4th annual edition: PwC's annual forecast of advertising and consumer spending across 3 countries and 12 industry segments

South African entertainment and media outlook: *2013 – 2017*

In-depth analysis of the trends shaping the entertainment industry in South Africa, Nigeria and Kenya

pwc

www.pwc.co.za/outlook

4th annual edition

PwC South African entertainment & media outlook: 2013-2017

PwC firms help organisations and individuals create the value they are looking for. We are a network of firms in 158 countries with more than 180 000 people who are committed to delivering quality in assurance, tax and advisory services.

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Many other PwC professionals reviewed the text and contributed local expertise to this publication and we thank them for their assistance.

Contents

September 2013

To our clients and friends in the entertainment and media industry and beyond

It is my pleasure to bring you the fourth annual edition of PwC's *South African entertainment and media outlook (the Outlook)*, covering the forecast period 2013-2017. For the past three years, we have been providing the industry with comprehensive consumer and advertising spending forecasts for South Africa in our *South African entertainment and media outlook*. This year, for the first time, we have included Kenya and Nigeria in our forecasts.

The survey examines how changing patterns in spending will shape industry trends at macro- and individual-segment level and how consumers, advertisers, content creators and digital distributors are responding to these trends.

Each year, our team of entertainment and media specialists generates unbiased and in-depth consumer and advertising spend data (five-year historic and five-year forecast data) for the 12 major entertainment and media industry segments. In addition to reading this *Outlook* report, I would encourage you to visit the online *Outlook* – a guided tour of which can be found on page 8.

Our analysis of consumer and advertising spending data in this year's *Outlook* shows that consumer demand for entertainment and media (E&M) experiences, fuelled largely by the adoption of broadband and connected devices, will continue to grow. In fact, we predict E&M will follow a robust rate of growth, approximately 5% higher than real GDP for most of the 2013-2017 period. However, given the shift towards digital media – typically lower priced than their physical counterparts – we expect the rate to converge with and dip below GDP growth by the end of the forecast period.

Across the world, we are seeing consumer's access to E&M content and experiences being democratised by expanding access to the Internet and explosive growth in smart devices. And while traditional, non-digital media will continue to dominate overall E&M spending in South Africa, Kenya, Nigeria and globally throughout the coming five years, the growth will be in digital.

To harness this growth and turn it into rising digital revenues, E&M companies of all types are evaluating their competitive advantages and cementing their positions in the evolving ecosystem – with the connected consumer at its core. To achieve this successfully, every industry participant will need to invest in constant innovation that encompasses its products and services, its operating and business models and – most importantly – its customer experience, understanding and engagement.

I hope you enjoy this edition of the *Outlook*. Our PwC E&M professionals continue to track the trends explored in this publication; so if you would like to discuss anything covered here, please contact one of our E&M professionals listed on page 3 and on page 286. We would love to hear from you.

Finally, I thank you for your support and wish you an exciting and rewarding year ahead.

Vicki Myburgh
Leader, Entertainment and Media
PwC Southern Africa

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Methodology

Historic data collection

All forecasts have been built starting with the collection of historical data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from publicly available information, including from trade association 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 held 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.

2008-2012 South Africa figures have been updated to reflect most recently available information.

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.

How we report on the data in each chapter

Segment spending consists of advertising and consumer spending directly related to entertainment and media content. Each chapter introduction begins with the definition of the spending streams that are included in that segment. We do not include spending on hardware or services that may be needed to access content.

Consumer spending is counted for at the consumer or end-user level, not at the wholesale level, and includes retail mark-ups where applicable.

Agency commissions

Advertising revenue is measured net of agency commissions, discounts and production costs in all segments, except for radio, where agency commissions are included, as is customary within the industry.

For non-revenue categories, such as TV subscriptions and Internet subscribers, all totals are considered to be at year end.

Inflation

Across all chapters, figures are reported in nominal terms reflecting actual spending transactions and therefore include the effects of inflation.

Currency conversions

Currency conversions for all amounts used in this publication are calculated at the following conversion rate to the US dollar:

- 8.2051 South African rand (ZAR)
- 160.6426 Nigerian naira (NGN)
- 85.8369 Kenyan shillings (KES)

Quantitative research

Quantitative research and analysis was provided by Informa Telecoms & Media, a provider of business intelligence and strategic services to the global telecoms and media markets.

Visit www.informatandm.com for more information.

Use of Outlook data

The data in PwC's *South African entertainment and media outlook: 2013-2017 (incorporating Nigeria & Kenya)* is a comprehensive source of consumer and advertising data, which is also available online on www.pwc.co.za/outlook.

PwC continually seeks to update the online *Outlook* data, so please note that the data in this publication may not be aligned with the data found online. The online data is the most up to date source of consumer and advertising spending data.

This document is provided by PwC for general guidance only and does not constitute the provision of legal advice, accounting services, investment advice or professional consulting of any kind. The information provided herein should not be used as a substitute for consultation with professional tax, accounting, legal or other competent advisors. Before making any decision or taking any action, you should consult with a professional advisor who has been provided with all the pertinent facts relevant to your particular situation.

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Permission to cite

Requests should be submitted in writing to Vicki Myburgh at vicky.myburgh@za.pwc.com outlining the excerpts you wish to use, along with a draft copy of the full report that the excerpts will appear in. Provision of this information is necessary for every citation request to enable PwC to assess the context in which the excerpts are being presented.

Without limiting the foregoing, excerpts from the publication may be used only for background market illustration, should not be the sole source of 2013-2017 information and must not form part of the majority of sourced information.

Supplier to the *Outlook*

Informa Telecoms & Media, a provider of business intelligence and strategic services to the global telecoms and media markets.
www.informatandm.com

About Outlook

Insightful and in-depth analysis of trends shaping the entertainment and media industry

The *South African entertainment and media outlook: 2013-2017 (Outlook)* examines how shifts in consumer and advertising spending are shaping trends in the entertainment and media industry at macro and individual segment levels and how consumers, advertisers, content creators and digital distributors are responding and gearing up to face both the opportunities and the challenges ahead.

Outlook is forward looking. Drawing on forecast data, we provide our interpretation of the trends that will shape the industry, and individual industry segments, over the next five years. *Outlook* provides insight that will help businesses prepare for what is ahead.

The trends we are seeing in the entertainment and media industry continue to be largely shaped by consumer and advertising spend, as spend shifts between print and digital formats and fixed and mobile consumption.

Each year, PwC's team of entertainment and media professionals prepare unbiased and in-depth five-year historic and five-year forecast spend data and commentary for 12 industry segments. This year, for the first time, *Outlook* includes information for Nigeria and Kenya in each of the 12 industry segments.

Outlook combines deep knowledge of the local markets with a truly global perspective, making it a powerful tool for understanding critical business issues.

To learn more about the opportunities and challenges that lie ahead for the entertainment and media industry in South Africa, Kenya and Nigeria, please visit www.pwc.co.za/outlook.

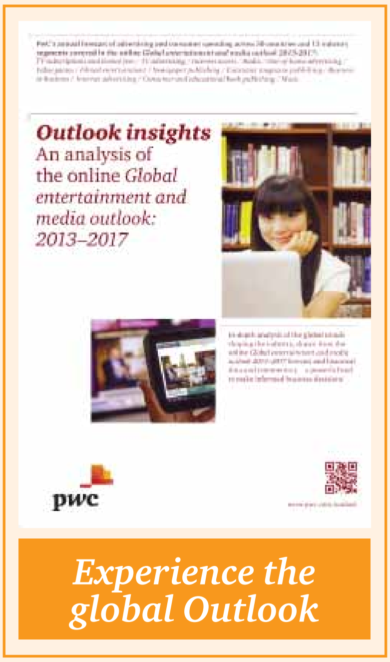
12 industry segments

Outlook not only examines how shifts in spending are shaping industry trends at a macro level, but also provides extended commentary on how these trends are playing out in the entertainment and media industry in South Africa, Nigeria and Kenya the following segments:

Internet	Newspaper publishing
Television	Consumer and educational book publishing
Filmed entertainment	Business-to-business publishing
Radio	Out-of-home advertising
Music	Video games
Consumer magazine publishing	Sports

Outlook online

To find out more about the online *Outlook*, take the tour on page 8 or visit www.pwc.co.za/outlook.



Experience the global *Outlook*

This edition of *Outlook* is part of a suite of PwC publications covering the global entertainment and media industry. The *Global entertainment and media outlook 2013-2017* is a comprehensive source of consumer and advertising spend data, also available via subscription at www.pwc.com/outlook. This publication provides in-depth five-year historic and five-year forecast spend data and commentary for 13 industry segments in over 50 countries around the world.

Online *South African entertainment and media outlook: 2013–2017 (incorporating Nigeria and Kenya)*

A guided tour

The online *Outlook* provides 5-year historic and 5-year forecast consumer and advertising spend data for 12 industry segments across 3 countries. It combines comprehensive spending data with intuitive online functionality, allowing data to be easily manipulated and presented to support business decisions. The enhanced search and charting functionality makes it easy to compare and contrast spend data and growth rates across all countries and segments. For a snapshot of the data and commentary available online and how they can be searched, manipulated and presented, take the tour!

www.pwc.co.za/outlook

Browse consumer and advertising spend data for 12 segments...

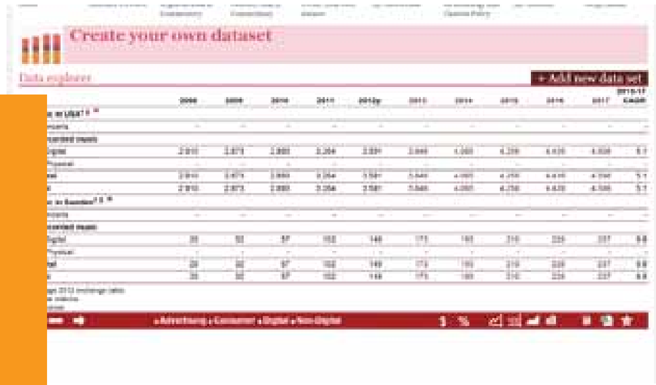
Online *Outlook* allows users to access comprehensive advertising and consumer data for 12 industry segments: TV subscriptions, licence fees, and advertising, Internet access and advertising, Radio, Out-of-home advertising, Video games, Filmed entertainment, Newspaper publishing, Consumer magazine publishing, Business-to-business, Consumer and educational book publishing, Music and Sports.

... and filter data by individual subcomponents for each segment

For each of the 12 segments it is also possible to break down the spend data into revenue and non-revenue subcomponents. Consumer magazine publishing, for example, can be broken down by print advertising spend, digital advertising spend, print circulation and digital circulation.

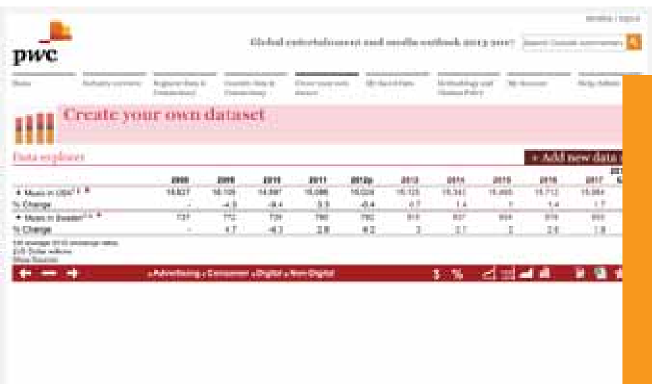
Browse consumer and advertising spend data for 3 countries

Advertising and consumer spend data is available for every segment at an individual country level. There is data for South Africa, Nigeria and Kenya.



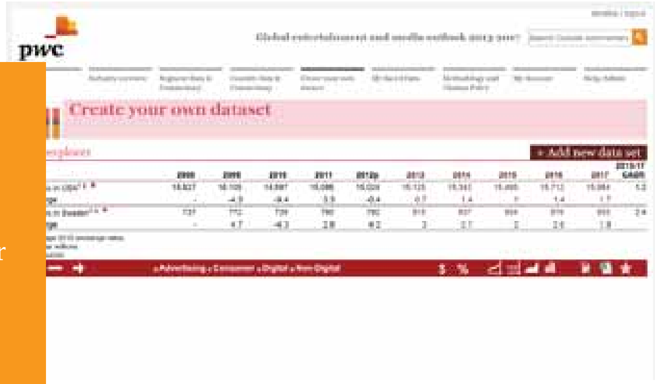
Filter spend data by digital and nondigital

Consumer and advertising data can be broken down by digital and nondigital spend for all 12 segments (where applicable) in order to understand to what extent spend is shifting from one to the other.



Calculate year-on-year growth for all 12 segments across 3 countries...

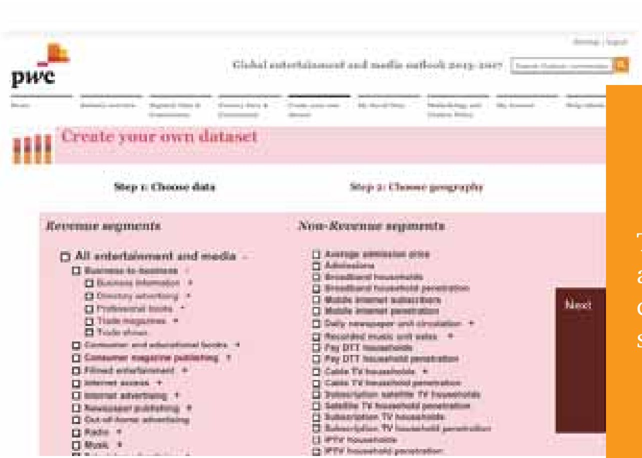
Alongside the consumer and advertising spend data, annual year-on-year growth rates and compound annual growth rates (CAGR) are also calculated for all segments across all countries.



...with 5-year historic and 5-year forecast spend data

All historic and forecast data is presented covering a 10-year period from 2008 to 2017; 5-year historic and 5-year forecast.

Customise data by using the enhanced functionality

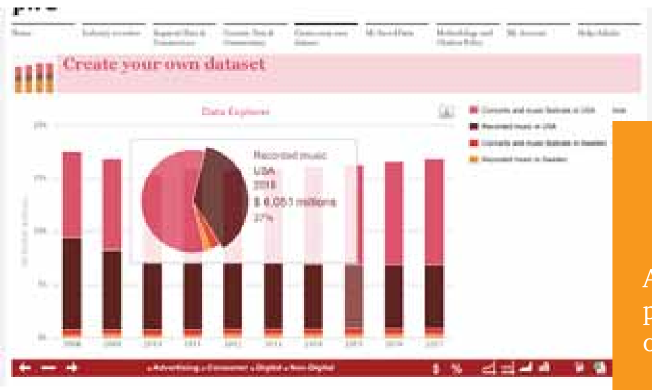


Create bespoke searches comparing spending data by segment...

The intuitive search functionality means it is easy to compare and contrast consumer and advertising spending across countries and segments and drill down into the detail, searching by individual revenue and nonrevenue.

...and by country

Compare spend by geography—at a country level—for each of the segments and individual-segment subcomponents, thereby creating simple or complex searches and data sets by using the create-your-own-dataset tool.

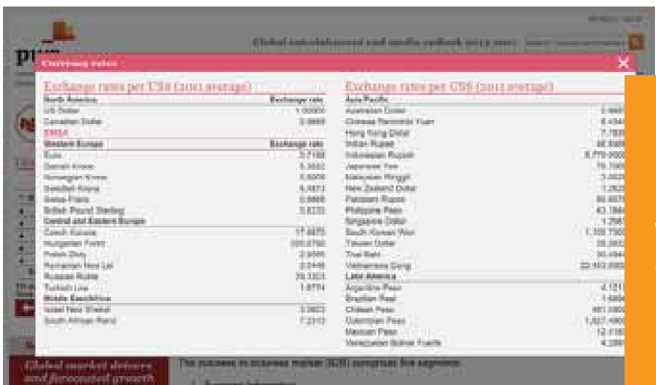


Create bespoke bar charts, line graphs and pie charts instantly…

As well as creating bespoke data sets, users can create professional-looking charts and graphs on-screen at the click of a button.

… and export to include in presentations and reports

All data tables, bar graphs, line graphs and pie charts can be exported to PDF or Excel, making it simple to create tailored charts and graphs to drop into presentations.

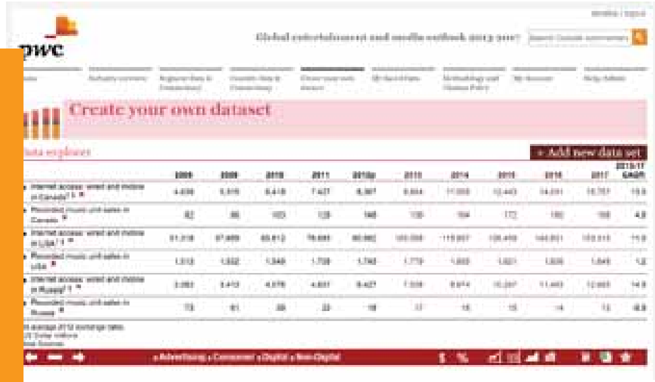


Convert spending data into local currency

To ensure relevance at the local level, data can be viewed in 2 different currencies.

Save bespoke searches and data sets for future reference

The my-saved-data tool saves all bespoke data sets for future use so the data is not lost.



