



Perspectives from the *Global Entertainment
& Media Outlook 2021–2025*

Power shifts: Altering the dynamics of the E&M industry

About this report

Once again, we're delighted to welcome you to our special report on the annual *Global Entertainment & Media Outlook*. Now in its 22nd year, the *Outlook* is the premier source of information and insight into the evolution of this dynamic, diverse and fast-changing sector. Although the past year has witnessed some of the most dramatic shifts in the history of the global entertainment and media (E&M) ecosystem, our two-step approach has remained consistent. First, we collect and analyse a deep trove of proprietary industry data and forecasts. Then, we apply our collective expertise in order to generate new perspectives and insights.

The process begins with our comprehensive five-year forecasts of consumer and advertising spending for 14 segments across 53 territories. As in previous years, our global team of experts has extracted the key themes and developments embedded in this raw data and layered in their own observations and experiences, creating a unique body of intelligence that companies across the industry can use as the basis for action and strategy anywhere and everywhere in the world.

This year, not surprisingly, the twin forces induced by COVID-19—economic disruption and powerful shifts in consumer behaviour—challenge our underlying assumptions and frame our insights. In 2020, the pandemic triggered the sharpest contraction in overall E&M revenues in the history of this research. And it accelerated changes in consumer behaviour to pull forward digital disruption and industry tipping points by several years. In 2021, those tipping points morphed and coalesced into power shifts that are rapidly reshaping the industry.

These shifts occur virtually wherever you look in the E&M ecosystem. The common driving force is changes in customer behaviour—propelled by deep-seated megatrends, newly acquired habits and the disruption of the pandemic. Whether it's box-office revenues shifting to streaming platforms, creators of user-generated content tapping into vast new audiences, regulators taking on Big Tech or studios losing ground to star individual producers who ink massive deals with streaming platforms, the internal dynamics of the industry continue to shift.

And yet the volatility masks a certain stability. However asymmetric the pandemic's impacts on the segments, the forecast for revenues at an industry level remains robust. The pandemic-induced contraction of 2020 is giving way

to a strong rebound this year and a return to continued growth above global GDP over the coming five years. The central role that the ever-expanding array of media experiences plays in consumers' lives is set not just to endure but to strengthen over time.

For all of us on the PwC industry team, writing this report is one of the highlights of our year. The reason? It brings us a unique annual opportunity to share, compare and develop new insights and forge stronger connections across segments and territories. Each year, the feedback shows that the report helps you do the same. If you'd like to learn more about how our findings and thinking can help your business, contact your local PwC team (see page 24) or reach out to either of us. As ever, we look forward to hearing from you.



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Introduction: Power shifts 2021

For entertainment and media companies around the world, the past 18 months have been a period of remarkable uncertainty and challenge. The well-known forces that were changing our world—digitisation, globalisation, disruption, shifting consumer habits and demographics—were amplified by a powerful new one, the first global pandemic in a century.

Navigating a world of asymmetries

Amid the sobering reality that the world will continue to struggle to bring COVID-19 under control, what had been a widely shared global experience is now diverging between different territories and industries. A global recession, the first since 2009 and only the second since 1944, is being followed by a rapid but highly asymmetrical snapback, fuelled by scientific innovation and forceful government policies. The vast US\$2tn entertainment and media (E&M) industry contains some sectors that were among the most heavily affected by shutdowns and others that were among the chief beneficiaries of shifts in behaviour.

Accordingly, 2020 was a year of immense and dramatic power shifts in the vast, interconnected E&M industry, which garners a growing share of the world's attention and wallet with each passing year.

Altering the dynamics as a new equation emerges

The shifts are grounded in changes in consumer behaviour that appeared as a result of the pandemic, some of which will endure and accelerate. Overlaid on these shifts, continuing advances in technology and in the delivery and distribution of content are creating new tensions and altering the complex dynamics and relationships between consumers and providers, between creators and producers, between producers and distributors, between

advertisers and publishers, between governments and companies, between the giant global platforms and everybody else.

These power shifts are impelling changes in industry business models and in the relative strength of participants, altering the way that profits are created and providing the impetus for transactions small and large. As a new equation emerges for creating value, sustaining outcomes and building trust, a deep understanding of the data, trends, technologies and behaviours is needed to shed light on the path forward.

Common threads

There are some common threads amid these power shifts. First, it's vital to meet consumers where they are now and where they will be in the future. Increasingly, that means online, on mobile devices, at home, and at the time and place of their own choosing. Second, because we live in an age of near-constant discontinuities, we can't assume that existing trends will continue indefinitely into the future. The music industry, which many analysts believed had been left behind by the digital era, is enjoying a renaissance, spurred by strong growth in digital streaming and a strong rebound in live performances. Internet advertising, thought to be entering a period of slower growth, has been buoyed by the rapid global adoption of e-commerce. And although the largest platforms have enjoyed a spectacular run of growth off ever-larger bases, the forces of regulation appear to be awakening.

These disjunctions and shifts, which create risk and open up new vistas, are precisely what makes these industries so fascinating to follow. And they make it even more important to understand, at a granular level, just how these dynamics are playing out in different territories and sectors.

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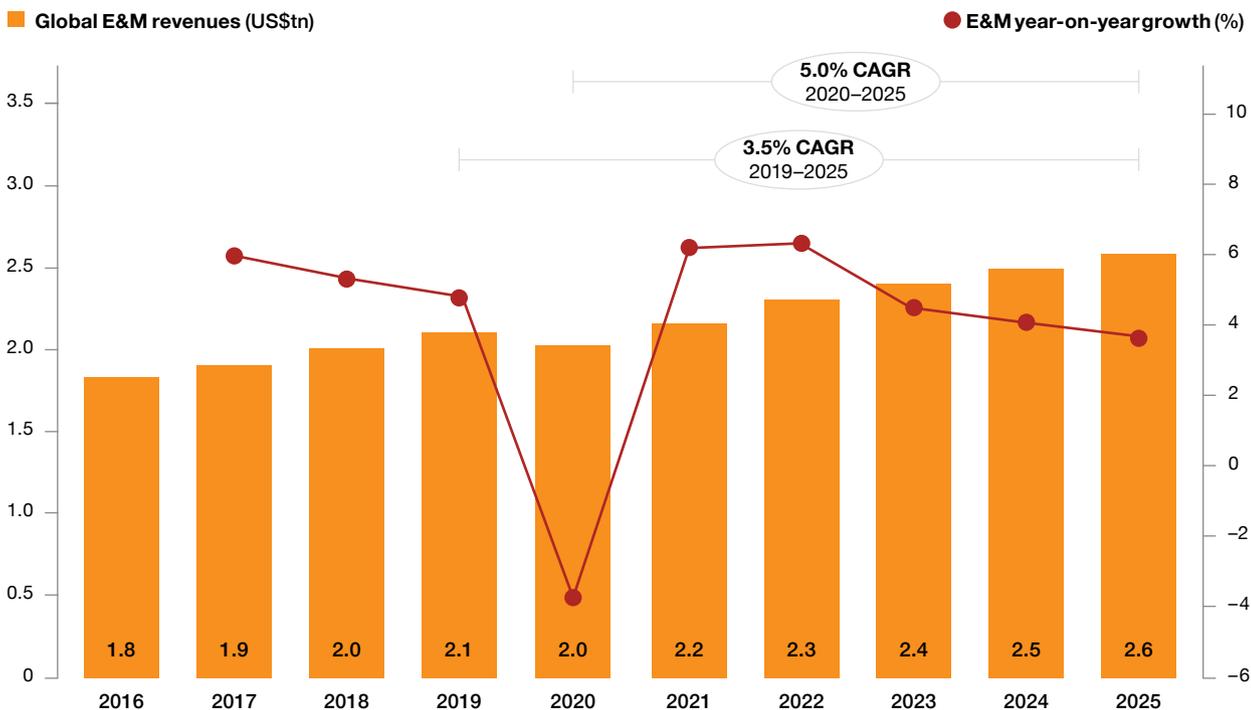
Macro shifts: Powered by disruption

The most obvious—and most global—of the drivers of change in E&M is the migration to digital consumption. As consumers stayed home and in-person venues shut down, the use of in-home digital services soared. Movie theatre box-office revenues fell 71% in 2020, even as Netflix attracted a record 37mn

net additional subscribers, pushing its subscriber rolls past 200mn. Historically, rising digitisation was a challenge, as analogue dollars were frequently replaced by digital dimes. But in 2020, consumers' embrace of all things digital helped offset sharp revenue losses across the broader global E&M sector.

