

Putting the 'me' in Africa's media and entertainment industry

Consumer demand for personalisation drives revenue growth in Africa's Entertainment & Media industry, according to PwC's *Africa Outlook*, which is a comprehensive source of analyses and five-year forecasts of consumer and advertising spending across five African countries: South Africa, Nigeria, Kenya, Ghana and Tanzania.



Image source: Gallo/Getty.

The *Outlook* is a comprehensive source of analyses and five-year forecasts of consumer and advertising spending across five countries (South Africa, Nigeria, Kenya, Ghana and Tanzania) and 14 segments: internet, data consumption, television, cinema, video games, e-sports, virtual reality, newspaper publishing, magazine publishing, book publishing, business-to-business, music, out-of-home (OOH) and radio.

Between them, the five countries considered in the *Outlook*, will add US\$13.1 billion in revenue over the next five years, a CAGR of 11.9%. This is indicative of the still-strong capacity for organic growth, across the countries with many millions of consumers seeing improvements in their discretionary incomes over the next five years that will enable them to enjoy E&M experiences.

Rise of personal preference

The rise of increasingly personal and personalised media interaction fuelled by technology and evolving customer

behaviour, is gaining momentum. Consumers are using an array of connected devices to organise, curate and discover their own unique worlds of media. In response, companies are designing their offerings to revolve around personal preferences, using data and usage patterns to pitch their products not at audiences of billions, but separately at billions of individuals. These are some of the highlights from PwC's 10th annual edition of the *Entertainment & Media Outlook: 2019-2023 – An African perspective*, released this week.

These profound shifts are taking place against a background of ongoing global growth in entertainment and media (E&M) revenues. By 2023 total E&M revenue in South Africa is expected to reach R170.5 billion, up from R128.9 billion in 2018. Consumer spend on internet access is a major contributor to growth, accounting for 61% of the overall rise in E&M revenue. Total internet access is forecast to increase at an 8.2% CAGR over the forecast period and reach R77.7 billion in 2023.

Vicki Myburgh, entertainment and media leader for PwC Southern Africa, commented: "This year, *The Outlook* looks at the industry through the eyes of the consumer – the central theme of this growing media is personal and increasingly digital. There is an increasing shift to personalised experiences all around us in the fast-changing human behaviours involving E&M.

"Consumers around the world want to exert greater control over how they experience and enjoy media content. They are managing their own media consumption by way of smartphones and an expanding array of devices, by curating their own personal selection of channels via over-the-top (OTT) services and by bringing more digital media content into their lives via smart homes and connected cars."

Revenue growth

Although internet access' growth in the share of overall E&M revenue will reduce by 2023, its 46% share of the total in that year will exceed the global average of 33%, indicating that many South African consumers find access alone provides sufficiently compelling and free entertainment experiences.

Charles Stuart, Entertainment and Media Partner, PwC South Africa added: "The advent of 5G networks will also impact the entire technology, media and telecommunications value chain over the next decade. 5G will impact virtually every industry, but E&M companies will be among the earliest to incorporate 5G into their offerings and business models. It will also enhance the customer experience further and accelerate growth for many subsectors within the E&M industry, from video games to high-definition video streaming of sporting events."

Mixed reality

The growing segments of VR, AR and mixed reality (MR) will also accelerate as a result of 5G. The potential use cases from this mobile revolution will be seized by the most agile and innovative E&M companies to create new revenue streams stretching into, and fundamentally changing the future.

South African consumer revenue is set for a 6.4% CAGR between 2018 and 2023, increasing from R99.4 billion to R135.6 billion. Although print-exposed segments are proving a drag on growth, there are many pockets of positivity here, with gaming, video and music revenue all performing strongly.

Although Internet revenue takes a major proportion of overall revenue, it is positive to note that three other sectors – video games, e-sports and virtual reality – have stronger CAGRs than Internet to 2023. Music and podcasts are also other good sources for consumer revenue, as is television.