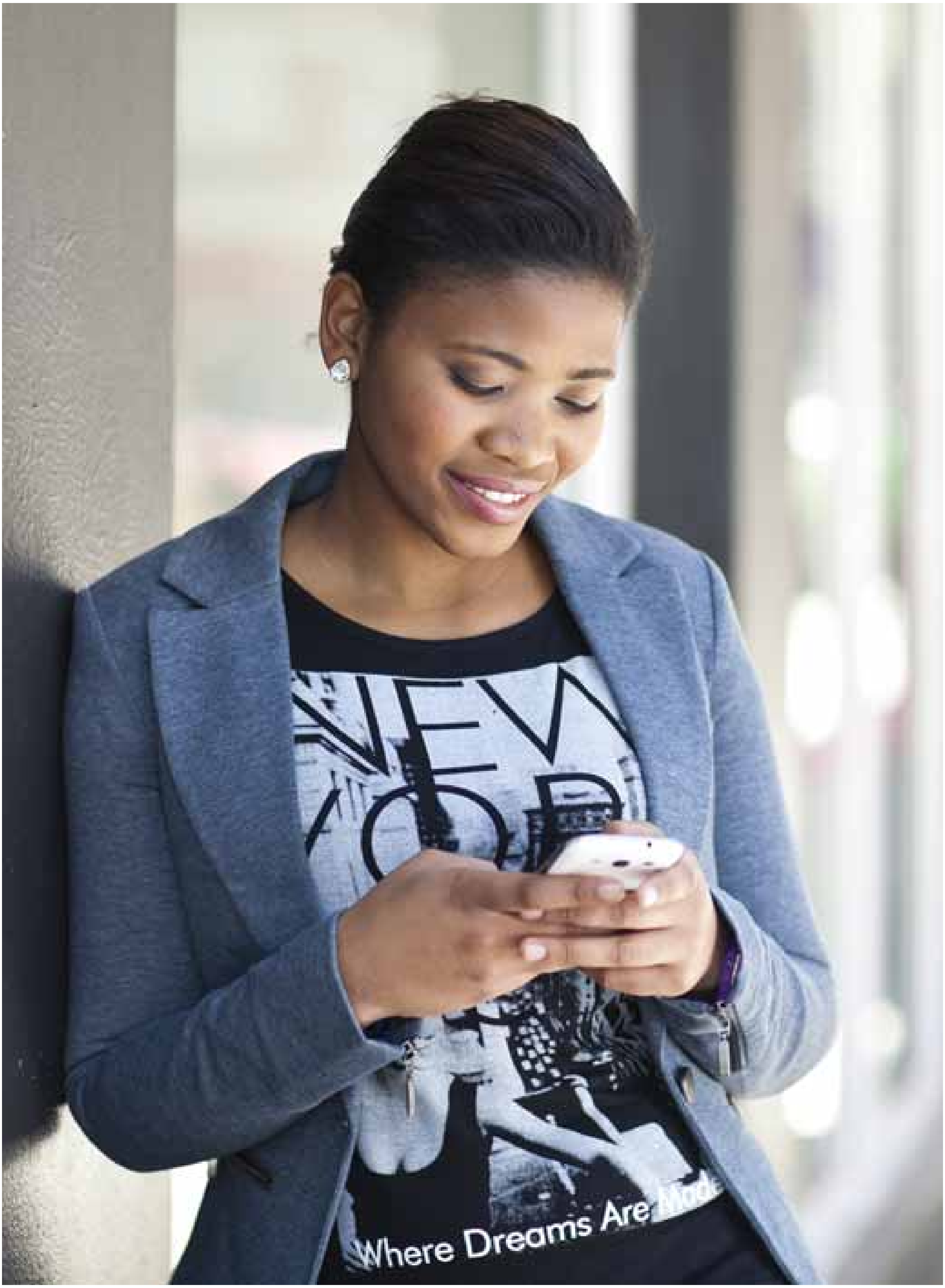
Read and download more industry, segment and country commentary that ever before

Read commentary for every segment at global, regional and country levels

As well as spend data for every segment there is also commentary, which talks to the numbers. For every segment there is summarised commentary on global and regional drivers of growth and forecast growth and individual-country commentary for 3 countries.

Download to PDF all data and commentary for an individual country

When browsing by country, the 'Print country data and commentary function, found on the left hand navigation, will collate all segment data tables and commentary (for all 12 segments) into one PDF for the selected country. Country PDFs are new this year.


NEW
Where Dreams Are

Section 1
Industry overview

South Africa

South Africa's entertainment and media market is set to grow at a CAGR of 10.9% in the next five years.

Total South African entertainment and media market by segment, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Television	16 322	19 814	23 680	25 951	27 426	29 088	30 584	32 117	34 005	35 772	
YOY growth (%)		*21.4%*	*19.5%*	*9.6%*	*5.7%*	*6.1%*	*5.1%*	*5.0%*	*5.9%*	*5.2%*	*5.5%*
Internet	8 617	10 064	11 809	15 722	20 952	27 697	36 176	45 801	55 779	63 239	
YOY growth (%)		*16.8%*	*17.3%*	*33.1%*	*33.3%*	*32.2%*	*30.6%*	*26.6%*	*21.8%*	*13.4%*	*24.7%*
Radio	2 650	2 664	3 019	3 243	3 612	3 885	4 242	4 634	5 055	5 513	
YOY growth (%)		*0.5%*	*13.3%*	*7.4%*	*11.4%*	*7.6%*	*9.2%*	*9.2%*	*9.1%*	*9.1%*	*8.8%*
Filmed entertainment	1 756	1 699	1 780	2 081	2 216	2 366	2 515	2 674	2 868	3 106	
YOY growth (%)		*-3.3%*	*4.8%*	*16.9%*	*6.5%*	*6.8%*	*6.3%*	*6.3%*	*7.2%*	*8.3%*	*7.0%*
Out-of-home	2 652	2 455	2 800	3 227	3 655	4 002	4 317	4 610	4 911	5 168	
YOY growth (%)		*-7.4%*	*14.0%*	*15.3%*	*13.3%*	*9.5%*	*7.9%*	*6.8%*	*6.5%*	*5.2%*	*7.2%*
Sports	10 741	11 364	20 985	12 663	13 869	14 875	16 471	17 150	18 614	19 544	
YOY growth (%)		*5.8%*	*84.7%*	*-39.7%*	*9.5%*	*7.3%*	*10.7%*	*4.1%*	*8.5%*	*5.0%*	*7.1%*
Music	2 557	2 360	2 314	2 212	2 154	2 146	2 147	2 160	2 181	2 200	
YOY growth (%)		*-7.7%*	*-2.0%*	*-4.4%*	*-2.6%*	*-0.4%*	*0.1%*	*0.6%*	*1.0%*	*0.9%*	*0.4%*
Consumer magazines	5 366	5 367	6 133	6 891	7 650	8 166	8 683	9 284	9 942	10 702	
YOY growth (%)		*0.0%*	*14.3%*	*12.4%*	*11.0%*	*6.7%*	*6.3%*	*6.9%*	*7.1%*	*7.6%*	*6.9%*
Newspapers	9 391	8 692	9 097	9 569	10 117	10 724	11 286	11 856	12 440	13 045	
YOY growth (%)		*-7.4%*	*4.6%*	*5.2%*	*5.7%*	*6.0%*	*5.2%*	*5.0%*	*4.9%*	*4.9%*	*5.2%*
Consumer & educational books	4 079	3 885	3 731	3 657	3 633	3 648	3 663	3 680	3 695	3 706	
YOY growth (%)		*-4.8%*	*-4.0%*	*-2.0%*	*-0.7%*	*0.4%*	*0.4%*	*0.5%*	*0.4%*	*0.3%*	*0.4%*
Business-to-business	6 742	5 699	7 226	7 260	8 027	8 728	9 495	10 338	11 223	12 171	
YOY growth (%)		*-15.5%*	*26.8%*	*0.4%*	*10.6%*	*8.7%*	*8.8%*	*8.9%*	*8.6%*	*8.4%*	*8.7%*
Video games	1 497	1 601	1 737	1 937	2 155	2 357	2 541	2 773	3 028	3 316	
YOY growth (%)		*7.0%*	*8.5%*	*11.5%*	*11.3%*	*9.3%*	*7.8%*	*9.1%*	*9.2%*	*9.5%*	*9.0%*
Total*	**72 149**	**75 446**	**94 080**	**93 961**	**104 802**	**116 816**	**131 027**	**145 709**	**162 056**	**175 414**	
YOY growth (%)		***4.6%***	***24.7%***	***-0.1%***	***11.5%***	***11.5%***	***12.2%***	***11.2%***	***11.2%***	***8.2%***	***10.9%***

2008 – 2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

Entertainment and media spend will be dominated by spending on Internet access.

**Newspaper, directory, consumer magazine, trade magazine and online TV advertising are included in their respective segments and also in Internet advertising, but only once in the overall total. Pay-per-view and video-on-demand are counted in both the distribution and filmed entertainment segments but only once in the overall total.*

The South African entertainment and media (E&M) market will generate estimated overall revenues of R175.4 billion in 2017, having increased from R104.8 billion in 2012 – a compound annual growth rate (CAGR) of 10.9%. Internet will remain the major force behind the growth in E&M revenues. Even if much of the access revenue growth goes to companies not historically seen as E&M companies, digital content and services would not be possible without the infrastructure and networks to distribute them.

The Internet has widened access to E&M products and services and created new opportunities for E&M companies. Smart devices, including smartphones and tablets, have also changed the way consumers access content and the way advertisers engage with those consumers. Internet access as a revenue stream within the broader definition of E&M will continue to enjoy strong growth, increasing from R19.8 billion in 2012 to approximately R59.6 billion in 2017, a CAGR of 24.7%.

Advertising spend will continue to benefit from a growing economy.

Mobile Internet access will form the bulk of this growth (if mobile Internet access is removed, then the CAGR falls to 5.9%) and growing mobile Internet penetration will help to drive growth in other segments. However, digital growth will not form the bulk of growth in the South African E&M market.

Growth in Internet penetration, which the increase in Internet access spend signals, will also drive growth within Internet advertising, which we forecast to increase at a CAGR of 25.4%, although from a low base.

Aside from Internet, the fastest growth will be seen in the video games segment. Growth here will be driven by mobile gaming, as comparatively lower levels of broadband access will hinder the online gaming market. Mobile gaming will be concentrated on smartphones, with tablets remaining a largely untapped market in the short-term due to their high purchase cost.

Filmed entertainment revenues will also grow due to increased Internet access, with electronic home video (including box office) reaching R1 544 million in 2017 and accounting for 66% of the home video market (up from R816 million in 2012 and 49% of the home video market). Over-the-top (OTT) video services, which deliver video content via the Internet, are expected to become an important part of the filmed entertainment market in the next five years (generating a forecast R99 million in 2017), despite broadband penetration remaining below 20%. However, uptake will be from a small number of affluent consumers such as those who are now buying and renting movies from Apple's iTunes Store or DSTV's online BoxOffice service.

South African entertainment and media advertising spend 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Television	6 282	7 909	10 124	10 934	11 371	11 997	12 717	13 417	14 290	15 077	
YOY growth (%)		*25.9%*	*28.0%*	*8.0%*	*4.0%*	*5.5%*	*6.0%*	*5.5%*	*6.5%*	*5.5%*	*5.8%*
Radio	2 650	2 664	3 019	3 243	3 612	3 885	4 242	4 634	5 055	5 513	
YOY growth (%)		*0.5%*	*13.3%*	*7.4%*	*11.4%*	*7.6%*	*9.2%*	*9.2%*	*9.1%*	*9.1%*	*8.8%*
Out-of-home	2 652	2 455	2 800	3 227	3 655	4 002	4 317	4 610	4 911	5 168	
YOY growth (%)		*-7.4%*	*14.0%*	*15.3%*	*13.3%*	*9.5%*	*7.9%*	*6.8%*	*6.5%*	*5.2%*	*7.2%*
Internet	507	549	612	865	1 183	1 550	2 026	2 569	3 132	3 669	
YOY growth (%)		*8.1%*	*11.5%*	*41.4%*	*36.7%*	*31.1%*	*30.7%*	*26.8%*	*21.9%*	*17.1%*	*25.4%*
Consumer magazines	2 815	2 595	2 675	2 895	3 095	3 296	3 483	3 686	3 911	4 167	
YOY growth (%)		*-7.8%*	*3.1%*	*8.2%*	*6.9%*	*6.5%*	*5.7%*	*5.8%*	*6.1%*	*6.5%*	*6.1%*
Newspapers	6 658	6 071	6 449	6 982	7 495	8 047	8 549	9 057	9 578	10 121	
YOY growth (%)		*-8.8%*	*6.2%*	*8.3%*	*7.4%*	*7.4%*	*6.2%*	*5.9%*	*5.8%*	*5.7%*	*6.2%*
Trade magazines	430	397	409	452	492	533	580	635	698	769	
YOY growth (%)		*-7.8%*	*3.1%*	*10.5%*	*9.0%*	*8.4%*	*8.6%*	*9.6%*	*9.9%*	*10.2%*	*9.3%*
Directories	845	856	871	889	979	1 082	1 191	1 302	1 393	1 478	
YOY growth (%)		*1.3%*	*1.9%*	*2.0%*	*10.1%*	*10.5%*	*10.2%*	*9.2%*	*7.1%*	*6.0%*	*8.6%*
Video games	9	12	17	20	24	29	34	39	45	52	
YOY growth (%)		*40.0%*	*37.4%*	*20.2%*	*19.9%*	*18.3%*	*17.4%*	*16.3%*	*15.1%*	*14.2%*	*16.3%*
Cinema	367	302	355	511	552	594	639	684	732	781	
YOY growth (%)		*-17.8%*	*17.7%*	*43.8%*	*8.0%*	*7.7%*	*7.5%*	*7.2%*	*6.9%*	*6.7%*	*7.2%*
Total	**22 996**	**23 591**	**27 100**	**29 739**	**32 033**	**34 460**	**37 065**	**39 723**	**42 592**	**45 334**	
YOY growth (%)		***2.6%***	***14.9%***	***9.7%***	***7.7%***	***7.6%***	***7.6%***	***7.2%***	***7.2%***	***6.4%***	***7.2%***

2008 – 2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

Advertising accounted for 31% of South African entertainment and media revenues in 2012, having fallen from 32% in 2008. This proportion will continue to fall until 2017, when only 26% of E&M revenues will come from advertising. This percentage fall will not happen because of a fall in advertising revenues, but because of expansion in the entire E&M market. What's more, advertising revenues are expected to increase, as economic growth is prompting advertisers to increase their budgets.

Radio will see strong growth in advertising revenues, rising from R3.6 billion in 2012 to R5.5 billion in 2017, a CAGR of 8.8%. Since a significant proportion of South Africans lack Internet access, radio remains one of the few advertising platforms capable of reaching a national audience – almost 90% of the population can be reached via radio.

Increasing levels of car ownership and urbanisation also benefit radio as an advertising platform. With commutes getting longer, radio advertisers have a captive audience of commuters held up by growing traffic congestion.

Since South Africa has low broadband penetration, print advertising has not suffered as much as in some other countries. Newspaper advertising will grow by an estimated CAGR of 6.2% over the forecast period, with rising urbanisation and improving literacy levels increasing readership.

Supplying newspapers to extremely rural areas is a challenge for South African publishers, as is finding outlets to sell them. Moreover, tablets and smartphones are still prohibitively expensive for many South Africans, ensuring that newspapers will remain a major source of news in the medium term.

Consumer magazine advertising revenues will also benefit from rising urbanisation and low Internet penetration. Advertising spend on consumer magazines will rise from R3.1 billion in 2012 to R4.2 billion in 2017, a CAGR of 6.1%. Digital advertising will rise and drive some of this growth, but will account for only R236 million in 2017.

The second-fastest growing advertising segment, but also the smallest, is video games. The growth in advertising spending on video games will largely arise as a result of mobile gaming on smartphones. However, further growth will depend on greater penetration of smartphones among South African consumers.

Consumer spending on E&M will grow at a CAGR of 12.3%.

South African entertainment and media consumer spend 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Television	10 040	11 905	13 556	15 017	16 055	17 091	17 867	18 700	19 715	20 695	
YOY growth (%)		*18.6%*	*13.9%*	*10.8%*	*6.9%*	*6.5%*	*4.5%*	*4.7%*	*5.4%*	*5.0%*	*5.2%*
Internet access	8 110	9 515	11 197	14 857	19 769	26 147	34 150	43 232	52 647	59 570	
YOY growth (%)		*17.3%*	*17.7%*	*32.7%*	*33.1%*	*32.3%*	*30.6%*	*26.6%*	*21.8%*	*13.2%*	*24.7%*
Filmed entertainment	1 389	1 397	1 425	1 570	1 664	1 772	1 876	1 990	2 136	2 325	
YOY growth (%)		*0.6%*	*2.0%*	*10.2%*	*6.0%*	*6.5%*	*5.9%*	*6.1%*	*7.3%*	*8.9%*	*6.9%*
Music	2 557	2 360	2 314	2 212	2 154	2 146	2 147	2 160	2 181	2 200	
YOY growth (%)		*-7.7%*	*-2.0%*	*-4.4%*	*-2.6%*	*-0.4%*	*0.1%*	*0.6%*	*1.0%*	*0.9%*	*0.4%*
Consumer magazines	2 551	2 772	3 458	3 996	4 555	4 870	5 200	5 598	6 031	6 535	
YOY growth (%)		*8.7%*	*24.7%*	*15.6%*	*14.0%*	*6.9%*	*6.8%*	*7.7%*	*7.7%*	*8.4%*	*7.5%*
Newspapers	2 733	2 621	2 648	2 587	2 622	2 677	2 737	2 799	2 862	2 924	
YOY growth (%)		*-4.1%*	*1.0%*	*-2.3%*	*1.4%*	*2.1%*	*2.2%*	*2.3%*	*2.3%*	*2.2%*	*2.2%*
Consumer & educational books	4 079	3 885	3 731	3 657	3 633	3 648	3 663	3 680	3 695	3 706	
YOY growth (%)		*-4.8%*	*-4.0%*	*-2.0%*	*-0.7%*	*0.4%*	*0.4%*	*0.5%*	*0.4%*	*0.3%*	*0.4%*
Sports	10 741	11 364	20 985	12 663	13 869	14 875	16 471	17 150	18 614	19 544	
YOY growth (%)		*5.8%*	*84.7%*	*-39.7%*	*9.5%*	*7.3%*	*10.7%*	*4.1%*	*8.5%*	*5.0%*	*7.1%*
Business information	2 811	2 354	3 258	3 293	3 608	3 932	4 274	4 640	5 036	5 457	
YOY growth (%)		*-16.3%*	*38.4%*	*1.1%*	*9.6%*	*9.0%*	*8.7%*	*8.6%*	*8.5%*	*8.4%*	*8.6%*
Trade magazines	130	131	151	161	169	167	164	175	189	211	
YOY growth (%)		*0.6%*	*15.4%*	*6.7%*	*5.1%*	*-1.5%*	*-1.7%*	*7.3%*	*7.9%*	*11.4%*	*4.5%*
Professional books	142	148	152	162	168	175	181	188	194	202	
YOY growth (%)		*4.1%*	*2.8%*	*6.4%*	*3.8%*	*3.7%*	*3.7%*	*3.6%*	*3.6%*	*3.5%*	*3.6%*
Trade shows	2 384	1 813	2 385	2 303	2 611	2 839	3 105	3 398	3 713	4 055	
YOY growth (%)		*-24.0%*	*31.6%*	*-3.5%*	*13.4%*	*8.7%*	*9.4%*	*9.4%*	*9.3%*	*9.2%*	*9.2%*
Video games	1 488	1 589	1 720	1 917	2 131	2 328	2 507	2 734	2 983	3 264	
YOY growth (%)		*6.8%*	*8.3%*	*11.4%*	*11.2%*	*9.2%*	*7.7%*	*9.0%*	*9.1%*	*9.4%*	*8.9%*
Total*	**49 155**	**51 854**	**66 979**	**64 221**	**72 768**	**82 355**	**93 961**	**105 989**	**119 465**	**130 080**	
YOY growth (%)		***5.5%***	***29.2%***	***-4.1%***	***13.3%***	***13.2%***	***14.1%***	***12.8%***	***12.7%***	***8.9%***	***12.3%***

2008 – 2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

**Pay-per-view and video-on-demand are counted in both the distribution and filmed entertainment segments, but only once in the overall total.*

End-user spending in South Africa will increase by an average of 12.3% a year over the forecast period. This will be driven in large part by the 24.7% average annual growth in consumer spending on Internet access. If this element is removed, then end-user spending will grow from R53.0 billion in 2012 to reach an estimated R70.6 billion in 2017, a CAGR of 5.9%. Economic growth will have a positive effect on household budgets, with increased discretionary spending seen over the next five years.