A rapid return to growth

Industry revenues are projected to bounce back strongly.



Note: 2020 is the latest available data. 2021–2025 values are forecasts.
Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

The rebound gathers pace

The 3.8% decline in global E&M revenue, from US\$2.1tn in 2019 to US\$2.0tn in 2020, represents the most significant year-on-year drop in the history of the *Global Entertainment & Media Outlook*. And it has left some scars. According to PwC's 24th Annual Global CEO Survey, released in 2021, only 34% of E&M CEOs were very confident in their organisation's prospects for revenue growth over the next 12 months, slightly lower than the global average of 36%. However, they may have reason to be more confident than that. We expect industry revenues to rise 6.5% in 2021, as more territories emerge from lockdown, and a further 6.7% in 2022. From 2020 to 2025, we project a healthy five-year CAGR of 5.0%, taking revenues to US\$2.6tn in 2025 (see chart on page 3).

Typically, E&M industries perform better than the economy as a whole. The global economy shrank 5.1% in 2020. In March, the International Monetary Fund (IMF) projected global growth of 6% in 2021 and 4.4% in 2022.

Growth is the global E&M baseline

Over the coming five years, growth in E&M revenues will be the norm across all 53 territories we cover. No country's combined consumer and advertising revenue will rise at less than a 3.0% five-year CAGR to 2025, with Japan the lowest at 3.1% (see chart on page 5). By contrast, in the 2019 version of this analysis, 26 countries dipped below a 3.0% five-year CAGR, including almost all of Western Europe. India, where consumer and advertising revenue fell just 0.2% in 2020, has the highest growth forecast to 2025, at a 10.4% CAGR. Despite the challenges it faces with COVID-19, India—which should surpass China in 2022 to become the world's most populous country—has immense potential for expansion (for more, see the PwC report *Full potential revival and growth: Charting India's medium-term journey*). Other outliers include Saudi Arabia, whose market has been strengthened greatly by the lifting of a 35-year ban on cinemas in 2018, and Nigeria, where booming video games and TV subscription revenue will push the five-year CAGR to more than 10%.

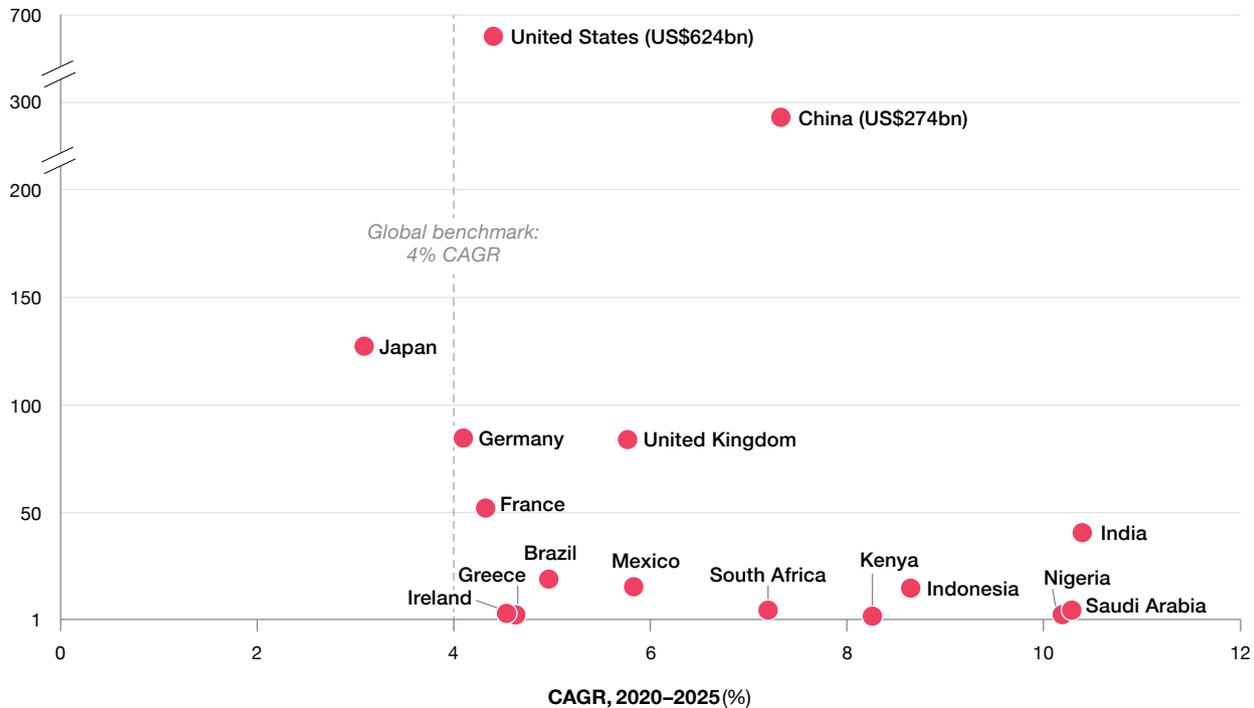
Multiple tensions emerge

Just as COVID-19 had an asymmetrical impact on the world, so, too, will the recovery be asymmetrical. The IMF estimates that income inequality increased more sharply in 2020 than in previous global crises, and in April 2021, it warned that the global recovery was uneven and fragile. Due in part to the varying speed of vaccine rollouts and the return to lockdown in some countries throughout the year, notably in India, there are wide differences in growth rates across territories.

Global expansion

Solid growth is the norm in almost every territory.

Projected 2025 global E&M revenues excluding access (US\$bn)



Source: PwC's *Global Entertainment & Media Outlook 2021-2025*, Omdia

As the world strains to return to a sense of normalcy, there are tensions between protecting populations and maintaining people's economic and psychological well-being—including the freedom to enjoy collective E&M experiences. The drive to return to enjoying live music and cinema is real. Over the Chinese New Year in February 2021, strong demand and limited supply caused cinema ticket prices to leap in some first-tier cities, helping push box-office revenue to a record for a single week of more than 6bn yuan (US\$929.63mn). *Godzilla vs. Kong*, which debuted in March 2021, has been a bona fide blockbuster, garnering US\$438mn in box-office revenues—\$99mn in the US and \$339mn internationally as of June. But audiences' urge to return to theatres will be tempered by residual fear of public gatherings. Meanwhile, some consumers will find themselves flush with cash after long periods of restrictions on their activities and working from home, though unemployment will persist in service industries that are struggling to recover, such as tourism and hospitality. Within territories, high- and middle/lower-income earners face starkly varying prospects.

Despite all these tensions, we can say with certainty that a significant proportion of the habits accrued over those restricted periods will endure. Many of the shifts that were already in play—the move towards digital products and online sales, the relentless rise of streaming, the growing influence of gaming and user-generated content—gained momentum and are poised to barrel forward. The resulting power shifts will transform the industry in the years to come.

