is forecast to rise from R74 million in 2015 to R437 million in 2020.

The report shows that South Africa’s total entertainment and media advertising revenue is expected to rise from R43.4 billion in 2015 to R53 billion in 2020, a CAGR of 4.1%, with only newspaper advertising revenue forecast to take a downward turn. TV advertising continues to dominate the market, but internet advertising is combining scale with a great pace of expansion, and will become the second-largest contributor to revenue by 2020.

Myburgh says: “Entertainment and media companies are facing an ever more challenging and complex environment. Companies need a more detailed understanding than ever before of the various forces at play at a local level. Armed with such insights, both established and emerging players are well-positioned to capitalise on the industry shifts and lead the next phase of growth.”

Nigeria

Nigeria has one of the fastest-growing markets in the entertainment and media industry. In 2015 it saw 15.7% growth to reach US$3.8 billion, and with all segments forecast to rise over the forecast period, an 11% CAGR is anticipated. Internet advertising will see the fastest growth over the forecast period, and will come predominantly in formats designed for mobiles, in keeping with the prevailing method of internet access in the country. TV advertising is also benefitting from strong economic growth and an emerging middle class with a higher disposable income.

Kenya

Kenya's total entertainment and media industry was worth US$2.2 billion in 2015 and is expected to be worth US$3.3 billion by 2020. Internet access again will be the main contributor, if not as dominant in Kenya as in Nigeria, accounting for 43% of the total market in 2020.

Five key shifts emerge

As these high-level trends play out, our research has pinpointed key shifts occurring in each of five dimensions of the entertainment and media landscape: demography, competition, consumption, geography, and business models. Simultaneous and interrelated, these five shifts influence and play off one another. They should serve as a serious call to action for both industry incumbents and new entrants to seek out growth opportunities in markets worldwide.

SHIFT 1 DEMOGRAPHY: Youth will be served

Our analysis of national entertainment and media markets globally reveals an almost perfect correlation between the relative size of the under-35 population and growth in entertainment and media spending—confirming that younger consumers are now the primary drivers of global growth. Our analysis of total entertainment and media revenue growth in the world's 10 youngest and 10 oldest markets in demographic terms reveals that, on average, entertainment and media spending in the 10 youngest markets is growing three times as rapidly as in the 10 oldest markets.

SHIFT 2 COMPETITION: Content is still king

In a world where Netflix can launch in 130 new countries in a single day, it's easy to assume that content is becoming more globally homogeneous. But the reality is that content is being redefined by forces of globalisation and localisation simultaneously - and that while much of the industry is growing more global, content tastes and cultures remain steadfastly local.

SHIFT 3 CONSUMPTION: The joy of bundles

The ability for consumers to design and curate their own media diet has been one of the most powerful trends to emerge in the industry. But the bundle is far from dead, with video and cable incumbents - which were initially slow off the mark - now fighting back by offering their content on an integrated omnichannel basis, on TV, laptop, tablet, and smartphone. As take-up of these new-style bundles grows, we believe the bulk of digital OTT mass-market services will gradually be reabsorbed into aggregated offerings that will echo the traditional analogue-style bundle, but that will be more flexibly priced and available on a full range of devices. When this happens, the competitive battle may move up a notch, as cable, technology, and telecom players fight over gaining access to distribution.

SHIFT 4 GEOGRAPHY: Growth markets

Generally, entertainment and media companies had one set of expectations about developed markets (slow growth, low regulation, easier to access) and another about developing markets (rapid growth, high regulation, harder to access). But the dynamics are shifting rapidly as disruption pushes markets to develop in different ways, meaning "opportunity" economies - even within the same region - can display significantly varied growth patterns.

SHIFT 5 BUSINESS MODELS: Transforming with trust

Today’s entertainment and media market includes technology companies racing to become hybrid content companies, and traditional publishers evolving the other way to emerge as hybrid technology companies. This underlines how the growth of technology and digitisation is acting as a centrifugal force - breaking up existing relationships; pushing large, generalist entities to give way to smaller specialists; and allowing smaller, nimble competitors to beat out incumbents. For incumbent advertising agencies, this opens up an opportunity to reorient themselves to become invaluable to markets, by bringing together programmatic capabilities, analytics, data aggregation, and native content to create the new ‘super’ agency.