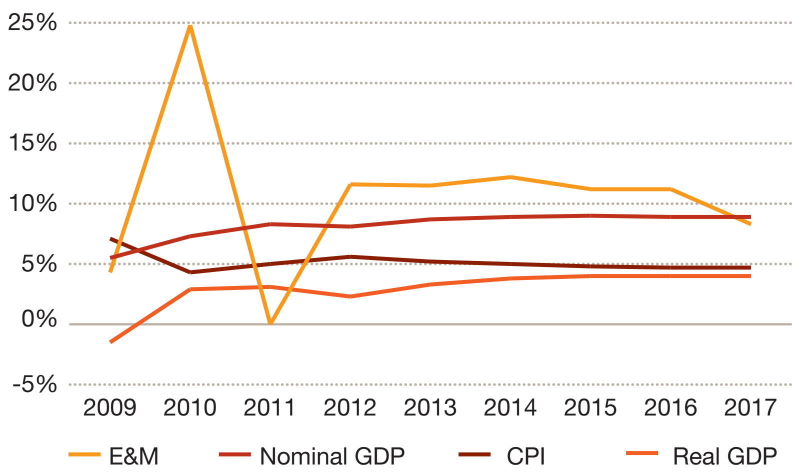
One of the most significant factors in the growth of the entertainment and media market, for both consumer and advertising spend, is the emerging middle class. A May 2013 report by the University of Cape Town's Unilever Institute of Strategic Marketing, found that growth in the black middle class has been an especially notable trend. Since 2004 the black middle-class market has more than doubled in size, growing by 250%, from 1.7 million in to 4.2 million in 2012, while the white middle class has remained at around 3 million.

While discussion continues about the best way to define the term 'middle class', the impact of this trend will be positive for the South African E&M market. Indeed, it will continue to experience higher rates of growth than the overall economy.

While real GDP is forecast to grow at around 4% each year for the next five years, this is less than the CAGR (10.9%) forecast for the overall E&M market. The E&M market peaked around the 2010 FIFA World Cup, then dipped, but recovered in 2012 and will continue to grow steadily in the next five years.

The E&M market will grow more strongly than the overall economy.

E&M growth rate vs GDP and CPI, 2009-2017 (%)



Source: PwC, Informa Telecoms & Media

The sports market is one of the largest E&M segments for consumer spending in South Africa, after Internet access and television. Revenues generated by the sports market will grow from R13.9 billion in 2012 to an estimated R19.5 billion in 2017, a CAGR of 7.1% as the growing economy prompts larger sponsorship deals and media rights packages. Gate revenues are down from their peak in 2010 when South Africa hosted the FIFA World Cup but an underlying growth trend remains.

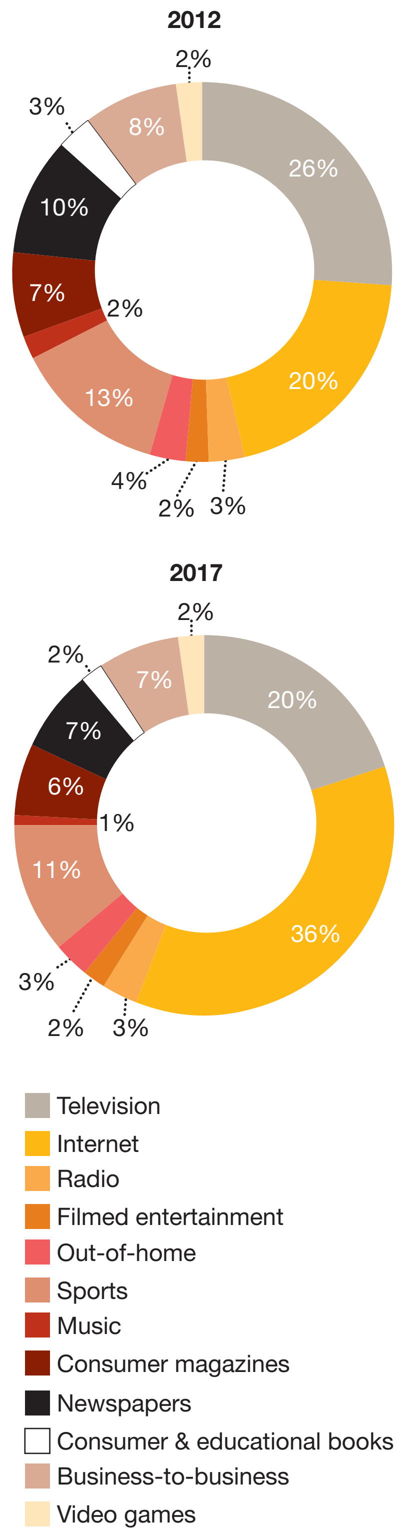
Television is the second-largest segment in terms of consumer spending, and revenues from it will grow at a CAGR of 5.2% from R16.1 billion in 2012 to approximately R20.7 billion in 2017. Pay-TV subscriber numbers will top six million in 2016 and pay-TV subscription revenues will reach nearly R20 billion by 2017, as growth in the economy and strong competition between pay-TV providers enables more people to afford a pay-TV subscription or to upgrade the subscriber package they already have.

The slowest growing E&M segment in South Africa will be consumer and educational books, with a 0.4% CAGR over the next five years. Comparatively low literacy levels in the country (although they are rising) and the fact that there are multiple languages in use in South Africa, continue to act as a barrier to further growth in this segment.

Books are also subject to higher VAT (14%) than in most other countries, which means that retail prices remain too high for the majority of South Africans. Magazines and newspapers sell at a much lower cost and are more likely to be read by South Africans than books.

Music is also a slow-growing segment (0.4% CAGR), with physical sales dropping quickly, but not yet being replaced by digital sales, despite the emergence of a number of new digital music services. Live music revenues will grow strongly over the forecast period, but falling recorded music sales will mean that most of this growth will be negated. Music revenues overall will increase marginally from R2.15 billion in 2012 to R2.20 billion in 2017.

E&M revenues by share of market, 2012 vs 2017 (% share)



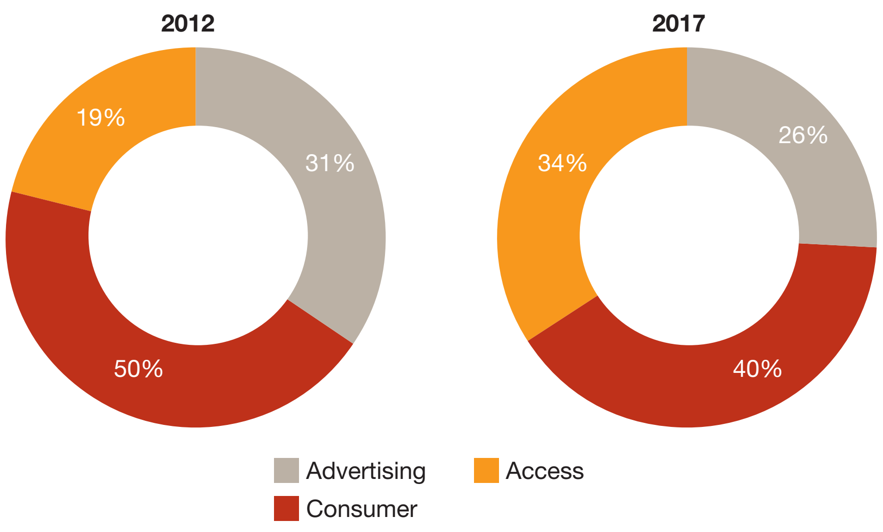
Source: PwC, Informa Telecoms & Media

The growing importance of the Internet to the South African E&M market can be seen in the growing share it will take of the overall market (including both consumer and advertising spend). Internet access and Internet advertising together accounted for 20% of total spend in 2012, but this will rise to 36% by 2017, as it takes share from the other segments, including television.

The majority of this spend will be on Internet access, which alone will account for 34% of the total value of the South Africa E&M market by 2017, up from 19% in 2012. As a result, advertising's share of the total market will fall to 26% by 2017, with consumer spending's share (excluding Internet access) falling to 40% (from 50% in 2012).

Internet access alone will account for 34% of E&M revenues by 2017.

E&M revenues by type, 2012 vs 2017 (% share)



Source: PwC, Informa Telecoms & Media

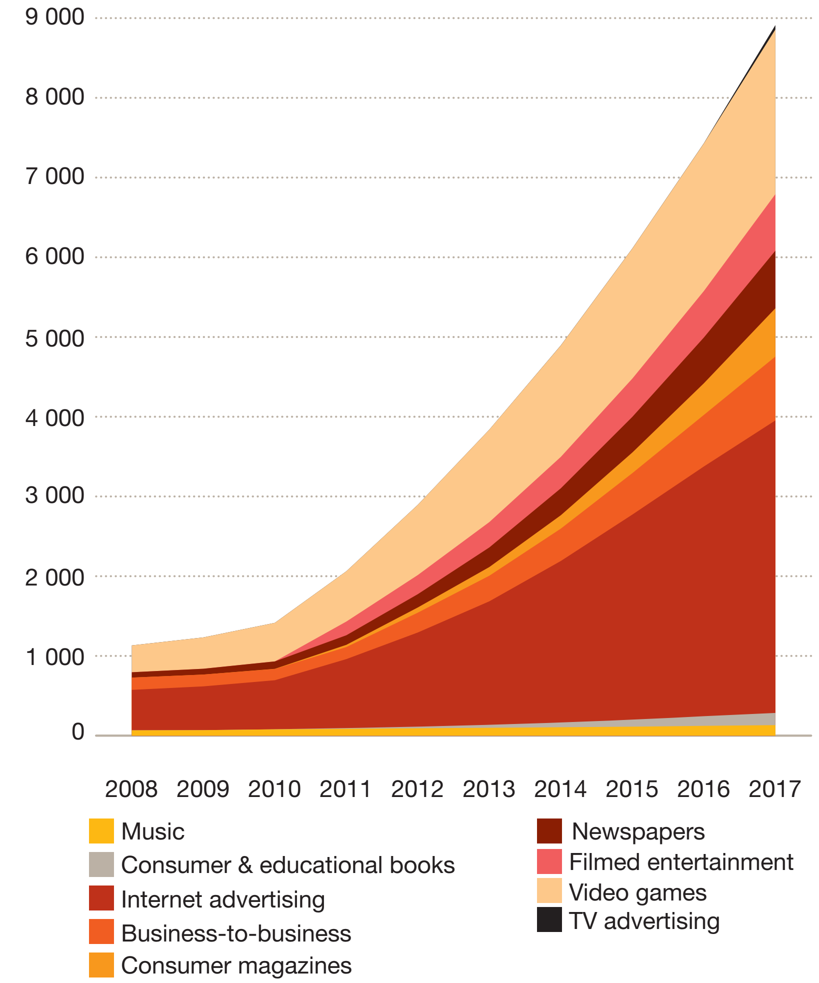
However, when revenues from Internet access are excluded, the impact of purely digital media is less dramatic.

With consumers becoming increasingly connected, they will be spending more on digital content, but with growth starting from a low base, revenues from traditional media will continue to dominate consumer spending overall.

Digital media revenues will rise as more consumers become connected.

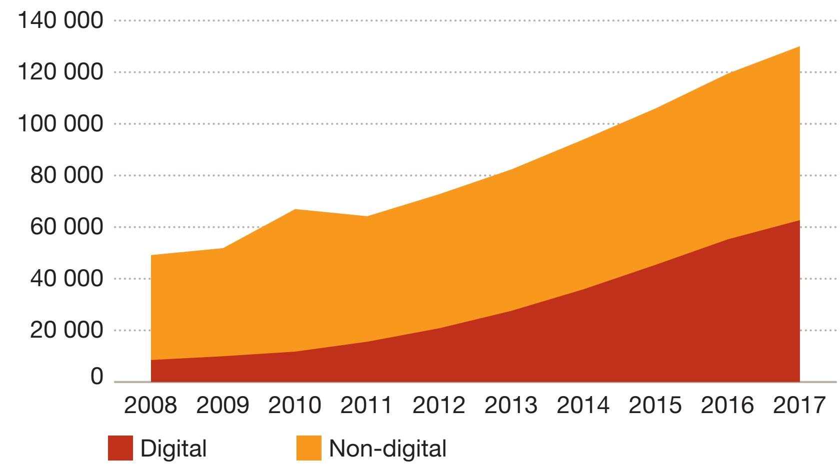
Digital will take a growing portion of both consumer and advertising spending. Digital's share of consumer spending (excluding Internet access) in South Africa is set to grow from 1% in 2008 to 4% by 2017, while digital advertising will grow from 2% of total advertising revenue in 2008, to an estimated 8% in 2017. We expect this increase to continue beyond 2017, as the economy continues to grow and Internet and smartphone penetration increases.

Digital entertainment and media revenues, 2008-2017 (R millions)



Source: PwC, Informa Telecoms and Media

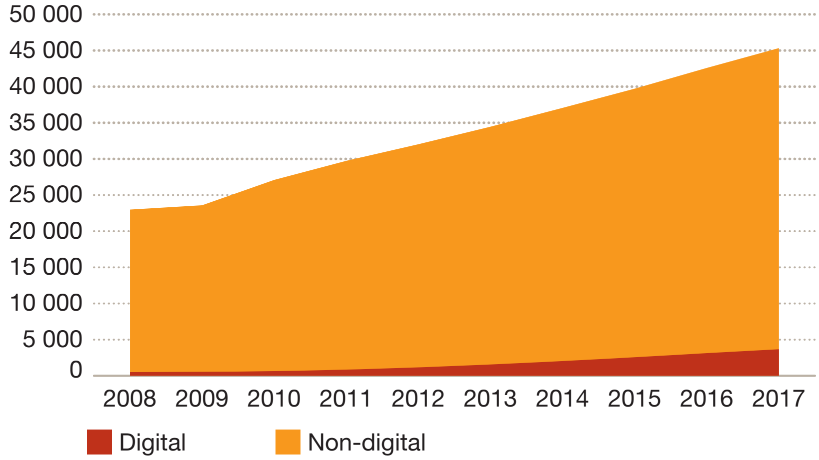
Consumer spending on E&M (including Internet access), digital vs non-digital, 2008-2017 (R millions)



Source: PwC, Informa Telecoms and Media

Digital's share of E&M consumer spending (including Internet access) will reach 48% by 2017.

Advertising spend on E&M, digital vs non-digital, 2008-2017 (R millions)



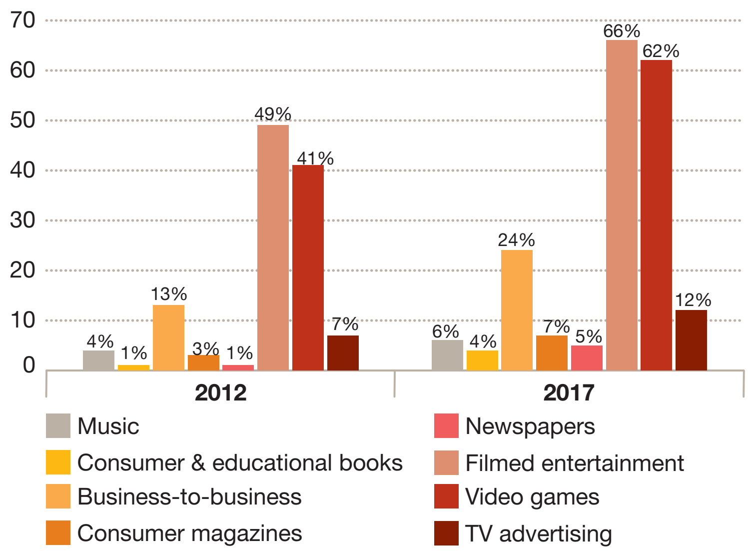
Source: PwC, Informa Telecoms and Media

Digital's share of advertising revenues will only be 8% by 2017.

While there is an understandable focus on the impact of digital products and services on the entertainment and media sector, in most cases physical media will continue to dominate the South African market over the next five years.

While physical spending comprised 99% of total consumer E&M spending in 2008 and was still 98% in 2012, it will continue to decline in the next few years. This decline will accelerate as consumers become more digitally advanced and more accustomed to purchasing digital media. Nevertheless, a widespread shift to digital consumption is not expected during the forecast period.

Revenues from digital as a percentage of total segment consumer spending, 2012 vs 2017 (%)



Source: PwC, Informa Telecoms and Media

Video games will be the segment with the highest proportion of total sales being attributable to digital, with 62% of revenues from digital in 2017. Growth will be particularly driven by the use of 'freemium' games (where free versions are offered, but players are incentivised to upgrade to a paid-for version) and subscription games on mobile.

Filmed entertainment will also see high levels of digital engagement, with digital comprising 66% of revenues by 2017. Even so, by 2017 these will be the only two segments in which more than a quarter of revenues will come from digital products.

In contrast, the consumer and educational book segment has seen the lowest digital adoption and its digital revenues will reach only 4% of the total in 2017. Likewise, other segments that are less conducive to digital adoption will also continue to see their revenues being predominantly physical.

The digital revolution is certainly happening, and the opportunities are significant, but the media landscape in South Africa will not become unrecognisable overnight.

Nigeria

A surge in Internet adoption will be the platform for new engagement between advertisers and consumers.

Nigerian entertainment & media market, 2008-17 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Television	431	589	650	672	708	803	904	982	1 055	1 130	
YOY growth (%)		*36.6%*	*10.4%*	*3.4%*	*5.4%*	*13.5%*	*12.4%*	*8.7%*	*7.4%*	*7.0%*	*9.8%*
Internet	81	143	249	404	764	1 249	1 989	3 044	4 421	5 574	
YOY growth (%)		*76.5%*	*73.4%*	*62.6%*	*89.1%*	*63.3%*	*59.2%*	*53.0%*	*45.2%*	*26.1%*	*48.8%*
Radio	71	75	80	82	86	89	92	94	98	102	
YOY growth (%)		*5.6%*	*5.6%*	*2.6%*	*5.0%*	*3.2%*	*3.2%*	*3.2%*	*3.6%*	*3.9%*	*3.4%*
Filmed entertainment	181	152	165	193	198	206	217	230	245	270	
YOY growth (%)		*-15.9%*	*8.2%*	*17.0%*	*3.1%*	*4.7%*	*4.9%*	*6.0%*	*7.0%*	*9.3%*	*6.4%*
Out-of-home	59	151	178	189	205	222	237	253	269	284	
YOY growth (%)		*154.7%*	*17.6%*	*6.6%*	*8.0%*	*8.7%*	*6.8%*	*6.5%*	*6.4%*	*5.7%*	*6.8%*
Sports	206	216	499	335	433	487	567	607	676	722	
YOY growth (%)		*5.0%*	*131.3%*	*-32.9%*	*29.6%*	*12.2%*	*16.7%*	*7.0%*	*11.5%*	*6.7%*	*10.8%*
Music	45	47	49	50	51	52	53	53	54	54	
YOY growth (%)		*5.1%*	*2.7%*	*2.7%*	*2.8%*	*1.3%*	*1.2%*	*0.9%*	*0.9%*	*0.3%*	*0.9%*
Consumer magazines	161	152	217	230	249	271	299	325	354	386	
YOY growth (%)		*-4.6%*	*42.2%*	*6.3%*	*7.6%*	*8.7%*	*10.5%*	*8.5%*	*9.2%*	*9.1%*	*9.2%*
Newspapers	272	257	247	237	235	235	235	235	236	236	
YOY growth (%)		*-5.6%*	*-3.9%*	*-4.0%*	*-0.9%*	*-0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.3%*	*0.1%*
Consumer & educational books	18	19	21	23	22	22	22	21	22	22	
YOY growth (%)		*1.4%*	*14.4%*	*12.4%*	*-6.5%*	*-1.6%*	*0.2%*	*0.6%*	*0.7%*	*0.9%*	*0.2%*
Business-to-business	114	121	128	139	147	157	169	180	189	195	
YOY growth (%)		*4.5%*	*6.1%*	*9.0%*	*5.9%*	*7.1%*	*7.1%*	*6.2%*	*4.9%*	*4.0%*	*5.9%*
Video games	22	28	38	50	65	81	99	120	143	170	
YOY growth (%)		*28.8%*	*32.3%*	*32.6%*	*27.8%*	*26.2%*	*22.8%*	*20.3%*	*19.6%*	*18.9%*	*21.5%*
Total*	**1 661**	**1 946**	**2 505**	**2 591**	**3 146**	**3 852**	**4 856**	**6 113**	**7 726**	**9 107**	
YOY growth (%)		***17.3%***	***28.6%***	***3.5%***	***21.4%***	***22.5%***	***26.0%***	***25.9%***	***26.4%***	***17.9%***	***23.7%***

Source: PwC, Informa Telecoms & Media

**Newspaper, directory, consumer magazine, trade magazine and online TV advertising are included in their respective segments and also in Internet advertising, but only once in the overall total.*

Nigeria is one of the most vibrant markets in sub-Saharan Africa. The power of the mobile device as a communications enabler is transforming the continent, and with this transformation in communications, the potential for Nigerian consumers to access entertainment and media in new ways is significant.