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Sector shifts: Access booms, ads hold firm, consumer spending recovers

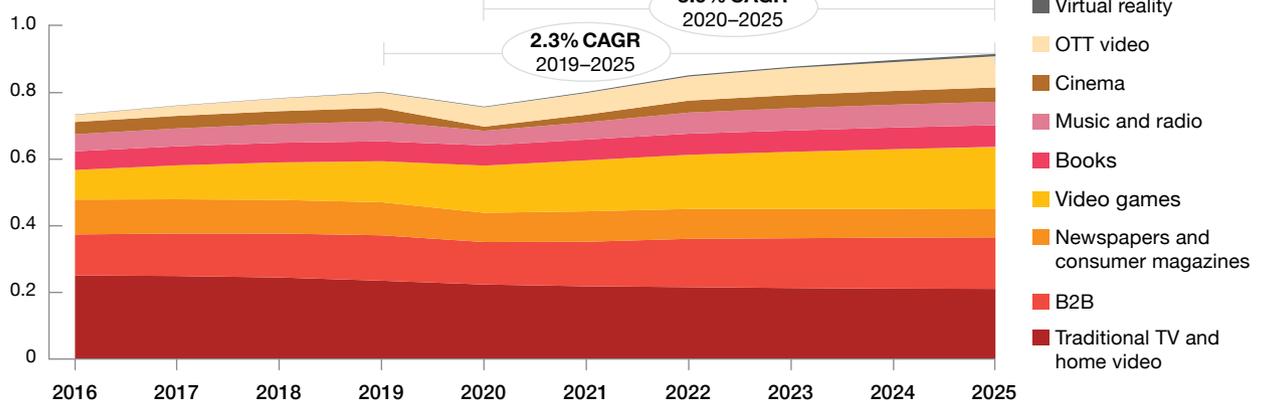
One of the signal impacts of the pandemic was that more people spent more time at home and more time online. The rapid move to digital content services during the pandemic was part of a wider migration (see chart below). People streamed shows and read e-books instead of going to movie theatres and bookstores, pedaled along with Peloton instructors instead of going to SoulCycle studios, and formed digital communities on the audio app Clubhouse instead of attending debates. This shift fuelled e-commerce, which in turn

attracted more advertising—even if consumer activity overall was muted. Cross-currents were evident in the three main sectors into which E&M spending is divided: access, consumer spending and advertising. As internet access and data became a lifeline and a form of utility, access was the only one of the three main sectors that rose in 2020, up US\$14bn, or 2.1%, and accounting for 34.1% of all spending. Consumer spending shrank 5.5%, making up 37.1% of total spending, and advertising was stable, at 28.7%.

Consuming passions

Steady growth in spending is fuelled by digital formats.

Global consumer revenues by segment (US\$tn)

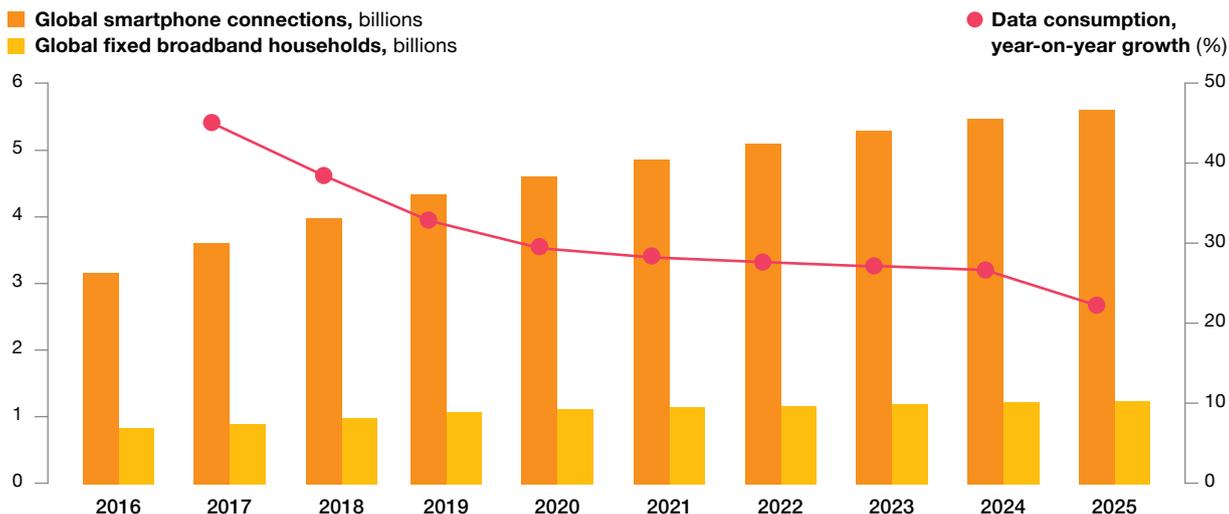


Note: 2020 is the latest available data. 2021–2025 values are forecasts.

Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

A connected world

The steady growth of wired and wireless infrastructure is spurring powerful demand for data.



Note: 2020 is the latest available data. 2021–2025 values are forecasts.

Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

Connectivity comes to the fore

The shift towards online consumption spurred significant growth in businesses and products surrounding connectivity (see chart above). In total, 1.1bn households worldwide had fixed broadband in 2020, up 3.4% from 2019, with penetration reaching two-thirds for the first time. More than three-quarters of those connections are classified as high-speed—that is, 30Mbps and above. In 2020, there were 4.6bn smartphone connections, up 6.5% from 2019—that's one for every 1.3 people on the planet—and the figure is projected to rise at a 4.0% CAGR through 2025.

The combination of more devices, higher speeds and more activity fuelled remarkable growth in total data consumption, which rose 30% during the year and is projected to continue rising at a 26.9% CAGR through 2025. Revenue associated with all this data is projected to increase at a lower rate—underlining the fact that consumers are getting a lot more without having to pay a lot more. Indeed, the concept of a widespread premium going to consumers is a fundamental characteristic of our age.

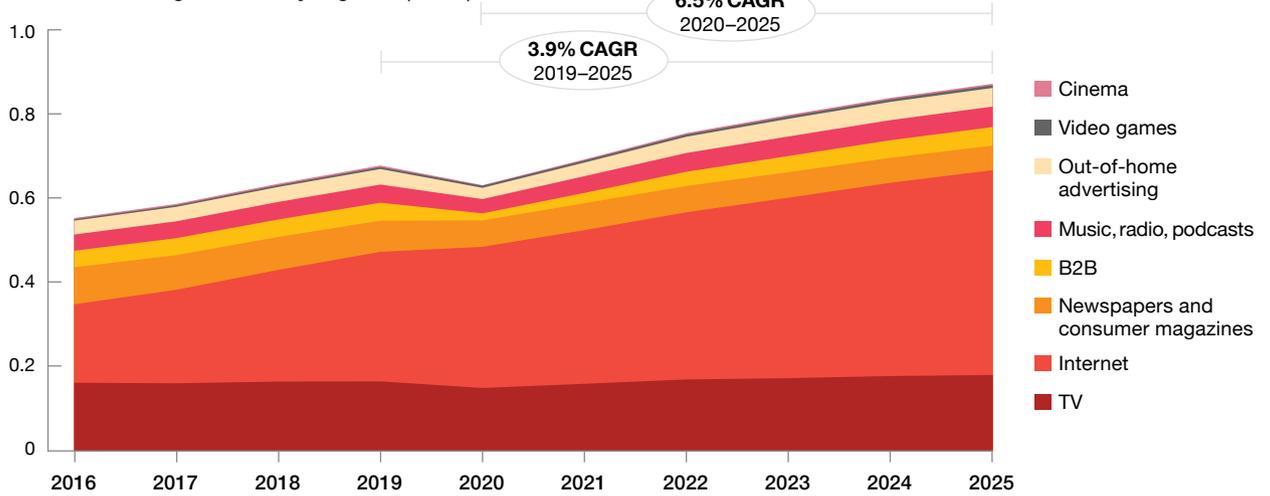
Shoppers move online

One of the activities that people are carrying out on all these connected devices is shopping—acquiring goods and an expanding range of services, including entertainment and media. This holds true both in established markets and developing ones. In Brazil, as tens of millions of people began purchasing via the internet for the first time, e-commerce revenues grew 41% in 2020. And the March 2021 edition of PwC's *Global Consumer Insights Pulse Survey* found that 29% of the 8,700 consumers surveyed in 22 territories expected to spend more on home entertainment—movies, video games, music and books—over the coming six months, against just 20% who thought they would be spending less.