Advertising revenue in South Africa rose by 2.8% year-on-year in 2018, reaching a total of R29.5 billion. Further reasonably consistent rises at a CAGR of 3.4% will see the total reach R34.9 billion in 2023. South Africa enjoyed 24.2% year-on-year growth in 2018 in total Internet advertising revenue. Whereas globally Internet advertising has already become the biggest advertising medium by revenue, in South Africa it still trails behind TV advertising. International

evidence, however, suggests that Internet advertising will continue to catch up rapidly. Over the forecast period, its revenue will increase at 12.4% CAGR, doubling to R8.7 billion by 2023. This fast growth will see Internet advertising overtake TV advertising in 2022.

Differences in growth rates

Looking at specific E&M segments, the video games market in South Africa will continue to see growth over the next five years, with total revenue rising from R3.5 billion in 2018 to R5.4 billion in 2023. Social/casual gaming represented 56.6% of total video games revenue in 2018 and is set to increase significantly to 68.4% in 2023.

Digital music-streaming providers continue to gain traction among consumers. Consumers have an array of music-streaming providers to choose from. Digital music streaming revenue reached R325 million in 2018, up almost 57% year on year. Streaming revenue is set to increase at a 20.1% CAGR to total R815 million in 2023.

South Africa continues to be the largest TV market on the African continent. Despite a challenging macroeconomic environment and political uncertainty in recent years, the TV industry has shown growth and will expand at 3.9% CAGR to R40.5 billion in 2023. TV advertising will grow at 1.8% CAGR but will account for a smaller proportion of the market in 2023.

Virtual reality (VR) remains a niche category, but the industry is slowly overcoming certain challenges such as content availability, comfort, compatibility and affordability. This sector continues to attract significant investment from major media and technology companies that are eager to seize a share of this fast-growing market.

E-sports' popularity in South Africa is indisputable. Total e-sports revenue is forecast to reach R138 million in 2023, a 24.7% CAGR rise from the R46 million recorded in 2018.

Radio continues to have a solid listener base in South Africa with 47% of listeners tuning in for more than 20 hours in a given week. All being well over the next five years, total radio revenue has the potential to edge towards the R5.0 billion-mark, totaling R4.8 billion in 2023.

The print-exposed newspapers, books and consumer magazines segments have the worst forecasts through to 2023, with revenues projected to suffer declining or constrained CAGRs of -2.3%, 0.3% and 1.1% respectively.

Nigeria

In Nigeria, E&M revenue is set to rise at 19.3% CAGR to reach US\$10.8 billion in 2023 from US\$4.5 billion in 2018. Nigeria's E&M revenue is dominated by Internet access in 2018, and the figure will rise to 81% in five years' time. Although the Internet dominates much of the revenue there is still room for improvement in service. Outside of Internet access, TV and video will push towards US\$1 billion in revenue by 2023 after adding US\$172 million over the five years.

Kenya

Kenya's E&M market is set to see growth at 10.3% CAGR over the next five years, reaching nearly US\$3.0 billion in 2023. In 2018 the market rose by 13% year-on-year to reach US\$1.8 billion. Internet access is integral to this revenue and growth, but not quite to the extent that it is in Nigeria. TV and video are also major contributors to overall revenue, responsible for 17% of Kenya's total in 2018.

Ghana

Ghana's E&M industry is set for the fastest growth of any of the countries considered in the *Outlook*, forecast to rise at a 19.8% CAGR to reach nearly US\$3 billion by 2023. This comes after the country's E&M market rose 36.3% year-on-year in 2018, to reach US\$1.2 billion. TV and video are the largest contributors in terms of nonaccess revenue. Over two-thirds of Ghana's TV industry is attributable to advertising revenue, with the subscription TV market limited and struggling for

growth.

Tanzania

Tanzania's total E&M revenue rose 17.2% year-on-year in 2018, reaching US\$598 million. A CAGR of 18.3% will see the market stand at US\$1.4 billion by 2023.

“The breakneck pace of technological progress is the catalyst for growth, as internet access revenue rises drive overall revenue forward. But away from this, trends and norms differ greatly by country, with markets firmly resisting easy characterisation.

“All of this means that companies that want to position themselves for a successful future will have to focus intently on consumers, innovate and experiment continually and be prepared to make significant investments,” Myburgh concluded.

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