Total entertainment and media expenditure in Nigeria will exceed US$9 billion in 2017, representing a 23.7% CAGR between 2013 and 2017. Of this, consumer expenditure will account for 82%, while advertising expenditure will be worth just over US$1 billion in 2017.

The consumer drive for entertainment and media will be compelling in Nigeria, showing a 23.7% CAGR between 2013 and 2017. By far the fastest growth area in consumer spending will be Internet access (at a CAGR of 49%) and driving this surge will be the power of cellular networks in Nigeria.

Internet access in Nigeria, as in all African countries, will be dominated by mobile Internet access. It is no surprise, therefore, that advertisers will look to the Internet as a key medium for access to consumers, alongside TV and B2B publications. Digital media will be a primary source for advertising growth.

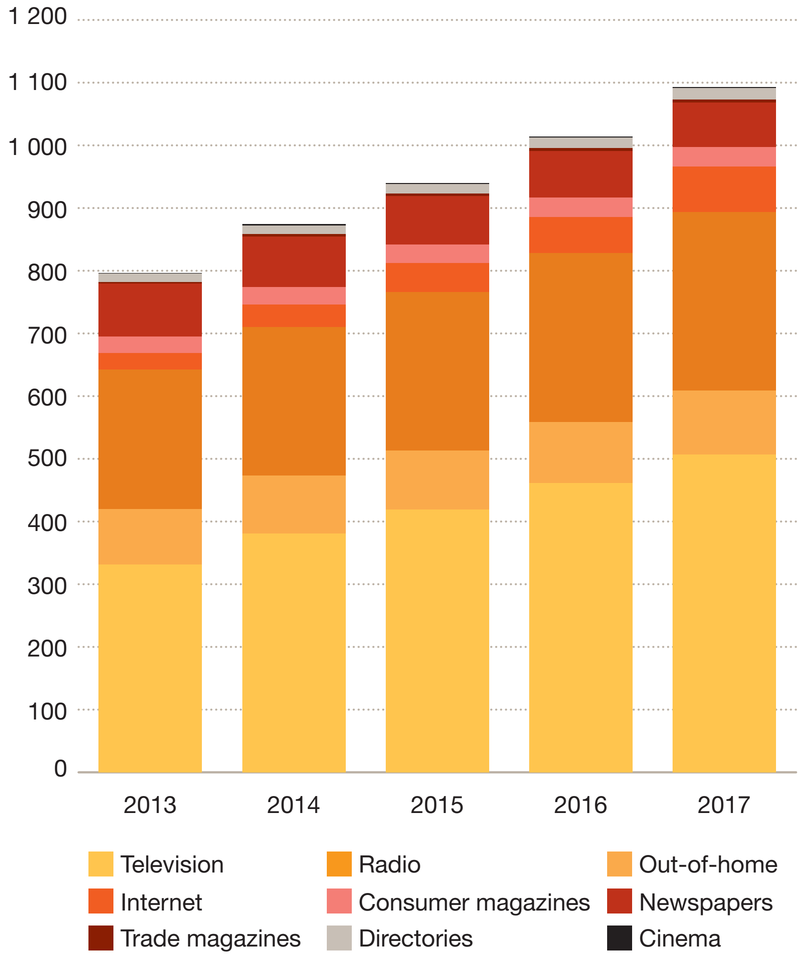
Nigeria's E&M market will grow at a CAGR of nearly 24% in the next five years.

Not only will the Internet be the fastest growth area for expenditure, but it will also be the largest market, worth US$5.6 billion in 2017, ahead of TV (US$1.1 billion) and sports (US$722 million).

TV is the dominant form of advertising, but the Internet shows steady growth.

TV remains the single most effective channel for advertising and this will remain the case throughout the forecast period. However, alongside TV, out-of-home, radio and the Internet will become a more important platform for advertisers. This will be at the expense of print advertising channels, including newspapers, magazines and B2B publications that will either stagnate or actually fall in terms of revenues.

Advertising expenditure by entertainment & media segment, 2013-17 (US$ millions)



Source: PwC, Informa Telecoms & Media

A mobile revolution about data services as much as voice.

With over 112 million mobile subscribers, representing population penetration of 67%, Nigeria has become one of Africa's most mature cellular markets. While voice still dominates usage, it is notable that by the end of 2013, the number of mobile broadband users will approach 8 million and will grow to over 40 million during the next five years.

Consumer demand has driven the rise in Internet access, supported by an increase in the range of devices available, a decline in device prices and the setting of competitive service-plan prices. Indeed there are few more competitive telecommunications markets in the world than Nigeria – in 2013, the three largest mobile operators each have more than 20 million customers – MTN (45 million), Glo Mobile (22 million) and Airtel (21 million).

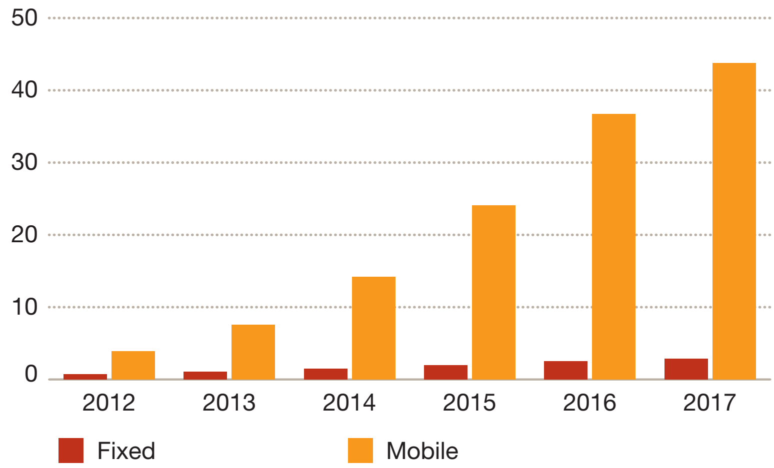
To illustrate the potential for data services, Nigeria's leading telecoms operator, MTN, will spend U$1.3 billion on expanding its cellular network in 2013. It is doing this to optimise its network to meet rising consumer demand for data services, much of which will come from the desire to access entertainment and media services.

Nigeria's smartphone market is set to boom, partly because of consistent declines in device prices and partly because of increased collaboration between handset manufacturers and mobile operators. Consumers are turning to smartphones to power a surging interest in access to information, social networking services, Internet browsing and mobile advertising.

Nigeria's entertainment and media sector will be democratised by the growth of the Internet as a platform to serve consumers with entertainment and media services. And it is the Internet that will give advertisers in Nigeria a more dynamic tool with which to reach out and target specific consumer groups.

Mobile will dominate Internet access in Nigeria.

Broadband subscriptions, 2013-17 (millions of subscribers)



Source: Informa Telecoms & Media

Kenya

The emerging middle class in the cities of Kenya will drive growth in entertainment and media expenditure.

Kenyan entertainment & media market, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Television	128	161	227	355	418	486	564	651	751	865	
YOY growth (%)		*25.5%*	*41.3%*	*56.3%*	*18.0%*	*16.4%*	*15.9%*	*15.5%*	*15.4%*	*15.2%*	*15.7%*
Internet	11	25	45	79	135	220	348	535	788	961	
YOY growth (%)		*131.2%*	*80.6%*	*74.3%*	*70.6%*	*64.2%*	*57.9%*	*53.9%*	*47.2%*	*21.9%*	*48.3%*
Radio	87	150	220	258	274	290	307	322	333	339	
YOY growth (%)		*72.9%*	*46.5%*	*17.2%*	*6.2%*	*5.8%*	*5.8%*	*4.7%*	*3.6%*	*1.9%*	*4.4%*
Filmed entertainment	47	40	42	43	43	44	44	43	44	46	
YOY growth (%)		*-15.1%*	*4.5%*	*2.7%*	*-0.8%*	*0.5%*	*0.7%*	*1.1%*	*1.6%*	*2.7%*	*1.3%*
Out-of-home	32	58	67	90	97	106	116	129	141	153	
YOY growth (%)		*78.8%*	*16.6%*	*34.5%*	*8.0%*	*8.5%*	*9.7%*	*10.9%*	*9.4%*	*8.6%*	*9.4%*
Sports	33	43	94	58	79	90	105	118	138	150	
YOY growth (%)		*32.5%*	*120.0%*	*-38.6%*	*37.1%*	*12.7%*	*18.9%*	*11.7%*	*16.4%*	*9.1%*	*13.7%*
Music	16	17	18	19	20	20	20	21	20	20	
YOY growth (%)		*6.9%*	*4.2%*	*3.7%*	*4.1%*	*1.7%*	*1.5%*	*0.9%*	*-1.2%*	*-1.4%*	*0.3%*
Consumer magazines	43	42	56	62	67	73	81	88	95	104	
YOY growth (%)		*-2.5%*	*35.3%*	*9.1%*	*7.8%*	*9.1%*	*10.5%*	*9.3%*	*7.3%*	*8.6%*	*9.0%*
Newspapers	98	99	130	152	190	206	219	229	239	248	
YOY growth (%)		*0.4%*	*31.1%*	*17.0%*	*25.3%*	*8.5%*	*6.0%*	*5.2%*	*4.2%*	*3.6%*	*5.5%*
Consumer & educational books	31	32	33	40	37	37	37	37	37	37	
YOY growth (%)		*2.5%*	*7.7%*	*17.1%*	*-6.5%*	*-0.8%*	*0.6%*	*0.5%*	*0.0%*	*-0.2%*	*0.0%*
Business-to-business	36	43	45	50	59	65	73	79	84	88	
YOY growth (%)		*19.5%*	*7.3%*	*12.9%*	*13.6%*	*13.3%*	*8.7%*	*7.7%*	*6.3%*	*5.1%*	*8.2%*
Video games	13	16	22	30	41	51	61	74	86	101	
YOY growth (%)		*30.0%*	*35.1%*	*37.5%*	*33.6%*	*24.3%*	*21.2%*	*19.4%*	*18.2%*	*16.9%*	*20.0%*
Total*	**574**	**724**	**997**	**1 231**	**1 453**	**1 681**	**1 966**	**2 314**	**2 740**	**3 093**	
YOY growth (%)		***26.2%***	***38.1%***	***23.4%***	***17.8%***	***15.6%***	***16.9%***	***17.8%***	***18.5%***	***12.8%***	***16.3%***

Source: PwC, Informa Telecoms & Media

Kenya's E&M market will grow at a CAGR of 16.3% in the next five years.

**Newspaper, directory, consumer magazine, trade magazine and online TV advertising are included in their respective segments and also in Internet advertising, but only once in the overall total.*

Kenya, like Nigeria, is one of the most vibrant markets in sub-Saharan Africa. A growing middle class, rising rates of literacy, a larger urban population and the growing importance of the mobile phone as platform for communication and content are all helping to create significant new opportunities for the entertainment and media market.

Total entertainment and media expenditure in Kenya will exceed US$3 billion in 2017, representing a 16.3% CAGR between 2013 and 2017. Consumer expenditure will account for half of this.

The consumer drive for entertainment and media will be compelling in Kenya, showing a 24% CAGR between 2013 and 2017. By far the fastest growth area in consumer spend will be Internet access (a CAGR of 52%) and driving this surge will be the visibility and the dominance of Kenya's largest mobile operators.

Internet access in Kenya will be dominated by mobile Internet access. It is no surprise, therefore, that advertisers will look to the Internet as a key medium for access to consumers, alongside TV and filmed entertainment.

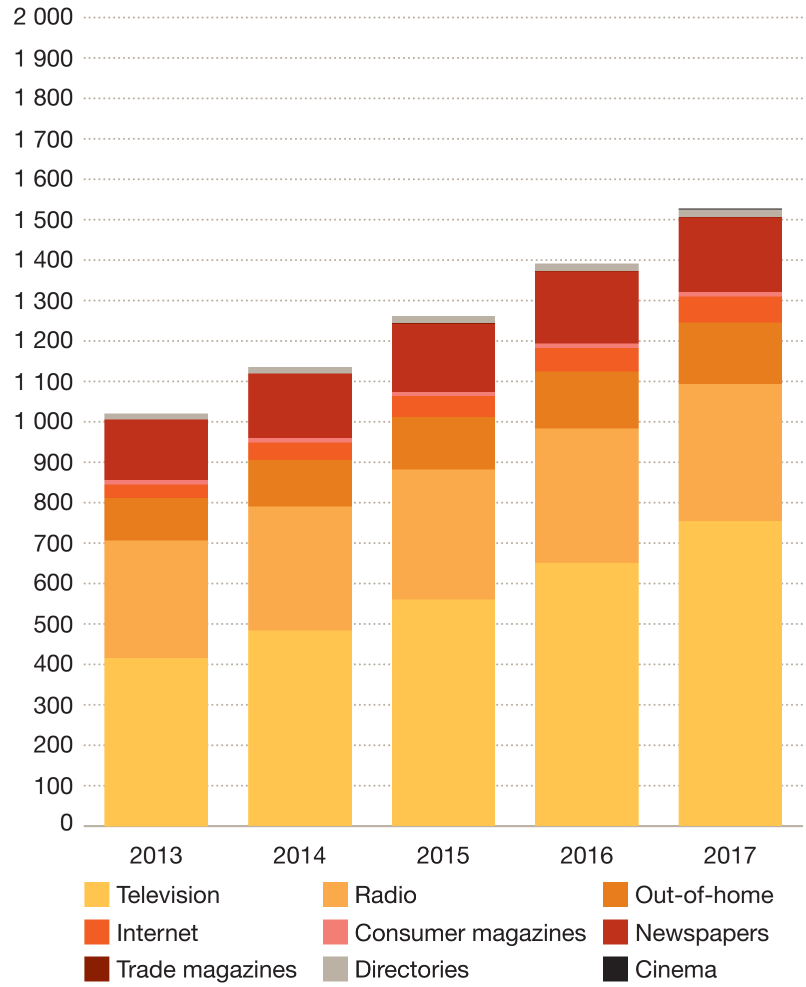
Not only will the Internet be the fastest growth area for expenditure, it will also be the largest market, worth approximately US$961 million in 2017.

TV remains the single most effective channel for advertising in Kenya, accounting for just over 40% of advertising revenue in 2012, a figure likely to increase to approximately 50% in 2017.

Radio remains an important advertising platform in Kenya, generating US$339 million in 2017, more than newspapers and out-of-home advertising.

TV is the dominant form of advertising, but Internet shows steady growth.

Advertising expenditure by entertainment & media segment, 2013-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Demographic changes

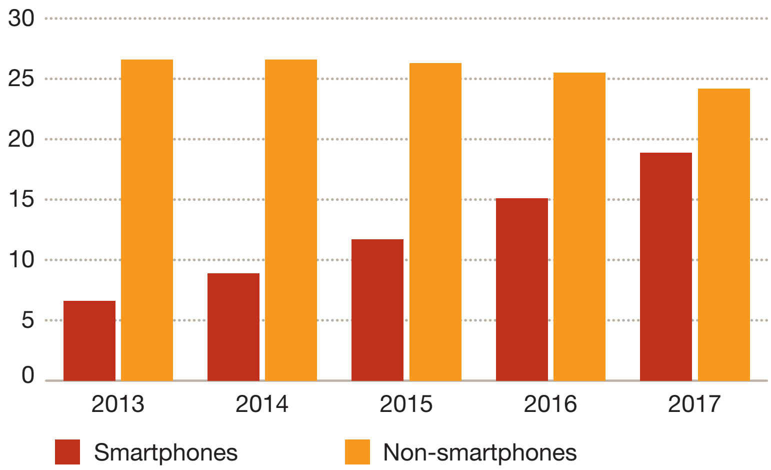
The maturing Kenyan market is gaining a taste for greater access to entertainment and media services.

There will be 18.9 million smartphones in Kenya by 2017.

Kenya is a market that reflects both the growing trend of urbanisation in Africa and the innovation of high-growth markets. Approximately a quarter of the population now resides in urban areas and there is also a fast-developing middle class, notably in the capital city of Nairobi. This is creating a new appetite for entertainment and media services, which is also being fuelled by investment in education and the resultant growing levels of literacy, with 87% of the population now literate, according to UNICEF estimates

With over 30 million mobile subscribers, representing population penetration of 70%, Kenya is one of Africa's most mature cellular markets. The availability of entry-level smartphones is leading to an increase in mobile data usage. Informa Telecoms & Media projects that the number of smartphone connections in Kenya will reach nearly 19 million by the end of 2017. This projected growth will be a result of increased interest among smartphone manufacturers in entering the market with low-cost devices.

Smartphone market subscriptions, 2013-2017 (millions)



Source: Informa Telecoms & Media

Kenya's largest mobile operator is Safaricom and growth of mobile data is best illustrated by the operator's announcement that its data revenues grew by 42% year on year in 2012. This was the result of expanded data offerings and enhanced coverage of its 3G network.

With regards data usage, it is interesting to note that in Kenya, much of the usage is driven by information, navigation and money transfers, as opposed to the clearer focus on entertainment seen in Nigeria.

However, there is a clear similarity to South Africa and Nigeria – cellular networks are driving Internet access and the range of devices now available to the mass market is transforming the face of the market, with Internet access becoming increasingly available to a wider range of the local population. This will make a significant impact on the ability of advertisers in Kenya to engage directly with consumers.

Section 2
Viewpoint: the industry story

Digitisation and mobile access are changing the South African entertainment and media market.

Digitisation and mobile access

In South Africa, as in other markets worldwide, consumers' access to entertainment and media content and experiences are being democratised by expansion of access to the Internet and the explosive growth in smart devices.