Internet ads follow attention and commerce

Marketers are rushing to meet consumers where they spend more of their time.

Global advertising revenues by segment (US\$tn)



Note: 2020 is the latest available data. 2021–2025 values are forecasts.

Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

Spending on E&M was subdued

However, with the economy contracting and shifts in competition and technology often exerting downward pressure on pricing for content and services, the growth in revenues from consumer spending was muted. In 2020, consumer spending on E&M fell 5.5%. By 2025, the total is projected to rise to US\$914.9bn, representing a 3.9% CAGR from 2021, as the stagnation of legacy sectors such as newspapers and magazines is more than offset by rapid revenue growth from booming areas that cater particularly to younger consumers, such as video games and esports (CAGR of 5.7% to 2025) and OTT video (CAGR of 10.0% to 2025). That said, traditional TV and home video will continue to account for the largest share of total consumer revenue—even as that segment declines at 1.2% compounded annually through 2025.

As more goods and services are sold online, advertising aimed at encouraging and influencing decisions migrates to these platforms. Internet advertising spending rose by US\$28bn in 2020 to reach US\$336bn, a 9% increase. Although slower than the 16% recorded in 2019, this still represents impressive growth off a continually rising base. With internet advertising set for a CAGR of 7.7% from 2020 to 2025, even as traditional components such as television stagnate or decline, overall advertising revenues are expected to rise from US\$582.5bn in 2020 to US\$797.8bn in 2025 (see chart above). Between 2020 and 2025, advertising's share of overall E&M spending will increase by more than two percentage points. But in advertising, as in content, the rising tide of revenues will be distributed to different players and participants than in the past.

4

Generational shifts: Creators and youth will be served

2020 was a humbling year for some members of the E&M establishment. Quibi, the venture-backed short-form content start-up helmed by Hollywood veterans, found that its highly produced shows made with established stars flopped. A mere 10.4mn viewers tuned in to the Academy Awards; that's a fraction of the 80mn followers that 20-year-old influencer Addison Rae has on TikTok. The reality is that younger consumers simply have

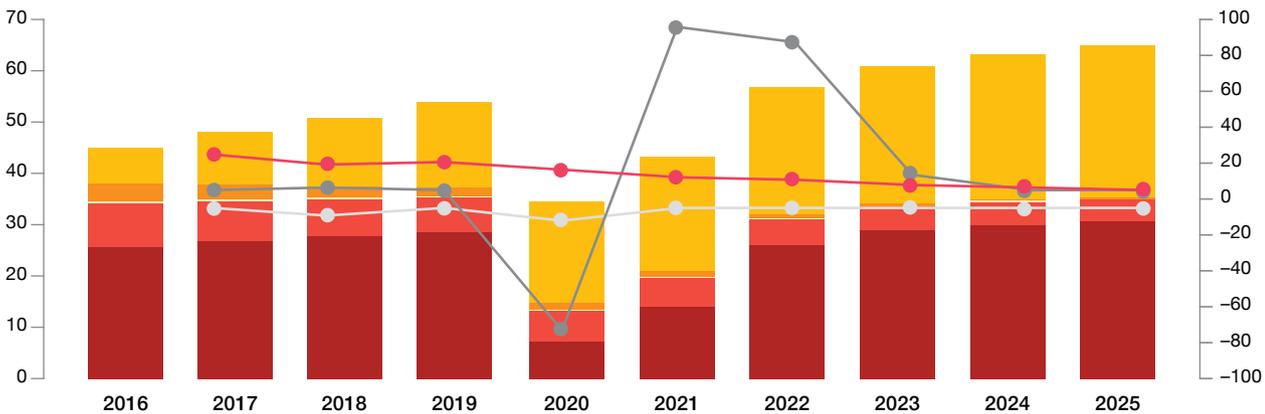
little awareness of—or interest in—traditional media. On the flip side, the platforms that are targeted towards young people or that facilitate lightly produced authentic content boomed. This dichotomy was fuelled by twin ongoing power shifts: from older to younger consumers, who set the trends and increasingly dominate the conversation, and from producers to creators, who increasingly benefit from reward mechanisms for attracting eyeballs.

The sounds of commerce

Live performances and digital streaming are powering a musical renaissance.

Global music revenues (US\$bn)

■ Live music ■ Music ringtones ■ Digital streaming
■ Physical recorded music ■ Digital download



Note: 2020 is the latest available data. 2021–2025 values are forecasts.
Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

Creators are flocking to TikTok and Roblox

Nothing exemplifies this shift like the rise of ByteDance's global short-form and self-generated video platform TikTok and its Chinese incarnation, Douyin. As of late 2020, TikTok and Douyin had built up—in just four years—a combined global base of more than 1.29bn monthly active users in 141 countries. That's nearly one of every six people on Earth. In July 2020, at a TikTok Live event at Billboard Live Tokyo and Billboard Live Yokohama, more than 285,000 viewers **logged in to the live stream** to watch performances by Japanese pop artists including Novelbright and milet. Not surprisingly, commerce and ads are following all this attention. TikTok has a **creator marketplace** that helps brands in 40 countries find partners, and its **Creator Fund** enables people whose self-generated content makes waves on the platform to earn money from their posts.

Young creators are also at the core of the business model of Roblox, a gaming platform that enables users to build their own games and play games developed by others. Roblox, which is most popular among children, went public in a **blockbuster IPO** in March 2021 and boasts a market capitalisation of about US\$55bn. In April, the company reported that 43mn active users spent a collective 3.2bn hours on the platform during the month—about 2.5 hours a day.

Taking back control

Across the board, creators are striving to claw back control, agency and, increasingly, revenues from employers, publishers and distributors. Substack, the newsletter platform company whose slogan is “Take back your mind,” has emerged as the portal of choice for hundreds of independent writers—many of whom have left struggling newspapers and digital media operations and are now eager to sell subscription newsletters to their fans and audiences. Unionisation is another sign of creators asserting themselves. This trend, which has been underway in digital media for some years, gained added impetus from the pandemic. In Hollywood, a standoff between the Writers Guild of America and the Association of Talent Agents resulted in a new code of conduct for agents, aimed at ending the “packaging” or bundling of talent by agents for TV or film production.

Musicians are seeking a bigger payback

Against the odds, and despite widespread predictions of doom, music has been one of the standout E&M performers in recent years, as streaming has finally gained critical mass (see chart on page 9). Revenues from live music slumped by 74.4% in 2020 and are expected to return to 2019 levels only in 2023. But between 2020

and 2025, the music sector as a whole is expected to grow at a 12.8% CAGR, fuelled by rapid growth in both live performances and digital streaming, which will be a US\$29.3bn business in 2025.