Even though traditional, non-digital media will continue to dominate overall E&M spending in South Africa over the next five years, much of the growth will come from digital.

To harness this growth and compete effectively in the future, E&M companies of all types must evaluate their competitive advantages and seize their positions in the evolving ecosystem with the connected consumer at its core. This will require continued commitment to, and investment in innovation that encompasses not just products and services, but also operating and business models that – crucially focus on consumers' experiences.

The changes in the E&M sector in South Africa are profoundly affecting four groups of stakeholders: consumers, advertisers, content creators and digital distributors.

Connected consumers are increasingly looking for digital and personal content.

Personal digital content

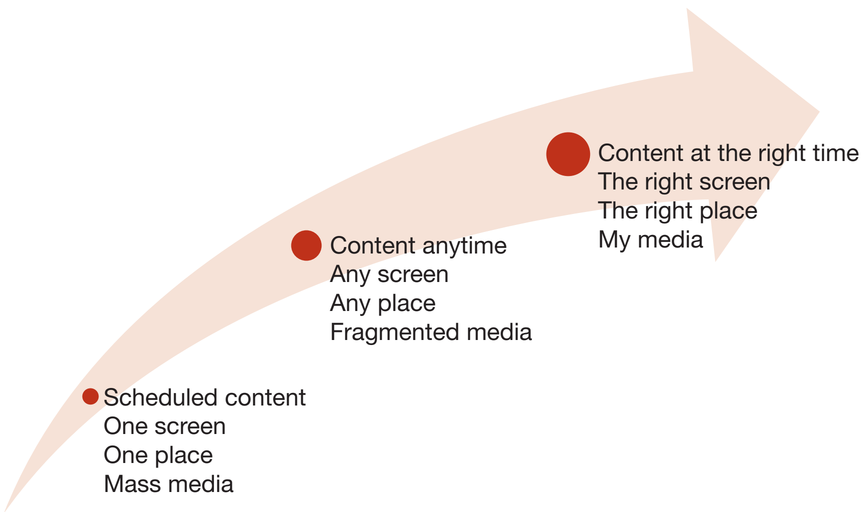
Led by the burgeoning middle class, South African consumers will continue to increase their spending on E&M as they migrate towards digital and, increasingly, mobile consumption across an expanding array of devices.

The underlying journey is from 'mass media' to 'my media' and the E&M companies that successfully accompany consumers along the way will be the ones that have the speed, flexibility and insight to engage and monetise an ever-more diverse consumer base by delivering personalised, relevant and ultimately, indispensable content experiences.

In the long term, there is a general shift towards a personalised content experience.

In the last five years, South African consumers have seen an explosion of choice, encouraged by a small rise in household broadband, but primarily by a far more substantial increase in mobile. As consumers decide how, where and when they access the content they want to enjoy, the E&M industry has struggled to retain control of its tried-and-trusted business models. In many instances, the connected consumer is increasingly in control.

The progression of content from 'mass media' to 'my media'



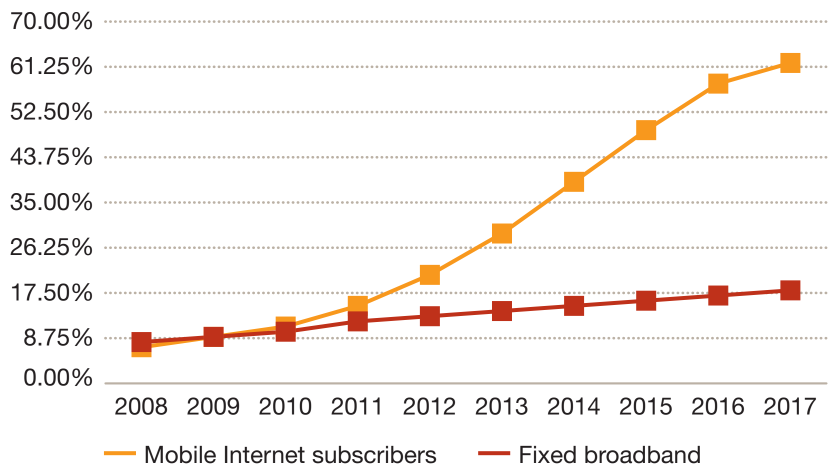
Source: Global entertainment and media online outlook 2013-2017, PwC, Informa Telecoms & Media

The role of the E&M industry is shifting from a model in which it controlled everything – from the creation of the content through to its distribution – to one in which it must provide connected consumers not just with great content, but also with great digital experiences. There are clear signs that when companies innovate in an agile manner and harness technologies that enable them to gain deep insight into consumer tastes and behaviours, they can start to define a successful, multiplatform future that will drive revenues and margins.

This underlines the extent to which constant digital innovation, including new thinking and approaches to business models and collaborations, is now a basic imperative for being – and staying – in the E&M game.

Mobile Internet access growth will outpace fixed broadband.

Internet access adoption by type in South Africa, 2008-2017 (%)



Source: PwC, Informa Telecoms & Media

Going mobile

The mobile device provides more opportunities to engage with a different client base.

The new mobile device user will be very different from the past: he or she will be poorer, younger, less educated and unlikely to have access to fixed broadband. This is typified in South Africa, where large swathes of the population remain unable to afford a computer with a fixed broadband connection and mobile presents a far cheaper and more accessible alternative way to access the Internet.

Many African consumers will be using their mobile devices not primarily for communicating, but for the purpose of entertainment, accessing information or transferring money. This means the quality of the customer experience will change from concerns around network congestion and coverage, to Internet speeds and to the relevance of services on offer. One sub-segment this will impact is mobile gaming, which is forecast to be the biggest driver of video games growth in South Africa over the forecast period.

The economy as a whole will benefit from an increase in mobile penetration.

The World Economic Forum's *Global Information Technology Report 2013* suggests a 10% increase in mobile penetration can lead to a 1% rise in low to medium income GDP[1]. Similarly, reasearch by the World Bank found that a similar increase in broadband penetration results in a 1.4% increase in per capita GDP growth in developing countries.[2]

This explains why there has been a concerted focus by policy makers to accelerate digitisation across many markets in Africa. Plans are in place to interconnect capitals and major cities with broadband infrastructure, to connect villages to broadband services, to adopt regulatory measures to promote affordable and widespread access to broadband services, to support the development of ICT skills and to adopt national e-strategies. The recent implementation of the West African Cable System (WACS), the fifth submarine cable system to link South Africa to the rest of the world, is an example of how the South African Government has made moves to ensure that all South Africans will have access to broadband connectivity by 2020.

1 http://www.weforum.org/reports/global-information-technology-report-2013

2 information and communications for development 2009: extending reach and increasing impact, world bank, 2009. http://web.worldbank.org/wbsite/external/topics/extinformationandcommunicationandtechnologies/extic4d/0,,contentmdk:22229759~menupk:5870649~pagepk:64168445~pipk:64168309~thesitepk:5870636,00.html

Identifying new E&M opportunities from the growth of mobile in Africa	
Low-cost devices	Low-cost devices will be essential if the full suite of consumer needs is to be met in some of the world's poorest and middle-income countries. The desire for a smartphone will drive the sub-$100 (R821) smartphone market.
Enriched content	Young, rural and upwardly mobile consumers will increasingly use their devices to find a job or a new partner, transfer money to loved ones, share music with friends or interact with social media services, such as Twitter and Facebook.
Mobilised SMEs	Small enterprises are the growth engine of emerging economies, and governments are eager to encourage their success. SMEs have a heightened dependence on mobility to conduct business because they do not possess enterprise-class fixed assets.

Source: PwC, Informa Telecoms & Media

In South Africa, a combination of investment, regulatory action and market factors such as competition, technological innovation and economies of scale, have made telecoms and media services increasingly sophisticated, more widely available and affordable. However, there are no grounds for complacency. Devices and services are still expensive – sometimes prohibitively so – for poorer people.

Even though Internet connectivity may spur the growth of many developing economies, investment in infrastructure to meet the rising demand for fast and reliable broadband needs to catch up. And catch up it must, because broadband has a vital role to play across society in providing:

- Small businesses with the opportunity to broaden their customer bases and reduce overheads;
- Local farmers and fishermen with information on weather forecasts, pricing and sustainable farming techniques; and
- A link in smart electricity grids, facilitating the integration of locally generated electricity.

There is, however, a fundamental problem for the public and private sectors to solve: the high costs of rolling out fibre-to-the-exchange (FTTx) and next-generation Long-Term Evolution (LTE) mobile technology.

This has led many to question whether today's competing players can each individually afford to build and own networks in a next-generation network world. Yet the momentum for the next phase of digital growth remains unstoppable.

Cord cutting and cord nevers: The growing ranks of online-only content consumers

Cord cutting is the process by which some consumers decide to abandon their traditional pay-TV subscriptions and instead access the content they want online, often via an array of relatively cheaper, Internet-based content services.

A further interesting dynamic now emerging is the cord nevers – a younger generation of people, who have never been pay-TV customers and who would never think of accessing content any other way than via the Internet. For the traditional pay-TV industry, the risk is that this represents a generational shift that will become more pronounced as more and more young consumers become adults.

The dynamics of cord cutting are investigated in a PwC report published in 2013, entitled *The cord cutting debate and the role of the second screen in TV, advertising and content distribution.* The paper stresses that traditional TV viewing is still popular, with ubiquitous TV content-on-the-go packages becoming commonplace. OTT services are still limited, while growing engagement with second-screen offerings are helping to generate incremental revenue and retain customers' attention.

Although cord cutting may not have a significant impact on pay-TV providers in the short-term, the consensus is that cord cutting is beginning to accelerate. With subscription pay-TV bundles becoming ever-more expensive for consumers, there is a growing economic rationale for consumers to cut the subscription cord and move to a pay-as-you-go or on-demand service, as they seek more spontaneous and flexible ways to access content.

Part of the problem lies in the rising content costs being charged by owners, resulting in the distributors' raising prices to maintain their margins. But consumers don't appreciate that factor, since it is invisible to them. Also, aside from the impact on pay-TV providers, a further implication of the rising levels of cord cutting is the opportunity it creates for online content discovery, search and aggregation services.

Globally, pay-TV providers are making various moves aimed at reducing cord cutting and minimising the impact of a rising tide of cordless consumers. This includes offering subscribers password-protected Internet – and increasingly – mobile access to their channel bundles. This strategy is now being extended to include pay-per-view day passes to premium content for non-subscribers.

Source: The cord cutting debate and the role of the second screen in TV, advertising and content distribution, PwC, 2013
http://www.pwc.com/us/en/industry/entertainment-media/publications/cord-utting-second-screen-tv-networks.jhtml

Mobile advertising has gained importance as advertisers try to reach users on multiple devices.

Mobile advertising

Advertisers should seize the opportunities offered by mobile.

Thanks to the range of affordable mobile handsets, a relatively high proportion of South African consumers are using mobile to access the Internet, rather than fixed line. While South Africa's high mobile penetration will directly benefit the mobile advertising sector, it will also provide new impetus to other advertising formats, such as out-of-home and online directory advertising.

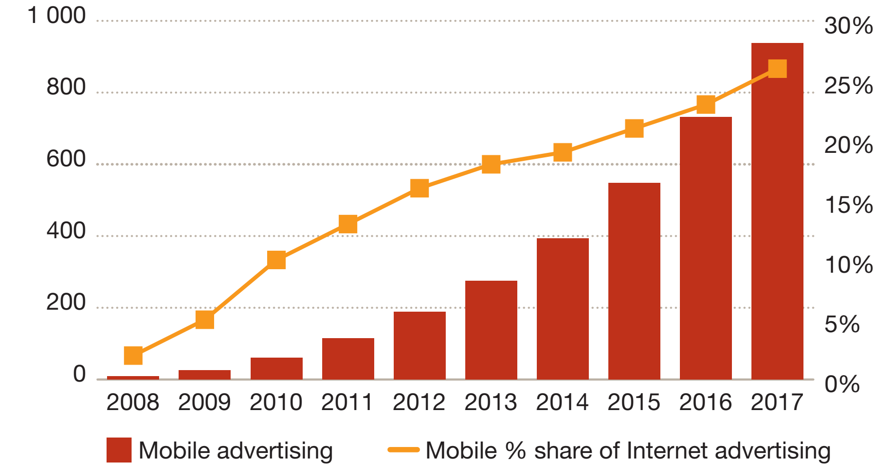
Elsewhere, the deepening relationship between consumers and advertisers will also generate new opportunities to sell products and services directly from mobile devices. The growth and influence mobile will have on Internet advertising in South Africa will be of the most significant factors in the development of South African entertainment and media in the next five years.

Integrated campaigns

Advertisers and brands in South Africa are beginning to use mobile advertising as part of integrated campaigns involving outdoor, online, TV, radio and print advertising. With the devices' growing ubiquity, mobile advertising revenues will grow to represent more than 25% of all South African Internet advertising revenue in 2017.

Mobile advertising will help drive growth in Internet advertising.

Mobile advertising spending in South Africa, 2008-2017
(R millions and as a % of total Internet advertising)



Source: PwC, Informa Telecoms & Media

Even if mobile advertising's share of total advertising revenues is not game-changing in the short-term, neither the potential nor the importance of mobile as an advertising platform should be underestimated in the long run.

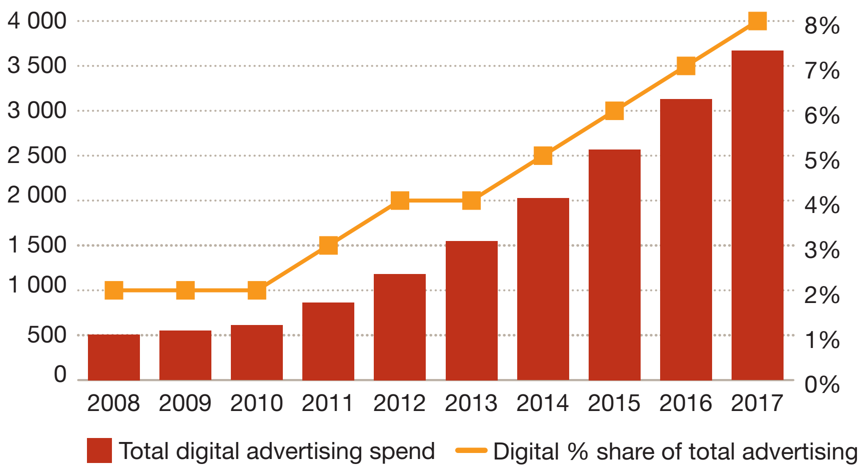
While mobile ad revenues continue to grow, in the near term, mobile's major role in advertising will not be just as a standalone platform, but as a component of a wider multi-platform campaign. The most effective ad campaigns will be those that integrate mobile with other forms of advertising.

Brands and advertisers increasingly want to reach their target audience through multiple channels. The mobile device is pivotal to this aim, as it is the only device that a consumer carries all the time. It can therefore play a key role in increasing the effectiveness of advertising campaigns by extending the consumer engagement period.

Traditional media will still dominate

Digital advertising revenues are growing overall, but some segments and territories are seeing more rapid growth, linked to the penetration of Internet access and mobile phone ownership. But while consumers globally continue to embrace content delivered across multiple digital platforms, South African advertisers' loyalty to traditional media will continue in the medium term.

Digital advertising spending in South Africa, 2008-2017
(R millions and as a % of total advertising)



Source: PwC, Informa Telecoms & Media

Mobile will account for one third of total Internet advertising spend by 2017.

For all the talk of digital platforms and the ubiquity of connected devices, the majority of advertising spend in 2017 will still be on traditional media platforms. Advertisers will remain loyal to media whose effectiveness, as measured by established metrics, they understand and trust.

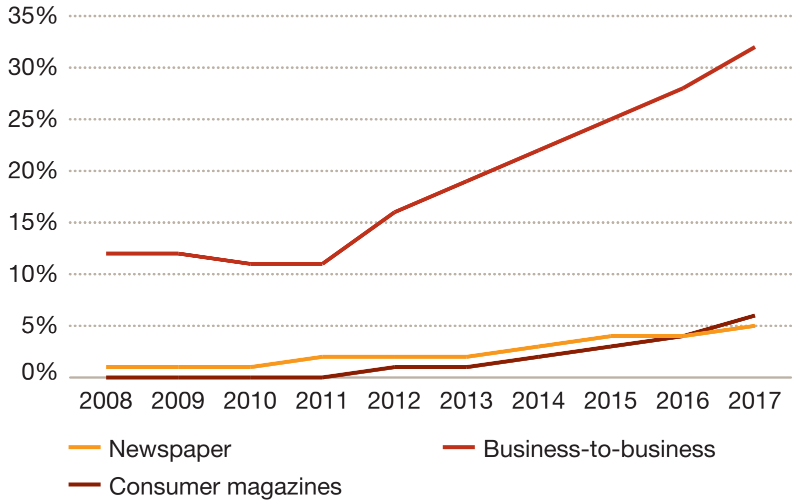
For all digital media's popularity with consumers, the industry has yet to agree on new forms of measurement and it will be some years before digital spend in South Africa exceeds spend on traditional media.

Advertising effectiveness, on any platform, is dependent on who sees the ad and how they react to it – in other words, the size and level of engagement of the audience. Advertising revenues in the future will be based on the ability of content owners to offer credible, cross-platform metrics that define and measure audience reach and engagement.

Cross-platform metrics, however, are just the start. There is a growing consensus that it is engagement that drives effective advertising. As yet, however, there is no consensus about how engagement should be accurately measured. One issue involves identifying where innovation will come from, but the reality is that all interested parties must work to identify and use new measurement tools. Content owners, advertising agencies and advertisers need to collaborate to identify, agree on and implement the tools and processes required.

B2B is the most digitally advanced publishing sector in South Africa.

Digital advertising revenues by publishing sector in South Africa, as a share of the total advertising segment (%), 2008-2017



Source: PwC, Informa Telecoms & Media

The penetration of digital advertising within sectors varies in South Africa as elsewhere. Even within publishing, for example, rates of growth vary significantly. For newspapers and consumer magazines, while digital consumption is becoming increasingly important to consumers, the vast majority of ad revenues will continue to come from the traditional delivery platforms.

Newspapers and consumer magazines are hoping that digital advertising revenues will grow to offset the decline in print advertising revenues in the long term, although digital is only expected to take up a small percentage of total magazine advertising revenue in the next five years.

It is the B2B sector, and especially directory advertising, where the shift to digital has been most pronounced. The consumer market could learn much from the way that B2B businesses and those who advertise with them have transitioned aggressively to digital models, with the result that digital revenues will make up 37% of total directory advertising revenues in South Africa by 2017. In contrast, the comparable share in consumer magazines will be just 6%.

Publishers must seek to accelerate the transition to digital in order to remain relevant to consumers, but must continue to innovate in non-digital advertising too, given its continued importance.

The value of big data

Many in the E&M industry like to talk about the value of big data, but there is as yet little insight into how to harness it. While there is acknowledgement that there is real value within the flow of data generated by users accessing content from a variety of Internet-connected platforms and devices, few yet know how to extract the right data to create the most meaningful insights. Most media businesses have not historically had direct relationships with their consumers. This makes it more difficult for them to aggregate, let alone mine, data about those consumer preferences.

Companies that offer their products directly to the consumer – such as newspapers and magazines that offer subscriptions – have had to acquire new skill sets. Effective customer relationship management, reliable and accurate billing mechanisms and the establishment of the right pricing strategies are all areas beyond the traditional competence of most content companies.

Getting these things right will take time and money. Partnering with third parties that already have those skills, such as specialist billing or customer relationship management firms or pay-TV operators, could offer a quick fix.

The real opportunity for advertisers and publishers lies not in the abstract notion of 'big data' but in the granular small data derived through sophisticated analytics that gives insight into consumers' actual and likely behaviour in response to a particular experience, thereby leading to better-informed decision making and targeting.

Small data is particularly powerful if the insight contains information about intent to purchase or take action than if it's just transactional information unconnected to what customers will do next.

Increasingly deep knowledge about consumers' habits and preferences will create a great opportunity for advertisers to offer tailored advertising focussed on goods and services for which consumers have already perhaps expressed preference. The vision of a smart advertising model informed by accurate and up-to-date data that eliminates wasteful spending by focussing on an identifiably interested audience is a holy grail that is within sight.

Companies' pursuit of this will bring new challenges around privacy, as regulators and content providers try to establish a level of information sharing that creates benefits for consumers without intruding on their personal space. There is a thin line between providing helpful information on the one hand and being intrusive and overly familiar on the other. Advertisers, though keen to exploit the value of consumer data, will rightly be wary of damaging the reputation of their brand by clumsy overselling.

Consumer privacy:

What are consumers willing to share?

A recent PwC survey found that today's consumers are eager for companies to deliver exciting and personalised services and for the most part, they are willing to share personal information to get them.

But getting consumers to share more in-depth personal information requires companies to offer something in return and to be transparent about the information that they collect and how it will be used.

What this means for your business

It's all about making the consumer feel in control. Businesses have to be explicit, clear and direct by stating which pieces of personal information will be used, how the information will be collected and what the consumer will get in return. When consumers perceive transparency and have the option to control what and how information will be shared, they become more willing to share information.

Consumers have greater willingness to share information with well-known and big-name companies. This could include educating consumers about how their information is protected and how companies prevent security breaches.

Because consumers focus on the benefits they receive from sharing information, it's essential that a company be willing to give something back. Consumers love free services and products, but they're also willing to share information in return for non-monetary benefits.

Companies should consider targeted marketing and communications for younger versus older consumer segments. There are distinct and consistent differences relating to sharing attitudes and behaviours between people in these demographic groups.

To use mobile marketing strategies, companies will have to offer greater incentives to consumers. Consumers believe their mobile is their lifeline thus making mobile extremely personal and private. SMS messages they receive are supposed to be from friends and family, not from businesses for promotional purposes.

Companies should use e-mail as the best means to communicate with consumers. Consumers feel comfortable sharing their e-mail addresses, and even though they are overwhelmed by quantities of communications, they specifically look for e-mails from companies once they are ready to make a purchase.

Source: PwC Consumer Intelligence Series: Consumer privacy: What are consumers willing to share?, PwC, 2012. http://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/consumer-privacy.jhtml

Managing content

Content creators must harness the power of social media, but traditional curation remains vital.

One way of directly engaging with customers is through social media, and E&M CEOs, to a greater degree than executives in other sectors, are keen to harness the power of social media to garner better insight.

Globally, according to PwC's *Global Entertainment & Media Outlook 2013-17*, 70% of E&M CEOs report users of social media as being somewhat or significantly influential, with 95% of these CEOs strengthening their engagement programmes to this stakeholder group – 17% above the global cross-industry average.

With an estimated five million Facebook users in South Africa in April 2013, social media will remain a key source of insight into consumer demands and trends. Yet executives must also be careful not to over-cater to those customers most active on social media at the expense of those who are less likely to volunteer feedback in this way.

Older consumers, for example, are generally less likely to engage via social media, but are more likely to pay for traditional media content, so ignoring them would be foolish. Social media feedback should be one source of insight into content and product strategy for the E&M sector, but blending these insights with traditional editorial and curating skills (whose value should not be underestimated) will remain an important challenge for content creators.

In an increasingly fragmented media landscape, content creators must deepen their engagement with audiences by ensuring that both content and the way it is delivered are relevant and dynamic. Agility must be at the heart of the content business.

Content creators can deepen their engagement through use of social media to further build relationships with consumers, but in order to do that they must deliver content that is relevant to the needs of South African consumers.

Relevance and agility are the biggest issue for content creators.

Content must be distinctive and must also be available in the right format at the right time (and the right price) to ensure it is relevant. With the majority of South Africans accessing the Internet through their mobile phones, it is important that as much content as possible is mobile compatible. To achieve this, E&M businesses will need to flexible in the way they create and distribute content, and how they shape their product to best meet the needs and demands of South Africa's connected consumers.

Some executives might consider that as digital revenues remain a fraction of overall E&M revenues, over-focusing on digital may detract from the value there still is in the market for traditional physical media. But the principle of serving your customers' needs remains central even for those companies primarily selling physical media. The tools and technologies available for engaging with those consumers must be effectively used by all South African E&M companies in order for them to remain relevant.

Personalisation

Personalisation will create a challenge for many content creators.

Consumers' desire to personalise the way they see, find and consume media and communications has been borne out of services, such as social networking sites, where every consumer experience is different – based on their friends, preferences or historical activity. Furthermore, users of smartphones are increasingly personalising their own content universe by finding apps for the content and services they value.

Content creators must consider how their products can be personalised, where possible, allowing that content to become embedded in the fabric of a consumer's E&M universe. Using social networking tools and offering content via apps are examples of how traditional content creators can adapt to new consumer needs

More linear or premium format content (films, video games and books) cannot reasonably be 'personalised' to any meaningful extent. In these cases, good consumer communications and engendering a feeling of community will go a long way to establishing consumer engagement.

South African newspapers, for example, have increased their online presence by engaging with their customers through social media sites such as Facebook and Twitter. Such examples are a reminder that, to stay relevant, content creators will have to innovate both their products and the way they deliver them.

Products and services innovation for TV and the Internet

High-speed Internet, multi-room DVRs, movies, video on demand, cloud storage, sports packages, hundreds of channels, digital TV and Internet services today's consumers have a dizzying array of features and options. But what do consumers and small business owners really want from their Internet and digital TV providers?

For consumers, control and flexibility are key when it comes to their digital TV service. They want to choose what they watch and when and how they watch it, whether that means using video on demand to stream movies, watching prime time shows at 5 a.m., or storing an entire season of a show on their DVR. They want their Internet speed to be fast and reliable. If something goes wrong, they want their providers' website and customer service representatives to help them quickly and easily solve the problem.

Cost-conscious small business owners, however, care more about the value these services can bring to their business. They are keenly interested in selecting the features to fit their business needs as a way to be more cost efficient, rather than relying on pre-configured 'bundles'. They also want their service providers to help them review those choices periodically, to make sure they're getting the most value for their money.

Unlike consumers, they see Internet service as much more important than digital TV, as the Internet is often a vital function for their businesses. This also means that they want 24/7 customer service, including a phone line, so their business doesn't suffer due to a service outage.

Though their priorities are different, both consumers and small businesses represent fresh opportunities for providers. Improved website design and navigability as well as proactive customer service are highly appealing to both segments. Both groups lack full understanding of high-speed Internet options and cloud storage, so providers have an opportunity to promote those services through education.

Both segments also want more flexibility and control, so providers have an opportunity to appeal to this desire by offering customised packages while continuing to promote on-demand features for consumers. Both consumers and businesses want choice, but they want it delivered in a manner that makes it personal and accessible to them.

What this means for your business

Consumers

- **Consumers want control and flexibility – especially in the area of digital TV, where there is the greatest level of engagement.** Providers have an opportunity to continue to connect with consumers on these levels with services/features that put them in charge of the experience. Give them what they want, how they want it, when it's convenient for them.
- **The need for speed is critical – and it's an area that consumers perceive to be currently lacking among all providers.** Significantly, however, they are confused about what constitutes 'high speed'. Providers have an opportunity to better educate consumers on what they get when they upgrade components of speed (MBps) – and importantly – what hardware they need for the utility they want.
- **Packages and bundles should focus on combining innovative digital TV features and services that offer control and flexibility.** Internet components are viewed as less important (unless they focus on speed), so providers should focus on TV and educate consumers surrounding benefits of new features such as home automation.
- **Provider websites need to be more user-friendly and better organised and navigable so consumers can easily find the information they want and answer specific questions.** The most important components of account management are the ability to view/pay bills online and 24/7 online support for questions or when features/ services breakdown. It is also important to offer a phone feature in case an Internet service interruption is one of the problems they seek to solve. Consumers are also interested in proactive customer service for example, texting a company to inform them of a service issue and providing a phone number so that the next available representative can contact them.

- **Consumers are content with the features/services currently being offered to them.**
The opportunity for providers is to better educate consumers about what features exist (storage solutions, for example), why they might like to know more about them and how they could benefit from them.

Small business owners/ managers

- **Cost consciousness is quite common among small business owners/managers.**
They need to balance their Internet and digital TV choices with other business requirements. Given a set of choices, the lower price wins in the absolute. And since they are not willing to pay extra for innovative features or functionality, the opportunity for providers is to increase awareness on the importance of these features to running their business more successfully.
- **There is an opportunity for features 'bundles' to include more than just features, but also add value-added services to small businesses.**
One example is quarterly account reviews. Since their priority is saving money, small business customers would consider a review of their features usage and recommendations for changes to be a value-added service.
- **Offering a package that small business managers or owners can select themselves is appealing.**
They would select the package of services/features that makes the most sense for their business, giving them more control. It also provides a more customisable component, which can be marketed to address the varying needs of different types of businesses.
- **Adding a 'call' feature to the 24/7 service offer.**
This would addresses a perceived 'helplessness' of not being able to do anything about an Internet problem if their service is down.
- **Small business customers are looking for more and faster storage solutions.**
There is an opportunity for providers to offer more education on the capacities and importantly, safety of cloud-based storage/ digital lockers.

Source: The PwC Consumer Intelligence Series: Products and services innovation for TV and the Internet
http://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/index.jhtml

Content delivery

Digital distributors must deliver the right content at the right time, on the right platform and at the right price.

Great content distinctive, branded, portable, exclusive, compelling, and available on multiple platforms will remain the best way to attract and retain paying customers in the connected era. It is essential, but it is also not enough to guarantee success.

Great content is essential – but will not be enough on its own.

Consumers also expect great products through which they can access the content. These products or channels must be intuitive, robust, portable and simple to navigate. They must provide value and utility to the customer beyond merely being the home of the content. This requires new flexibility in working with new talent, and often collaboration with others outside the old ecosystem.

While E&M CEOs now generally recognise the value of focussing on the consumers' needs, truly compelling digital products remain rarer than they should be. In an increasingly fragmented media landscape, content creators must deepen their engagement with audiences by ensuring that both content, and the way it is delivered, are relevant and dynamic. Simplicity and agility must be at the heart of content offerings.

Digital media distribution creates the demand for instant access.

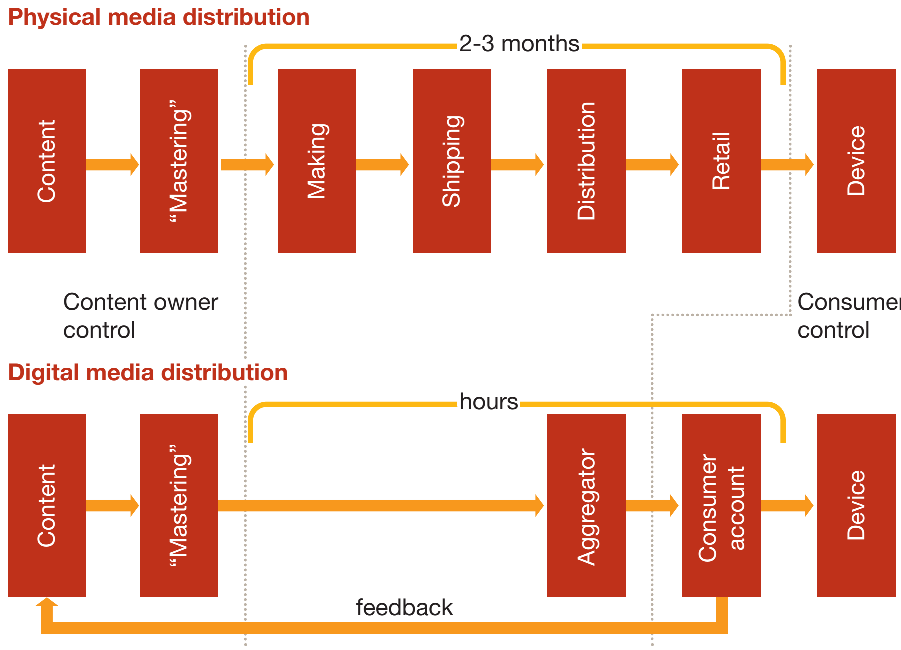
Digital distribution is changing consumers' expectations of content.

A feature of the process of digitisation is the ability it gives consumers (theoretically) to access the content they want at any time, across a range of devices. Clearly the world of traditional media – with licensing models tied to physical formats – is having to adapt to the shifting demands of connected consumers. One of the most obvious impacts is on the time to market the gap between the release of a movie or game in the US market, for example, and it appearing legitimately in South Africa.

It is the pace of change that is alarming traditional media businesses. Even five years ago the models for distribution made sense, but in an era where consumers want the right media on the right platform at the right time, companies must be flexible in the way they develop products and services that meet these new requirements.

Expectations set by the world of mobile apps (which are personalised, ubiquitous and cheap) and disruptive players such as Netflix in the USA (which is available on multiple devices), must be met by traditional content distributors.

Typical timelines for physical and digital media distribution



Source: Global entertainment and media online outlook 2013-2017, PwC, Informa Telecoms & Media

Among the many issues this creates for the E&M sector, licensing frameworks and traditional distribution strategies will need to adapt to meet new consumer expectations. The connected consumer is in control, and if they can't access your content, they will either take someone else's or alternatively – and this is a major concern – find a way to access it through illegal channels. This is why E&M companies must be flexible and innovative in the way they respond to the challenges of digitisation. But a smart and flexible distribution strategy based on consumer understanding can deter piracy and accelerate growth in digital revenues.

Piracy

It is difficult to overestimate the impact of content piracy in certain sectors and certain territories. For example, outside of North America and Western Europe, piracy of filmed entertainment remains a huge problem. Illegally produced DVDs are widely available in South Africa, although there is evidence of an attempt by the South African authorities to curb their production.

Piracy will remain a huge challenge, but smart distribution strategies can help.

Despite the fact that broadband penetration is still relatively low in South Africa, as broadband penetration increases, the entertainment industry fears users will access more illegal digital versions of content. Quantifying the value of piracy's impact on traditional media is difficult, both in terms of tracking activity and assessing what proportion of those accessing pirated content would realistically have paid for the legitimate version. But there can be little doubt that the decline in the DVD market in South Africa has been accelerated by the growth in availability of pirated copies.

In many markets there is little sense of copyright infringement as a crime and consumer education is subsequently a key method through which to reduce piracy in South Africa. To this end, the Recording Industry of South Africa's Anti-Piracy Unit has targeted not only the public but also educational and corporate institutions, through special investigative programmes, newspaper articles, interviews with radio stations and other approaches involving presentations to social forums and press releases.

As well as educating people, more forceful regulatory measures have also been introduced. In 2011/12, South Africa's Film and Publications Board closed down 215 illegal operators and destroyed or confiscated more than 370 000 illegal content items.

While tighter regulation is important, the key to curbing the piracy of content will be the introduction of smart legitimate distribution strategies based on a better understanding of consumers' demands. A delay of several months between the release of a US movie and its release in South Africa, for example, creates an unmet demand, which individual consumers and criminal organisations can readily exploit by making that content available online or on DVD almost instantly. Delivering the content to the right people, at the right time, in the right place, and at the right price, will be essential to tackling piracy in the long term.

Regulation

The regulatory playing field is still not level.

In all markets, regulation remains a huge issue for the E&M industry – and looks set to remain so for the near future. The overarching problem is that whereas E&M companies such as TV stations and newspapers are heavily regulated, online providers are not. Across the world, regulatory frameworks are struggling to catch up with the industry's development and they're failing to anticipate the changes being driven by the shift to a digital world.

Talent mobility: the future of mobility in a globally connected world

According a PwC report released in 2013, the ability of organisations to manage their global talent efficiently will make the difference between success and failure. The best and brightest are prepared to follow their own agenda and opportunities wherever in the world those opportunities may be and irrespective of who is offering those opportunities. It's a world where the most sustainable supply of talent is in the East rather than the West, and a world where technology has changed the way we work.

Economic transformation and demographic changes have already had an impact on talent supply and demand. The emergence of a new generation of workers presents an entirely new set of challenges. Talent management will become a key strategic tool.

Empowering young employees and encouraging them to innovate and influence business strategy makes sense for an industry facing major disruption in the way its core product is bought and consumed. The promotion of social tools in the workplace alongside regular internal forums for testing ideas should be a basic component of the E&M workplace.

The evolving, connected era workplace demands new skills and structures

E&M executives will also need to address the structures of their organisations to position them for success in this connected era. The role of digital within the company is shifting from the periphery of the business to the core. The key to successful transition of a business is to focus on end-user needs in terms of delivery of content rather than on artificial constraints imposed by physical media – such as deadlines for a printed newspaper.

Serving a connected audience will require new skills as well as new organisational structures. With many E&M businesses facing stretched resources, decisions about where and when to invest, where to cut back and where to outsource will assume even greater importance.

However, the integration of new skills and technologies into the business may require time that many businesses in the sector feel they don't have. Hence there will be a growing trend towards partnerships and mergers with a view to accelerate the integration of new technologies and new practices into the business.

Source: Talent mobility: 2020 and beyond, PwC, 2013
http://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/global-mobility-map.jhtml

Conclusion

Growth in the E&M sector will be driven by understanding what audiences want in the connected era.

The entertainment and media industry in South Africa is well placed to benefit from the economic growth the country will experience in the next five years. While many mature economies – such as those in Western Europe – are seeing low levels of growth, the outlook for South Africa is more positive. As a result, with more consumers becoming connected to the Internet (via their mobile devices, typically) and with more disposable income available, the opportunities for those selling products and services both digital and physical will be significant.

The forecast annual growth rate for the E&M market in South Africa in the next five years is 10.9%, one of the highest in the world.

This does not mean that publishers or providers of content in South Africa have all the solutions, or that in the short term they will not face significant challenges. But there is a real opportunity to build large paying audiences for content and services, and to then deliver those audiences to advertisers across multiple platforms.

The forecast annual growth rate for the E&M market in South Africa in the next five years is 10.9%, one of the highest in the world.

To contribute to and benefit from this, all stakeholders must ensure they truly understand the needs and expectations of audiences, so that their engagement with this consumer base remains relevant. What is needed in all cases is not a digital strategy *per se*, but a strategy that's fit for a digital and connected era.