The rapid growth in streaming has powered corresponding increases in the value of large catalogues of music and their associated rights. That's good news for formerly embattled creators who aim to monetise their portfolios of work. Taylor Swift, after a long-running dispute with the company that owned rights to her master recordings, began re-recording and reissuing her previously recorded hit songs to regain ownership. Other major transactions included Paul Simon selling his catalogue to Sony for US\$250mn, Stevie Nicks selling a majority stake for US\$80mn to independent operator Primary Wave, and Bob Dylan selling his 600+ song catalogue to Universal for a reported US\$300mn.

Non-fungible tokens

Non-fungible tokens (NFTs) represent a notable innovation in the ability of creators to go directly to customers. NFTs are irreplicable blockchain-based tokens that effectively assign ownership, in some form, for a specific digital item. A robust market for NFTs has sprung up among collectors and speculators. Key milestones in the market's development included the sale of a digital collage artwork by the artist Beeple for US\$69mn and the sale of the first-ever tweet (by Twitter founder Jack Dorsey) for US\$3mn. The NBA's Top Shot Licensed Digital Collectibles NFTs launched in June 2020 and had traded over US\$550mn for video “Moments” by May 2021. And although musicians may have missed out on live performances and the merchandise sales that go with them, Grimes sold thousands of NFTs at US\$7,500 each for two short videos—the digital equivalent of signed, limited-edition prints. The Kings of Leon launched an album in March 2021 as an NFT that included a limited edition vinyl disc, along with MP3 files and a GIF of the artwork.

5

Business model shifts: The streaming wars

Changes in consumer behaviour have driven powerful shifts in E&M business models. Foremost among these shifts is the way the streaming boom of 2020 has set the industry on a new growth trajectory. Streaming video-on-demand (SVOD) revenues will grow at a 10.6% CAGR through 2025, by which point SVOD will be a US\$81.3bn industry (see chart on page 12). But there is likely a limit to the number of streaming subscriptions a household is willing to buy—and people can cancel their OTT services with relative ease.

Also, the expanding array of global streaming services now available in territories worldwide is supplemented in most cases by a slew of local providers. In Brazil, local provider Globoplay expanded rapidly in 2020 and now has more than 20mn subscribers, at a highly affordable cost of about US\$7 per month. India's subscription OTT providers span a vast range of price points, from US\$4 a year to US\$120 a year. Many regional, local language-based players are gaining market share, including the South Indian platform Aha, which offers Telugu-language content for as little as a US\$6 annual subscription and has grown rapidly since its launch in March 2020.

Experience and retention

The intensity of the competition among the big players—Amazon, Discovery, Disney, Netflix—is at an all-time high. The stacking of multiple OTT services has triggered much debate in the industry over the maximum number of subscriptions that a consumer may be willing to take on. It's an issue that has important implications for strategy (see “Streaming energy,” *strategy+business*, 12 May 2021).

In fact, we may be moving into a new phase of streaming growth—one that is more measured, more focused on improving the experience of customers, and more intent on retaining and creating value from the immense subscriber bases that have materialised. At the heart of it lies an arms race for content. A common strategy for achieving both goals—a better experience and higher retention—is commissioning large amounts of material that is recorded and viewed at customers' convenience. This content is increasingly being produced locally and in local languages by both global and domestic players. Amazon and Netflix are estimated to have spent US\$6bn and US\$15bn, respectively, on new content in 2019.

The imperative to build up large libraries of content has spurred the revival of megadeals, including the blockbuster AT&T/Discovery transaction for HBO and Warner Bros., and Amazon's proposed purchase of MGM (see the section on deals on page 17). Creators and producers, in turn, have gained options through their ability to tap into the rising distribution power and large content budgets of the streaming platforms, both global and local. Partly as a result, in several markets around the world, mid-tier films are now more likely to skip the theatre release window and go straight to OTT distribution platforms.

Logging on to growth

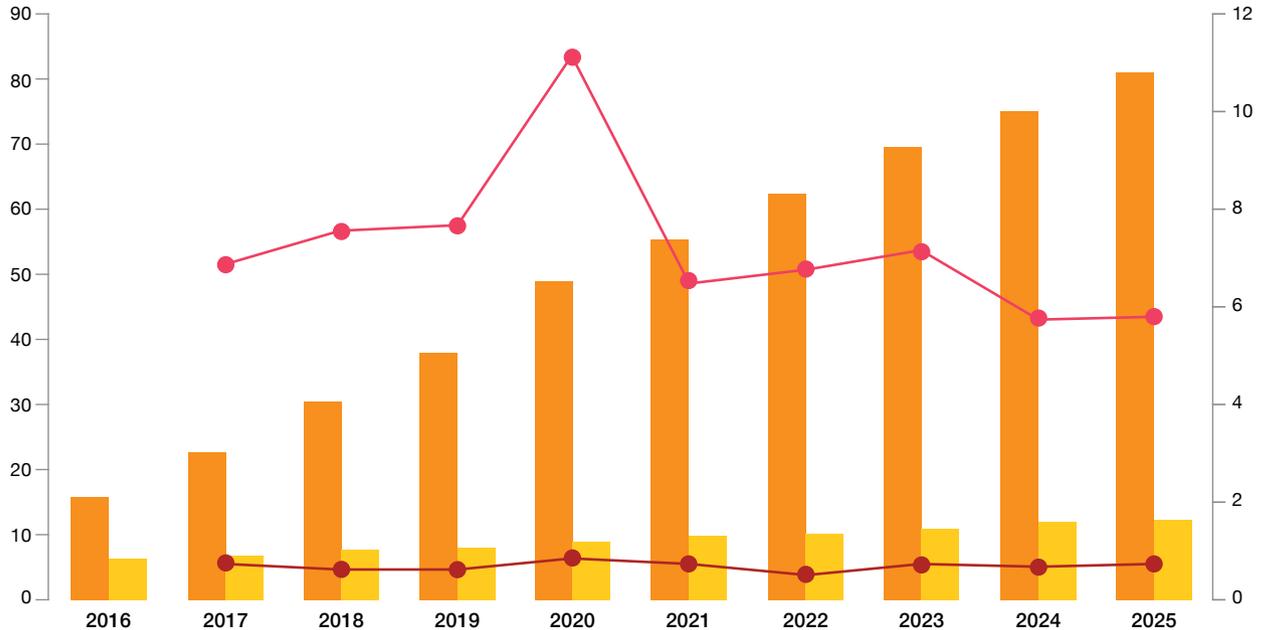
Consumers will continue to devote more spending to streaming subscriptions.

Global OTT revenues (US\$bn)

- Subscription video on demand (SVOD)
- Transactional video on demand (TVOD)

Absolute annual revenue growth (US\$bn)

- SVOD
- TVOD



Note: 2020 is the latest available data. 2021–2025 values are forecasts.

Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

In many markets, a further knock-on effect from pandemic-related theatre closures and lockdowns has been a revenue shift from the box office towards streaming platforms. During the pandemic, about 1,000 of India's 8,000 movie screens closed (some were even reported to have been converted into Amazon warehouses), creating opportunities for and boosting the value of local content. In April 2021, **Netflix bought** Indian actor Kartik Aaryan's new movie, *Dhamaka*, for 1.35bn rupees (about US\$18mn), and will release it exclusively on the platform in the summer of 2021. This was the highest price paid to date for an Indian feature film by an OTT platform.