Digital rights management

Denise Fouché
PwC ICT Legal Consultant

Controlling digital content

As it becomes easier to exchange digital data with an ever-growing number of users, content owners look to Digital Rights Management (DRM) systems to control access to and actions that can be performed by users of digital content. Internet access has taken music and film piracy to unprecedented levels and DRM systems are seen as the primary tools in an ongoing battle between content providers and users. With users demanding greater freedom with regard to purchased content, digital content owners are compelled to consider new models of controlling the distribution of content.

DRM employs technological protection mechanisms to prevent the user, viewer or listener from performing certain actions that the distributor wants to limit, such as copying. This limitation also applies to downstream use of the content.

Legal questions and anti-circumvention legislation

Copyright incentivises content creators to create works while allowing consumers to use those works in certain ways. The author and user are granted rights to the content – in exchange for allowing the work to enter the public arena, the creator is granted a monopoly over the work. This monopoly guarantees that users will have limited use of the content and will not exploit the content without permission.

Digital technology has disrupted this balancing of rights because digital data can be copied easily and swiftly distributed to a wide audience. The Internet has ensured that this audience is potentially a global one.

Copyright law

In South Africa, copyright is governed by the South African Copyright Act No.98 of 1978. South Africa is a signatory to a number of international intellectual property agreements. These agreements oblige South Africa to adopt the minimum requirements set out in these agreements in national law. South Africa is also obliged to grant foreign creators of signatory countries the same protection afforded to South African creators.

However, digitisation of content involves more than just the act of copying. It often involves the conversion of content to another format. This can include modification and adaptation, which may allow the content to be searched, browsed and modified simultaneously by many users. Such actions in relation to content could comprise an infringement of the creator's moral rights in the work. To access a digital version of a work, copying is required[1].

For media and entertainment industries, the threat to their revenue stream comes from the ability of the average home-user to infringe copyright. The digital environment provides technology that allows for easy copying that delivers an almost perfect reproduction of the original work. The International Federation of the Phonographic Industry maintains that in 2006, 20 billion unauthorised music recording were downloaded, with the ratio of illegal to legal downloads estimated to be 40:1[2].

Owners of digital media rely on DRM and technological protection measures (TPMs) to enforce their legal rights in a digital work, while users expect to access and engage with paid-for content free from intrusion. This expectation has resulted in those with technological knowledge finding ways of circumventing DRM and TPMs.

Distributors are probably the group most threatened by the use of digital technology in the dissemination of content. Their response has been to use digital technology to protect their rights[3]. However, this is often regarded as distributors affording themselves greater rights than those provided by copyright law.

Distributors are also threatened by the possibility of creators distributing their digital works independently.

Anti-circumvention legislation

The ease with which circumvention of protection measures is achieved and lobbying by distributors has resulted in the passing of anti-circumvention legislation in many countries, supported by international treaties. The World Intellectual Property Organisation (WIPO) drafted the WIPO Copyright Treaty (WCT), which became effective in 2002. Although South Africa is a signatory to this document, it has not yet ratified the Treaty.

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1. This summary is taken from Managing Digital Collections: A Collaborative Initiative on the South African Framework, Chapter 2, written by Denise Nicholson and published by the National Research Foundation
2. Gareth Latter, "Copyright Law in the Digital Environment: DRM Systems, Anti-Circumvention Legislation and User Rights", Masters of Law Thesis, Rhodes University, December 2010.
3. Ibid 23
4. Ibid 7
5. Latter points out that 164 states were party to the Convention in 2010.

The Treaty states that parties must enact local legislation to prevent DRM circumvention. Such legislation makes it an offence to circumvent DRM or provide the tools with which to implement circumvention of DRM.

Copyright users often regard this legislation as a curtailment of their rights to the content, particularly when copyright owners abuse the protection measures provided by law. Media companies have been accused of 'overzealously protecting the rights of the copyright holder while ignoring the rights of the end-user'[4].

DRM allows the copyright holder to control how the content is used. The owner could thus determine what devices, an e-book for example, the content could be accessed on and whether the user is permitted to loan the content to others.

Apple's use of its FairPlay DRM system allowed it to monopolise the online digital music market by controlling the devices on which content could be used. This in turn, determined users' device purchasing decisions.

Treaties are regarded as the primary mechanism for protecting copyright. The Berne Convention for the Protection of Literary and Artistic Works is a virtually globally-accepted standard[5].

The World WCT and the World Intellectual Property Organisation Performance and Phonograph Treaty (WPPT) are the primary treaties relating to the implementation of anti-circumvention legislation.

The United States' Digital Millennium Copyright Act of 1998 (DMCA) is an example of domestic legislation relating to the implementation of anti-circumvention laws. The Act is, however, regarded as an instrument that limits fair use rights.

South Africa's failure to ratify the WCT and the WPPT is regarded as positive in that total control of content could be detrimental to developing nations. On the other hand, some commentators believe this failure is detrimental to the country's content creators in that they do not enjoy the same protection as their peers abroad.

South African copyright law makes no provision for the conversion of content into alternative formats, nor does it address DRM. However, the Electronic Communications and Transactions Act No 25 of 2002 (ECTA) provides in clause 86 for 'anti-circumvention' measures and prohibits devices used to override such measures.

Chapter XIII of the ECTA deals with cybercrime and provides for unauthorised access to, interception of and interference with data[6].

Complete DRM systems could comprise license agreements, usage contracts (such as shrink-wrap and click-wrap agreements[7]) and technological protection measures. Content owners can rely on contract law to override copyright exceptions by providing terms of use and re-use in license agreements.

Organisations should create intellectual property policies to cater for the management of digital content. Legal disclaimers or notices can provide protection for content users. These should include a privacy notice, copyright disclaimers and a notice of invitation to rights holders[8].

In drafting these contracts, content owners should be wary of infringing copyright by imposing certain prohibitions. End-user license agreements that prohibit reverse engineering could infringe the fair-use provisions of copyright law.

Music, film and book distributors are increasingly considering alternative distribution methods that do not rely on sales-based revenue. Allowing the public greater access to content can result in greater revenue generation. Here, free distribution or offering content on a website on a 'pay-what-you want' basis can lead to greater publicity and thus demand for a work.

Although the law does provide for DRM, it is up to industry players to develop distribution methods that best serve their interests and those of their customers.

PwC's Technology and Innovation Law team

As specialist lawyers advising clients on legal liability attached to advances in technology, PwC's Tech law team is well placed to assist M&E clients in navigating the opportunities and legal challenges presented by the digital and information age.

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[6] Section 86 States:

(1) Subject to the Interception and Monitoring Prohibition Act, 1992 (Act 127 of 1992), a person who intentionally accesses or intercepts any data without authority or permission to do so, is guilty of an offence.

(2) A person who intentionally and without authority to do so, interferes with data in a way which causes such data to be modified, destroyed or otherwise rendered ineffective, is guilty of an offence.

(3) A person who unlawfully produces, sells, offers to sell, procures for use, designs, adapts for use, distributes or possesses any device, including a computer program or a component, which is designed primarily to overcome security measures for the protection of data, or performs any of those acts with regard to a password, access code or any other similar kind of data with the intent to unlawfully utilise such item to contravene this section, is guilty of an offence.

(4) A person who utilises any device or computer program mentioned in subsection (3) in order to unlawfully overcome security measures designed to protect such data or access thereto, is guilty of an offence.

(5) A person who commits any act described in this section with the intent to interfere with access to an information system so as to constitute a denial, including a partial denial, of service to legitimate users is guilty of an offence.

[7] Agreements that state that by removing the wrapping from a package or by checking the accept box, the user accepts the terms and conditions of agreement

[8] Ibid

Cloud storage

Marthie Crafford
PwC Advisory Entertainment & Media Leader

On the digital playing field, cloud storage is an important trend that impacts all consumers of digital content. It potentially has a transformative potential, not unlike the Internet.

Cloud storage is the storage of data and multimedia content over a public network – though in certain instances, it's possible to store such resources over a private or community network. The computing resources often consist of hardware and software components. The name 'cloud' is derived from the cloud symbol often used to display complex system diagram structures.

Consumers typically access cloud services through the web via PC or handheld devices, such as mobile phones or tablets. They make use of an Internet-based service provided by a third-party cloud service provider to store and retrieve data and multimedia content.

Risks and responsibilities

Consumers are exposed to certain risks that need to be managed. These may include security over data and content, privacy, availability of service and ownership of data and content.

Research by PwC in the US found that the most significant issues affecting customer satisfaction among cloud users ranged from information security and reliable service delivery to service performance.

Consumers expect strong governance over security management, availability of services and compliance with industry-specific requirements from their cloud service providers.

At the same time, service providers recognise a number of significant challenges in the cloud computing market:

- Data protection and compliance requirements;
- Standardisation of internal processes;
- Individual service-level agreements;
- Information security; and
- Customer satisfaction.

As mentioned elsewhere in this publication, consumers lack a full understanding of cloud storage, so cloud service providers have an opportunity to promote those services and manage expectations through education.

Cloud service providers can also educate users about computing law to prevent potential abuse of intellectual property rights, copyright and digital content rights. They will also need to implement mechanisms to protect themselves against potential abuse or infringement of intellectual property by cloud consumers.

For instance, consumers may be unaware that they are infringing copyright when cloud services are used to share copyright-protected material. Consumers need to be educated about the legal rights and risks associated with the content of digital locker usage. Storing content in digital lockers raises a number of legal issues with regard to the protection of intellectual property.

Cloud service providers must educate consumers and make certain they have adequate measures in place to address the associated risks, while also ensuring that business processes are efficient, system performance is at the desired level and compliance with applicable laws and regulations is maintained.

Section 3
Segment focus: highlighting the trends shaping individual industry segments

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Internet

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Definitions

Internet access is a key driver of entertainment and media advertising and content spending in most segments. The Internet market consists of both consumer spending on Internet access and the revenues generated from Internet advertising.

Internet access

Internet access considers consumer spending on accessing the Internet and is split into two categories: mobile Internet and fixed broadband Internet.

Fixed broadband includes both wired and wireless connections and is a subscription to either a home or a small or medium-sized enterprise (SME) premises. Internet access services are delivered to a home, office or other fixed location provided by cable, multichannel multipoint distribution service (MMDS), modem, xDSL, fibre-to-the-xx (FTTx), WiMAX, proprietary wireless broadband, Ethernet, Powerline Communications or satellite broadband technologies. Enterprise customers larger than SMEs are considered to have a leased line/dedicated cable and are not included within our coverage of residential fixed-line service. Fixed Internet therefore includes fixed broadband and dial-up.

Mobile Internet considers Internet access over the medium of cellular air interfaces, generally via a 2.5G network or higher. This covers Internet access via mobile devices and for connected devices that use embedded modems, dongles and data cards. Mobile Internet subscribers are considered unique users.

All fixed broadband household and mobile Internet subscriber estimates are counted at year end.

Figures do not include the purchase of online content such as music, videos or games. The figures for spending on entertainment content downloaded over the Internet or through mobile phones are included in the respective chapters of this publication.

Internet advertising

Internet advertising is split between spending by advertisers either through a fixed-line connection or via mobile devices. The fixed-line categories are advertising via paid search, display, classified and video advertising. Display includes all banner, rich media, sponsorship, lead generation and e-mail-related advertising. The mobile category includes all advertising delivered directly to mobile devices via formats designed for the specific device.

The Internet advertising segment also includes online television, digital newspaper, digital magazine and digital directory advertising. These are also included in their respective segments but are eliminated at a total level to avoid double counting.

To maintain consistency across all segments, advertising revenues are shown as net revenues, which exclude agency commissions and production costs where applicable.

In brief: Internet access

Consumer spending on Internet access in South Africa will reach approximately R59.6 billion by 2017, up from R19.8 billion in 2012, a CAGR of 24.7%.

The South African Internet market is dominated by the mobile segment due to increased investment in cellular coverage by mobile operators and decreasing tariffs. Internet access via mobile devices comprised 89% of the Internet access market (mobile Internet subscribers plus fixed broadband households) and 81% of its revenues in 2012.

Within the home broadband market, which will grow its subscriber base by a CAGR of 8.6% over the next five years, asymmetric digital subscriber line (ADSL) will be the dominant technology due to demand for higher speeds and its relatively wide coverage.

All South Africa's major operators have launched Long-Term Evolution (LTE) technology, but coverage remains limited. Vodacom and MTN launched LTE during the latter part of 2012, setting the trend with the primary focus on business and wealthy residential areas before making the technology available to the mass market and expanding the coverage area. The adoption of LTE services across all segments will help to ensure the continued growth of mobile broadband adoption in South Africa.

In brief: Internet advertising

The South African Internet advertising market is forecast to generate revenues of R3.7 billion in 2017, up from R1.2 billion in 2012, a CAGR of 25.4%.

Search is set to remain the primary online advertising format in South Africa, although its share of online advertising will decline slightly over the forecast period from 44% to 41%. Search will grow at a CAGR of 23.9% over the forecast period, driven principally by an increase in Internet penetration.

Online display advertising is being driven on by the ever-increasing number of Internet, and in particular Facebook, users in South Africa. Despite the fact that mobile will cut into display's share, display will still remain the second-largest Internet advertising segment throughout the forecast period, with the segment set to grow at a CAGR of 22.6%, reaching R1 billion in 2017.

Classifieds will continue to increase over the forecast period, growing from R112 million to an estimated R209 million between 2012 and 2017. Classifieds will represent the slowest-growing online advertising format over the forecast period, primarily due to some consumers' loyalty to more traditional print formats.

Mobile advertising is set to grow at a notable CAGR of 37.8% over the forecast period, growing from R189 million in 2012 to R938 million in 2017. This growth will be driven by the increased penetration of LTE-compatible smartphones and more affordable feature phones that provide access to the mobile Internet.

South Africa

Revenues from Internet access and Internet advertising, 2008-2017 (R millions)

	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Fixed broadband access	2 148	2 305	2 768	3 297	3 743	4 137	4 536	4 953	5 325	5 653	
YOY growth (%)		*7.3%*	*20.1%*	*19.1%*	*13.5%*	*10.5%*	*9.6%*	*9.2%*	*7.5%*	*6.2%*	*8.6%*
Mobile Internet access	5 962	7 210	8 429	11 560	16 026	22 010	29 614	38 279	47 322	53 917	
YOY growth (%)		*21.0%*	*16.9%*	*37.1%*	*38.6%*	*37.3%*	*34.6%*	*29.3%*	*23.6%*	*13.9%*	*27.5%*
Total Internet access	**8 110**	**9 515**	**11 197**	**14 857**	**19 769**	**26 147**	**34 150**	**43 232**	**52 647**	**59 570**	
YOY growth (%)		***17.3%***	***17.7%***	***32.7%***	***33.1%***	***32.3%***	***30.6%***	***26.6%***	***21.8%***	***13.2%***	***24.7%***
Internet advertising	498	523	552	750	994	1 275	1 633	2 021	2 400	2 731	
YOY growth (%)		*4.9%*	*5.5%*	*36.0%*	*32.5%*	*28.4%*	*28.0%*	*23.8%*	*18.7%*	*13.8%*	*22.4%*
Mobile advertising	9	26	60	115	189	275	393	548	732	938	
YOY growth (%)		*189.5%*	*131.5%*	*91.3%*	*64.1%*	*45.4%*	*43.2%*	*39.3%*	*33.6%*	*28.1%*	*37.8%*
Total Internet advertising	**507**	**549**	**612**	**865**	**1 183**	**1 550**	**2 026**	**2 569**	**3 132**	**3 669**	
YOY growth (%)		***8.1%***	***11.5%***	***41.4%***	***36.7%***	***31.1%***	***30.7%***	***26.8%***	***21.9%***	***17.1%***	***25.4%***
Total Internet market	**8 617**	**10 064**	**11 809**	**15 722**	**20 952**	**27 697**	**36 176**	**45 801**	**55 779**	**63 239**	
YOY growth (%)		***16.8%***	***17.3%***	***33.1%***	***33.3%***	***32.2%***	***30.6%***	***26.6%***	***21.8%***	***13.4%***	***24.7%***

2008-2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

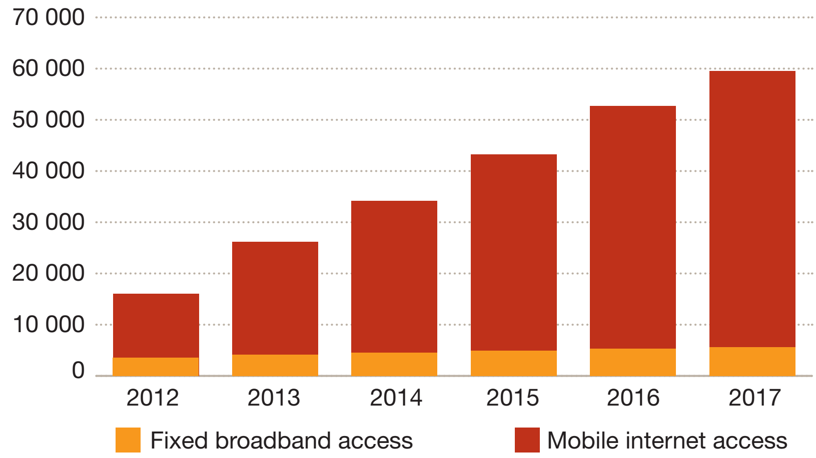
Internet access and advertising will together generate revenues of R63.2 billion in 2017.

Internet access

Internet access is a key driver of entertainment and media advertising and content spending in most segments. The South African broadband Internet market is forecast to grow by a third in 2013 from 12 million subscriptions at the end of 2012 to 16 million at the end of 2013.

At the end of 2012, fixed access represented 11% of this total and mobile access 89%. The large mobile contribution is in line with the trend across the continent and is the result of a continued period of investment in cellular coverage and more affordable tariffs being offered by mobile networks.

Internet revenues by type, 2012-2018 (R millions)



Source: PwC, Informa Telecoms & Media

Mobile Internet will dominate access revenues in South Africa.

Consumer spending on Internet access in South Africa is forecast to reach R59.6 billion by 2017, up from R19.8 billion in 2012, a CAGR of 24.7%. The 2012 total comprised R3.7 billion from the fixed segment and R16.0 billion from mobile. The average monthly fee was R253 in the fixed segment and R145 in the mobile segment.

Internet access revenues, 2008-2017 (R millions)

	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Fixed broadband access	2 148	2 305	2 768	3 297	3 743	4 137	4 536	4 953	5 325	5 653	
YOY growth (%)		*7.3%*	*20.1%*	*19.1%*	*13.5%*	*10.5%*	*9.6%*	*9.2%*	*7.5%*	*6.2%*	*8.6%*
Mobile Internet access	5 962	7 210	8 429	11 560	16 026	22 010	29 614	38 279	47 322	53 917	
YOY growth (%)		*21.0%*	*16.9%*	*37.1%*	*38.6%*	*37.3%*	*34.6%*	*29.3%*	*23.6%*	*13.9%*	*27.5%*
Total Internet access	**8 110**	**9 515**	**11 197**	**14 857**	**19 769**	**26 147**	**34 150**	**43 232**	**52 647**	**59 570**	
YOY growth (%)		***17.3%***	***17.7%***	***32.7%***	***33.1%***	***32.3%***	***30.6%***	***26.6%***	***21.8%***	***13.2%***	***24.7%***

Source: PwC, Informa Telecoms & Media

South Africa's fibre backbone continues to strengthen, as the West African Cable System (WACS) became commercially available in 2012. Various other fibre optic cables are planned to connect to the shores of South Africa. These include the Africa Coast to Europe (ACE) cable: the first phase of ACE, linking France to São Tomé and Príncipe, became operational in December 2012.