The pandemic has also impacted the choice of production locations. Because of Australia's ability to maintain bubbles safe from COVID-19, major producers and film stars flocked to the country **to make movies**, attracting global attention. Locally produced films did well; the mystery thriller *The Dry*, starring Eric Bana, became the 13th highest-grossing Australian-made movie.

Live events attract the streaming giants

A proven way to get scale in content is by securing rights to live sporting events, one of the few categories of content able to command attention at the time chosen by those doing the scheduling. Events such as the Super Bowl (96.4mn viewers in 2021—albeit the lowest viewership since 2007) and the FIFA World Cup (3.6bn viewers, more than half of the global population aged four and over, tuned in during the last tournament in 2018) retain their power to draw massive real-time audiences. Streaming players are jumping in with both feet. In Europe, Amazon bought rights to air Champions League matches in Germany, and Viaplay, the Nordic and Baltic streaming service, has acquired rights to Formula One auto racing. In April 2021, streaming platform fuboTV **bought exclusive** live streaming rights to the Qatar World Cup 2022 qualifying matches of the South American Football Confederation.

Meanwhile, DAZN's distinctive strategy, which the company expanded to 200 countries in December 2020, involves offering streamed sports video on demand for a subscription cost well below most pay-per-view services. After initially focusing on boxing, including signing up Saul "Canelo" Alvarez on a US\$365mn contract, DAZN has expanded into other sports, such as Italy's Serie A football and Ultimate Fighting Championship. The South Africa-based media company Multichoice, in addition to securing rights to English football and US basketball, has ventured into the sports betting space, viewing it as complementary to its pay-TV business.

Expansion strategies

For the major streaming players, global expansion remains a top priority. Almost two-thirds of Netflix subscribers are outside the US and China. In India, Disney+ is generating a major boost to its subscriber base through its ownership of Hotstar. Meanwhile, TikTok's spectacular success in expanding globally from China is a route that other Chinese digital media giants may look to follow as they mature, especially given rising antitrust enforcement that may limit their capacity to grow at home.

As companies focus on boosting the amount of revenue they can get from each subscriber, they are finding that merchandising, licensing and a focus on adjacent experiences can be powerful levers. Around the world, sports gaming and gambling are rising in prominence, and E&M companies are getting in on the action. A tie-up between Penn National Gaming and Barstool Sports is supporting Penn National's evolution from regional gaming operator to provider of online gaming, sports betting and content.

From universes to the metaverse

When entertainment companies create 'universes' of content, they leave room for growth and sustained engagement. Disney has long excelled at strategically building out universes. *Avengers: Endgame*, launched in 2019, became the highest-grossing box-office hit ever, with US\$2.8bn in revenues. The successful launch of Disney+ was made possible in part by new installations of the Star Wars (*The Mandalorian*) and Marvel (*WandaVision*) universes. *WandaVision* literally broke the internet when the release of its seventh episode on 19 February 2021 caused Disney+ to crash owing to viewing volume. Other streaming companies are following suit by expanding their own universes. At HBO, where *Game of Thrones* ended its remarkable run in the spring of 2020, a prequel—*House of the Dragon*—is under development.

If universes are providing proprietary advantages now, the longer-term future may lie in the metaverse—a more open, multi-brand environment built around consumers. The metaverse enables intellectual property owned by many different E&M companies to coexist on a single online platform: DC Comics' Batman can interact with Disney's Captain America while Travis Scott performs. *Fortnite* developer Epic Games is among the front-runners in the metaverse concept. In May 2020, *Minecraft* staged a festival on its platform that attracted an in-game audience of 5,000 and was broadcast on YouTube and games-streaming service Twitch, where it picked up 134,000 views. There are major opportunities to sell music and merchandise through games platforms: it's all about meeting consumers where they are, rather than having them come and find you.

6

Location shifts: Meeting consumers where they are

One of the clearest trends is that players are realising they may be better served by figuring out how to meet consumers at their convenience. People prefer the ease and convenience of self-directed podcast listening to adhering to radio stations' schedules. As a result, audio content providers are diversifying their offerings to become more of a destination where consumers will linger and browse. For example, although podcast platforms in many territories tend to specialise in particular topics—comedy, politics and so on—the leading providers in the mature Chinese market, such as Ximalaya and Nasdaq-listed Lizhi, aggregate many different subjects and types of podcasts into a single offering. Clubhouse and Spotify use live and recorded podcasts to re-create a personalised radio-type experience.

Gaming: Gateway to the young

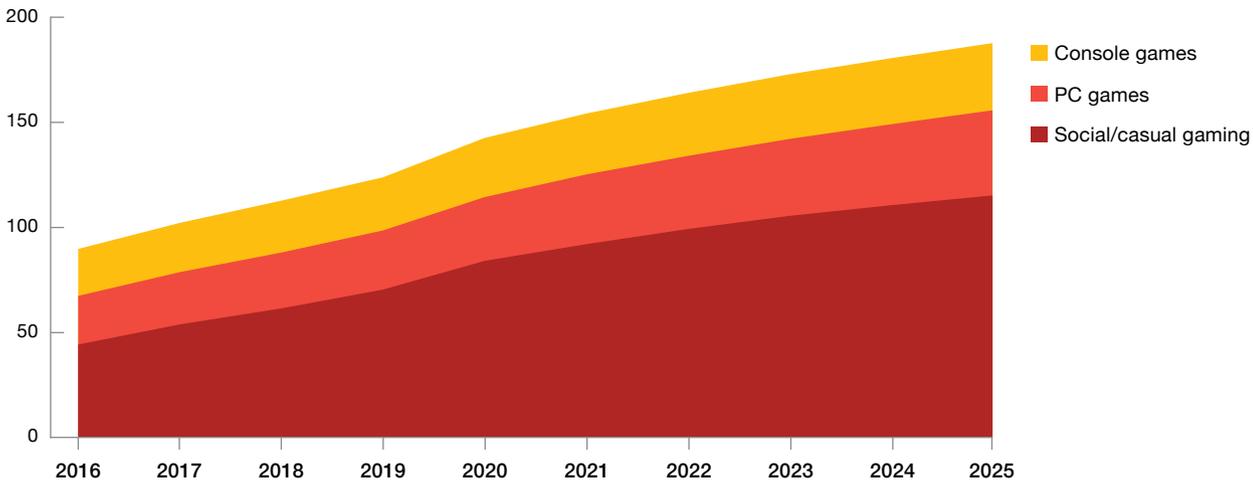
If companies want to find younger consumers where they are already spending their time, that means focusing on gaming. Gaming was one of the bright spots for E&M during the pandemic. Total games revenues, which rose by almost 10% in 2020, are expected to grow at a 4.4% CAGR through 2025 (see chart on page 15). Traditional gaming got a fillip from the launch of next-generation consoles from Microsoft and Sony in late 2020. More broadly, gaming is a global language and a global market, with strong communities of creators and players all over the world. China's games producers have been expanding overseas in search of new markets, including setting up new headquarters in other Asia Pacific centres. The March 2021 IPO of Indian gaming and sports start-up Nazara Technologies was **heavily oversubscribed**.

Most of the growth will be in digital. Facebook Gaming and Amazon's Twitch have recently been active in acquiring premium games-related video content, including media rights to esports competitions and exclusivity deals with prominent games streamers. Google plans to integrate its cloud-gaming unit Stadia with YouTube, which will make games seamlessly playable by viewers of game-related content and live streams.

Games on

Video games are gaining mindshare and market share.

Global revenues from console, PC and social games (US\$bn)



Note: 2020 is the latest available data. 2021–2025 values are forecasts.

Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

VR continues to surge

Virtual reality (VR) was the fastest-growing segment covered by the *Outlook* in 2020, with revenue of US\$1.8bn, up 31.7% from 2019, albeit off a very low base. VR will also be the fastest-rising E&M segment over the forecast period, with revenues rising at a 30.3% CAGR to US\$6.9bn in 2025 (see chart on page 16). In 2020, sales of headsets increased along with engagement with existing ones. According to Steam's PC user survey data, the release of the much-anticipated *Half Life: Alyx* caused a spike in the number of Steam users with VR headsets. The sector got a further boost with the launch of a competitively priced (US\$299) Oculus Quest 2 headset at the end of 2020.

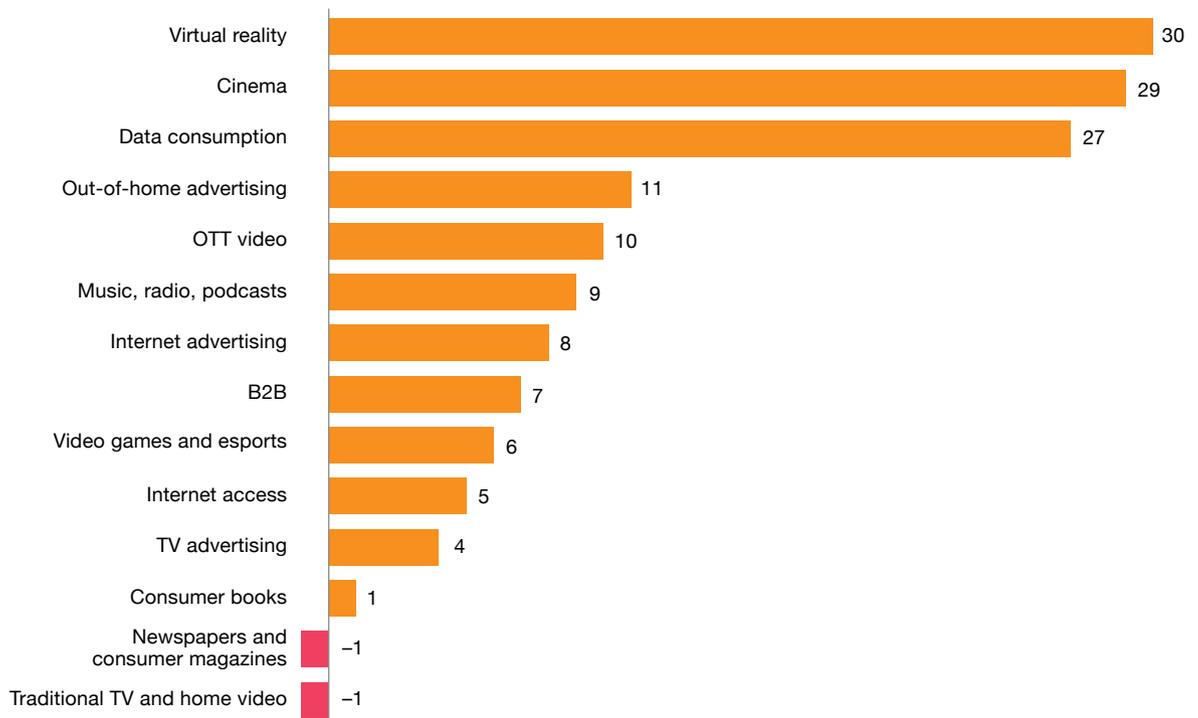
PVOD brings new movies into homes

In the filmed content realm, movies in 2020 turned to a form of transactional video on demand (TVOD); premium video on demand (PVOD). When Disney's live-action *Mulan* launched on Disney+ for US\$29.99 in September 2020, at a time when movie theatres in many parts of the world were closed, the film was watched by 1.1mn households on its opening weekend and made US\$35.5mn from streaming alone. Broadcaster video on demand (BVOD) has become a major focus for linear TV networks in Australia. News Corp's Australian pay-TV provider Foxtel launched a new streaming service called Binge in May 2020, offering many of the same shows already available through Foxtel, but at a significantly lower price.

Digital formats lead the way

Sectors that meet digital and mobile consumers where they are find rapid growth.

Projected global growth by segment, CAGR, 2020–2025 (%)



Source: PwC's *Global Entertainment & Media Outlook 2021–2025*, Omdia

Don't write off the blockbuster

On Christmas Day 2020, WarnerMedia released *Wonder Woman 1984* simultaneously on HBO Max and in movie theatres. It then announced it will launch all its 2021 movies in the same way. This strategy has caused worries among A-list talent, who are concerned about the impacts on their residuals, which used to be based on box office. But we shouldn't be too quick to write off the commercial viability of the expensive, large-scale, spectacular films that benefit most from the communal, big-screen experience. Animation, the production of which is less affected by anti-pandemic measures, has continued to exert especially strong drawing

power at the box office. *Demon Slayer*, which debuted in October 2020, grossed US\$95mn in ten days, the fastest a Japanese film had ever reached that milestone. In China, the comedy *Hi Mom*, released in February 2021, has already garnered US\$850mn in box-office revenues. In India, longer, more lavish big-budget movies starring major Bollywood actors still aim for theatrical release. Elsewhere, examples in 2021 of the enduring appeal of blockbusters at the box office have included the strong US and global performance of *Godzilla vs. Kong* over the Easter period. *No Time to Die*, the 25th installment of the James Bond series, is slated to launch in theatres in October 2021.

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Portfolio shifts: Return of the megadeal

In an increasingly virtual world, E&M companies continue to regard deals as a valuable way to reshape their businesses and maintain or gain market leadership. Companies are engaging in transactions to tap into new audiences with new habits, and to access the depth of content needed to meet consumers where they are. In 2020, even as much of the world shut down, the capital markets were remarkably busy, with lots of money flowing into IPOs, venture capital and special purpose acquisition companies (SPACs), including from individual investors on Robinhood. With deal momentum still growing, the prospects for E&M merger and acquisition activity in 2021 and beyond are bright. In a major shift of mindset, incumbents are often actively seeking acquisitions despite heightened regulatory and geopolitical scrutiny.

Old vs. new

One trend in deals has been the unwinding of the last round of megadeals, between distributors such as telecommunications and cable companies on the one hand and content providers on the other. In May 2021, Verizon **agreed to sell** the 1990s-vintage advertising-driven platforms AOL and Yahoo to Apollo Global Management for US\$5bn while retaining a 10% stake. That was quickly topped by a true megadeal: the **transaction between** AT&T and cable firm Discovery to spin off AT&T's vast Warner Bros. assets into a new company. The US\$43bn combination was motivated by a need for both parties to gain more scale in the content wars and to find new partners to fund the roll-out of streaming platforms like HBO Max. Hard on the heels of this huge deal came a smaller—but still large—transaction that pushes against the unwinding narrative. Amazon, seeking to add to its already large library of content, announced it was acquiring MGM, owner of the enduring James Bond franchise, for US\$8.5bn.

Recent E&M megadeals

| Date | Value of transaction | Deal |
|----------------|----------------------|---|
| September 2020 | \$500mn | ProSiebenSat.1 and General Atlantic's Parship Group acquires dating company The Meet Group (transaction complete) |
| November 2020 | \$2bn | Penguin Random House agrees to acquire Simon & Schuster publisher from ViacomCBS (transaction under review) |
| December 2020 | \$1.2bn | Sony Pictures agrees to acquire anime video-streaming service Crunchyroll from AT&T (transaction under review) |
| February 2021 | \$1.1bn | RTL Group agrees to sell adtech unit SpotX to Magnite |
| March 2021 | \$7.5bn | Microsoft acquires video game company Bethesda (transaction closed) |
| May 2021 | \$5bn | Verizon agrees to sell Verizon Media unit (Yahoo/AOL) to Apollo |
| May 2021 | \$8.5bn | Amazon agrees to acquire film studio MGM |
| May 2021 | \$93bn | AT&T spins off and merges Warner Bros. with Discovery |

Source: PwC analysis

Buyers seek scale and capabilities

In the books segment, where growth is muted but the need for blockbusters and scale is imperative if companies are to compete with the market dominance of Amazon, Penguin Random House in November 2020 agreed to buy Simon & Schuster from ViacomCBS for US\$2bn. In other sectors, firms are using deals to buy capabilities such as infrastructure or infill technologies. In February 2021, the global dating products provider Match Group agreed to pay US\$1.7bn for the South Korea-based social discovery and video technology company Hyperconnect. Hyperconnect's technology offers instant translation of voice and text, a major addition to Match's offer to users. Meanwhile, seeking to build digital audiences among younger users, German publisher Axel Springer agreed in October 2020 to acquire a majority stake in newsletter publisher Morning Brew, in a deal that valued the start-up at US\$75mn.

Venture capital zeroes in

A further trend in E&M deals is an expanding wave of large venture capital transactions, especially in areas centred on digital growth. In April 2021, Clubhouse, the start-up audio app that has **attracted 10mn users**, closed a venture round that valued the company at US\$4bn. Master Class, which offers courses taught by well-known practitioners in a range of fields, including director Spike Lee and *Vogue* editor Anna Wintour, raised a funding round at a US\$2.5bn valuation. Another driver of deals is the emergence of SPACs as a new force in the M&A market, with many of the current crop of SPACs playing out in the E&M sector. In June, the digital media company BuzzFeed agreed to be acquired by a SPAC, 890 5th Avenue Partners, and investor Bill Ackman's SPAC, Pershing Square Tontine Holdings, agreed to purchase 10% of Universal Music Group for US\$4bn.



Regulatory shifts: The pushback on platforms

The past year has represented a watershed in global media regulation, with the emergence of a more aggressive pushback against the big digital platforms on a range of fronts. During the pandemic, power shifted to Amazon, Apple, Facebook, Google and Netflix as e-commerce, digital advertising and time online boomed. But their success and increasing size have inspired a series of reactions and counterreactions around the world. The pressure to create a more level playing field on which local and offline-oriented businesses can compete with the giants has intensified. And with the more active antitrust regime in Washington, widespread hostility to the big platforms across the political spectrum and rising consumer expectations, it's clear that the operating environment for Big Tech is set to get a lot more challenging.

Big tech vs. governments

In Australia in February 2021, when the Government proposed new media laws requiring social networks to pay for third-party news content, Facebook briefly blocked local news access for its users in the country. The confrontation ended when Facebook and Google struck deals with news groups such as News Corp for their content. Meanwhile, China's moves to curb the power of the country's domestic content giants have included a US\$2.8bn fine levied on Alibaba in April 2021 for a previously common practice under which merchants had to pick one of two platforms as their exclusive distribution channel, known locally as "choose one of two," that had been targeted in anti-monopoly guidelines released in December 2020. One effect could be to make China's incumbent giants more cautious about further acquisitions, which could open up opportunities for smaller players to scale up. In India, the Government banned TikTok in June 2020 and made the ban permanent in January 2021. It was one of 59 Chinese messaging and gaming apps, including WeChat, that the Government banned, citing national security issues amid fears that the apps were secretly collecting information from people's phones. In the two days after the TikTok ban was announced, Indian video-sharing social media app Roposo attracted 22mn new users.

The EU maintains its tough stance

Traditionally, the European Union has led the way globally in seeking to limit the power of the big platforms, on the grounds of protecting market competition and ensuring transparency in the use of citizens' data. In December 2020, the EU published its proposed Digital Markets Act to regulate "gatekeeper platforms." The European Commission already has two fresh cases in progress against Apple relating to App Store restrictions and Apple Pay integration with iOS. Legal moves in the EU are now being mirrored in the US at a federal and state level. The landscape is further complicated by ongoing skirmishes between the tech giants themselves. For example, Apple has accused Google of exaggerating the scale of an alleged breach of iPhone security.

There are also rising expectations about what platforms should be doing in terms of content moderation. A public debate is underway over the role of platforms as regulators of free speech. India proposed a set of rules for social media companies in February 2021 that would require rapid takedown of offensive, divisive or seditious content, together with the breaking of encryption to trace the message originator. The decision by Twitter and Facebook to ban Donald Trump after the events at the US Capitol in January 2021 was perceived in some quarters as being inspired by the platforms' alleged desire to stifle conservative voices. German Chancellor Angela Merkel criticised Twitter's banning of Trump as breaching the "fundamental right to free speech," adding that the US should follow Germany in restricting online incitement rather than leaving platforms to play this role.

Consumers' desire for social justice

There's another powerful force acting as a spur to regulation: consumers' growing societal awareness, manifesting itself in rising demand for values and concepts such as social justice, content moderation, safe digital spaces, and diversity and inclusion. Across the world, consumers have rising expectations surrounding environmental, social and governance (ESG) issues and, especially, concerns over online harassment and data privacy. The *PwC/IAB Outlook: 2021 digital ad ecosystem* report found that 76% of consumers globally think sharing their personal information with companies is "a necessary evil," and 36% are less comfortable sharing their information now than they were a year ago.

The changing context

To date, it doesn't seem as if the growing regulatory energy is inhibiting the ability of E&M companies to engage with consumers, move into new markets or undertake significant transactions. But on the margins, it may begin to change behaviour and open up opportunities for smaller players. Companies, however, need to realise that the context in which they are operating is changing rapidly. They can't assume that the regulatory frameworks that allowed them to gain scale and thrive will remain in place forever. As they construct future strategies, it's vital that players incorporate regulatory risk and change into their plans.

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Conclusion: The future on fast-forward

As we look ahead to 2022, the outlook for E&M, although challenging, remains essentially positive. The powerful shift to digital behaviours will provide a strong boost to global growth in these industries for the next several years. And as companies race to meet consumers where they are with an ever-expanding range of products, services and experiences, the E&M industries will grow more pervasive, more immersive and more diverse.

But in many instances, the growth—and hence the rewards—will be asymmetrical. Just as the economic and health recoveries from COVID-19 will not be equally distributed around the globe, there will be a significant unevenness in the prospects for individual E&M sectors and for companies that focus on particular geographic markets. Even in the areas that offer the most compelling topline growth, such as video streaming, the basis of competition is likely to change dramatically over the coming years. And all the while, the social, political and regulatory contexts in which all companies operate will continue to evolve in unpredictable ways.

All of which means that sitting still, relying on the strategies that created value and locked up market share in the past, will not be the most effective posture going forward. The world is beginning to emerge from the painful shared experience of the pandemic. Amid destabilising power shifts, those who lean in to the changes, probe the data and seek deep insights from their customers, co-workers and collaborators will maintain their balance—and be well-placed to reap their fair share of future growth.

Methodology and definitions

Historical data collection

All the forecasts have been built by starting with the collection of historical data from a variety of sources. A baseline of accurate and comprehensive historic data is collected in the first instance from publicly available information, including from trade associations 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 conducted 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. All data, charts and graphs (unless stated otherwise) in this publication are taken from the *Global Entertainment & Media Outlook 2021–2025*.

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- Internet access
- Internet advertising
- Music, radio and podcasts
- Newspapers and consumer magazines
- OTT video
- Out-of-home advertising
- Traditional TV and home video
- TV advertising
- Video games and esports
- Virtual reality

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