Access revenues will grow at a CAGR of 24.7% in the next five years.

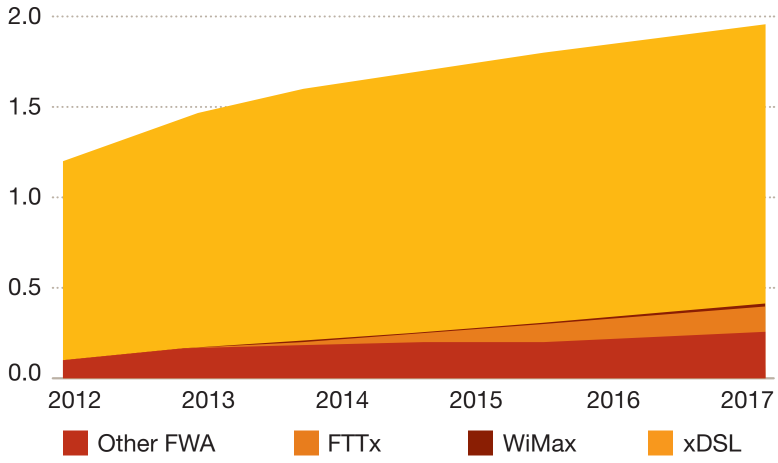
The SAex (the South Atlantic Express), WACS, ACE, SACS (the South Atlantic Cable System) and BRICS undersea cable are all expected to commence construction during the forecast period. The SAex, which will provide almost twice the capacity of the WACS, is expected to provide connectivity to Brazil and the US and, in the future, provide onward connectivity to India, China and other Asian countries through SEACOM. However, because construction has been delayed, it is only expected to have an impact from 2015 onwards.

In addition to developments in international connectivity, domestic broadband will benefit from new K_a-band telecommunications satellites that will provide Internet access to areas not currently served by the wired infrastructure.

The South African fixed Internet market exceeded a million subscriptions in 2012. Because the incumbent Telkom has access to the last mile, it dominates with over 85% of the market offering services provided over ADSL, ISDN and WiMAX. ADSL has been the fastest-growing segment in recent years due to an increased demand for home broadband connections, more affordable tariffs, as well as network expansion and improvement.

The number of fixed broadband subscriptions is forecast to be approaching 2 million by the end of 2017, a CAGR of 9% from 2013. ADSL will retain the largest market share, but FTTx (such as fibre-to-the-home/building [FTTH/FTTB]) subscriptions are expected to surge due to increased investments by the incumbent operator, Telkom, and interest from mobile operators.

Fixed broadband subscriptions forecast by technology, 2012-2017 (millions)



Source: PwC, Informa Telecoms & Media

ADSL will retain the largest share of the fixed broadband market.

ADSL's popularity is driven by demand for higher speeds. Telkom segments its ADSL tariffs through high speeds and data caps. The company now also bundles ADSL with mobile voice and data services, following the launch of its mobile network 8ta in 2010, now trading as Telkom Mobile.

Telkom launched WiMAX in 2007 with the intention of providing coverage to areas underserved by the ADSL network. Despite ADSL coverage being limited in comparison with mobile broadband networks, Telkom had only 3 200 WiMAX subscriptions in the fourth quarter of 2012, a number that had declined by 5% during the year.

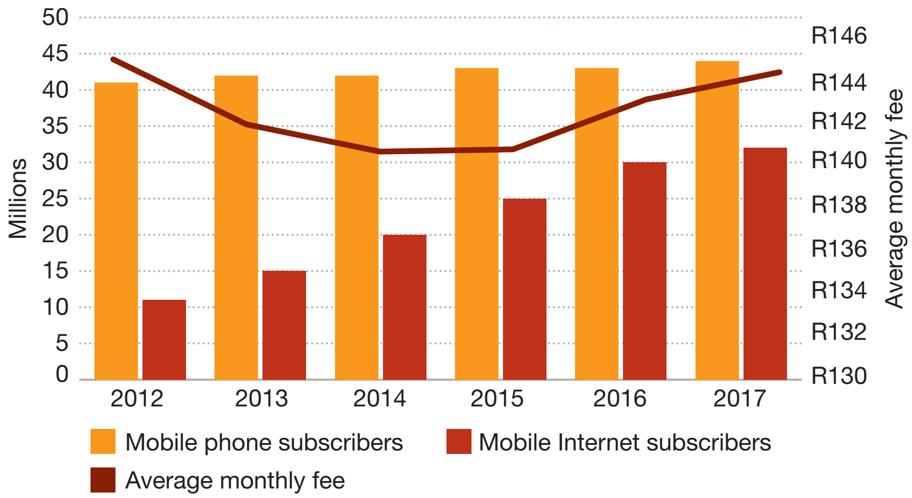
These low subscriber numbers result more from a lack of advertising for the service than a lack of popularity for the technology. Over 2012, South Africa's WiMAX growth has been fuelled by services from alternative operators Neotel and iBurst.

Neotel launched WiMAX in 2008 and had an estimated 2 400 subscriptions at the end of 2012. iBurst provides wireless broadband services using both WiMAX and iBurst technologies. iBurst has increasingly focused on expanding its WiMAX coverage and subscriber base. It had approximately 140 000 subscribers at the end of 2012, an increase of 25% year on year.

FTTx services are limited to high-end residential and business areas. The country's main FTTx providers are Neotel and Dark Fibre Africa, the latter of which is running an open access network that third parties can use to provide services over. Mobile operators MTN, Vodacom and Cell C are laying their own FTTx infrastructure.

Most people who access the Internet in South Africa do so using a mobile device. Mobile Internet access extends access to entertainment and media beyond the home, allowing consumers to access content whenever and wherever they want. At the end of 2012, South Africa had 10.8 million mobile Internet subscribers, who accounted for more than 90% of the country's total broadband connections. The number of mobile Internet subscribers in South Africa will grow at a CAGR of 25.4% in the next five years to reach approximately 32.3 million in 2017.

Mobile phone subscribers and mobile Internet subscribers (millions) and the average monthly fee (R), 2012-2017



Source: PwC, Informa Telecoms & Media

There are forecast to be 32.3 million mobile Internet subscribers in South Africa by 2017.

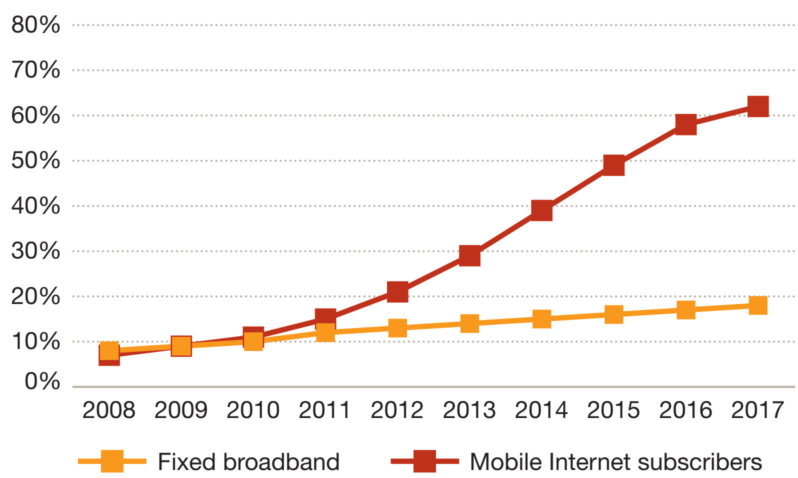
Mobile Internet growth is mostly driven by the affordability of the services and higher levels of usage on mobile devices than on devices such as laptops and computers. Pricing is another key differentiator from the fixed broadband offering, as mobile broadband is available on more flexible contracts and prepaid plans, making it more accessible to the average consumer.

Mobile phones are increasingly expected to be smartphones. Smartphones are particularly suited for mobile Internet access because of their touchscreen capabilities and full keyboards. Growth in smartphone penetration will be accompanied by growth in mobile Internet access.

Smartphone penetration will be driven by lower handset prices specifically developed for lower-income markets. Informa Telecoms & Media estimates that there were 15 million smartphones in circulation in South Africa at the end of 2012, 25% of the country's total mobile subscriptions, compared with 21% at the end of 2011.

Smartphone growth in South Africa has been fuelled by high uptake in the post-paid segment, where devices can be purchased by instalment over 24 months. By mid-2013, monthly smartphone packages were priced from R79 per month, including the device and a data allowance or airtime.

Penetration of fixed broadband and mobile Internet, 2008-2017 (%)

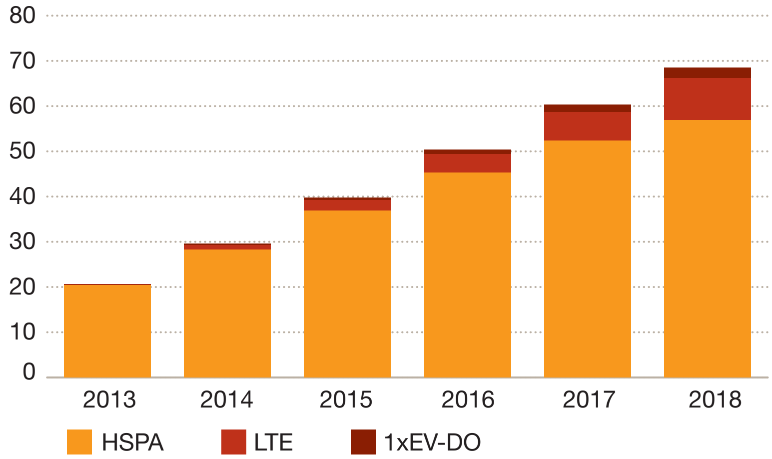


Source: PwC, Informa Telecoms & Media

Services based on the 3.5G technology High Speed Packet Access (HSPA) were the most common by the fourth quarter of 2012, with a market share of 99% and population coverage of about 85%, according to Informa Telecoms & Media.

The segment's high growth is driven by a wider coverage than fixed infrastructure, more affordable tariffs and the declining price of devices. HSPA is taking over from services based on the 2.5G technologies GPRS and EDGE, as users upgrade to 3G devices.

Mobile broadband subscriptions by technology, 2013-2018 (millions)



Source: PwC, Informa Telecoms & Media

HSPA will dominate mobile broadband subscriptions.

Growth of services based on alternative 3G technology EV-DO ('Evolution Data Optimised', an upgrade of the CDMA2000 standard) has been slow. Neotel is the only EV-DO provider. The company offers the services in fixed broadband bundles or as a standalone product to post-paid users only. In 2012, the number of EV-DO subscriptions grew by 50% compared with 33% in 2011, but still only accounted for 0.2% of mobile broadband subscriptions in South Africa.

EV-DO subscription growth is expected to slow down, as the sole market player Neotel is expected to start migrating to LTE by 2014. LTE's share will remain small even by end-2017 because of operator strategies to first target business and high-end residential areas.

LTE

LTE is the technology all operators claim they are preparing for, but deployment has been hampered by delays in issuing relevant spectrum and in the migration of broadcast TV services from analogue to digital. The digital migration was initially scheduled for 2013 and is now planned for 2015.

As a result, the country's mobile market leaders launched LTE services using frequencies in their existing 3G 1800MHz band of spectrum, except for Telkom whose LTE network operates in the 4G 2.6GHz band.

Vodacom and MTN launched LTE towards the end of 2012.

Vodacom's LTE coverage is limited to areas in the largest cities including Johannesburg, Cape Town, Durban and Pretoria. The number of enabled Vodacom's LTE sites increased from 70 at launch to over 600 by mid-2013.

LTE deployment will remain limited in the near term as a result of spectrum limitations.

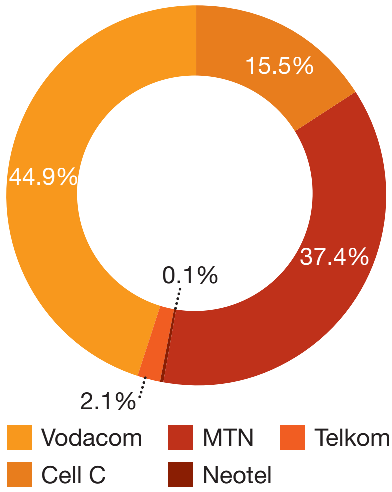
Vodacom initially targeted high-end segments by deploying in business and wealthy residential areas and only making services available to existing post-paid subscribers, which accounted for 19% of Vodacom's subscription base at the end of 2012. After establishing increased coverage and capacity, Vodacom opened the service to prepaid users in March 2013.

MTN's coverage is also limited to business hubs in large cities. MTN had 281 LTE-enabled sites at the end of 2012 and planned to double the number of sites by the end of 2013.

Cell C and Telkom Mobile's LTE networks went live in April 2013, with Cell C running a trial with 100 enabled sites and Telkom Mobile reporting 651 sites being enabled.

Neotel is planning an LTE launch by the end of 2013 using frequencies in the 800MHz band. iBurst announced plans to deploy LTE (2.6GHZ band) by 2012, but as at mid-2013, had yet to launch services.

Mobile broadband market share by operator, 2012



Source: PwC, Informa Telecoms & Media

Vodacom had 45% of the mobile broadband market in 2012.

Device affordability

Device affordability has been key to Internet uptake across Africa. The South African market differs from most of the rest of the continent because it is one of the only markets where operators offer subsidies or payment-by-instalment schemes for devices.

South Africa has a higher than average proportion of people with bank accounts and reliable credit-vetting and debt-recovery systems compared with the rest of the region. This has led to a large post-paid segment by African standards: 18% of the country's total subscriptions in the first quarter of 2013, compared with 4.5% across Africa as a whole.

Monthly instalments for data-enabled devices started from R39 per month in the second quarter of 2013, including a monthly airtime and data allowance. Until about 2011, most instalments only covered the handset price and airtime. Post-paid users had to buy a separate data bundle at the same price as those offered to prepaid users.

Over the past two years, a data allowance has increasingly been included in handset packages and by mid-2013 such bundles had become the norm and will help to grow the market further. As a result of increased competition in the market, data prices have been steadily decreasing, allowing Internet penetration to increase. We expect this trend to continue. Standard data promotions that have been introduced in the past year have brought down the average price of a 1GB data bundle contract from R99 to R69.

At the same time, operators increasingly offer bonuses, valid for both post-paid and prepaid users, when buying a data bundle or subscribing to a data plan. Post-paid users can also purchase an additional data bundle if they use up their initial allowance:

- MTN offers 25MB of free data when buying a 75MB data bundle (worth R29).
- Cell C rewards prepaid airtime top-ups with SMS and data allowances according to the amount recharged. The offer is branded 'Supa Charge' and customers get 150MB when recharging R100, 900MB when recharging R300 and 1GB for R500.
- In the post-paid segment, Vodacom offers a 'Night Owl' extra allowance of the same value as the initial allowance agreed. For instance, on the 'My Meg 500' data price plan, the customer gets 500MB per month plus 500MB extra to be used between midnight and 5am.
- Cell C and Telkom also bundle night-time data allowances in their contract packages.
- Between June and August 2013, MTN offered additional data allowances, to be used at any time, to its 3GB, 5GB and 10GB contract packages.
- Afrihost fixed broadband service provider has recently launched its mobile internet offering, using MTN's mobile network infrastructure. Packages are favourably priced with introductory offers ranging from R29 per month for 250MB, R99 per month for a 1GB package and R197 per month for a 3GB +7GB (free data for a promotional period until 30 November 2013 which could be extended).

Internet access matters

What is clear is that there is a strong belief that Internet access matters. Both the Government and consumers are increasingly seeing broadband as a vital utility that enhances lives, society and the economy as a whole.

Those powerful dynamics and others mean that the Internet access market will change dramatically in a variety of ways over the next five years and survival will depend on scale, which will require operators to collaborate more. Working with the Government, regulators and content providers will also be vital. But those that succeed stand to gain a slice of a very large business indeed.

New Cabinet initiatives to accelerate broadband development from 2014

Slow regulation processes have negatively impacted South Africa's broadband deployment. The delay in local loop unbundling has either discouraged potential players in the fixed broadband market or forced them to invest in their own infrastructure, making the deployment limited and targeted at more profitable areas. In the mobile field, delays in issuing LTE spectrum is preventing wider deployment. Until early July 2013, there was no clarity when this would be resolved.

Both issues were pending decisions and actions from the Department of Communications (DoC). In July 2013, South Africa's Cabinet was reshuffled and a new Minister of Communications was appointed. The new minister made it clear that he would address issues that had long been on hold and collaborate as much as he can with all stakeholders.

On 8 August 2013, the regulatory authority (ICASA) published Draft Local Loop Unbundling Regulations for public comment. Interested parties had until 9 September 2013 to submit their comments.

Regarding LTE spectrum, ICASA is not allowed to issue spectrum until the DoC publishes the country's new ICT policy. In August 2013, the DoC published its Strategy and Programme until the 2014 general elections. The document states that the broadband policy, strategy and plan (along with ICT policy review) will be finalised by the end of November 2013.

However, no specific deadline was given for the digital signal rollout, although the DoC indicated that it targeted 84% coverage by March 2014.

Internet advertising

The South African Internet advertising market is the largest in Africa and will continue to grow in the years ahead. Total spend reached R1.2 billion in 2012, up from R507 million in 2008, and will grow to an estimated R3.7 billion in 2017, representing compound annual growth of 25.4% over the forecast period.

The market will continue to see impressive double-digit yearly growth, although this growth is anticipated to drop a little in 2017. But Internet advertising has proved itself, if not immune, then at least resilient to the overall economic conditions of the market, whereas advertising revenues from many other media have slowed in growth or even declined.

Internet advertising revenues, 2008-2017 (R millions)

	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Search	249	258	278	377	514	667	860	1 077	1 297	1 500	
YOY growth (%)		*3.7%*	*7.6%*	*35.9%*	*36.3%*	*29.7%*	*29.0%*	*25.2%*	*20.4%*	*15.7%*	*23.9%*
Display	165	179	183	277	367	480	622	771	907	1 014	
YOY growth (%)		*8.1%*	*2.1%*	*51.3%*	*32.7%*	*30.8%*	*29.8%*	*23.8%*	*17.8%*	*11.8%*	*22.6%*
Classifieds	84	86	91	96	112	126	148	169	190	209	
YOY growth (%)		*2.0%*	*6.2%*	*5.5%*	*16.9%*	*13.8%*	*16.0%*	*14.6%*	*11.9%*	*10.2%*	*13.3%*
Video	0	0	0	0	1	2	3	4	6	8	
YOY growth (%)		*12.6%*	*17.6%*	*23.9%*	*66.4%*	*106.4%*	*75.5%*	*63.9%*	*45.2%*	*21.2%*	*59.9%*
Total wired Internet advertising	**498**	**523**	**552**	**750**	**994**	**1 275**	**1 633**	**2 021**	**2 400**	**2 731**	
YOY growth (%)		***4.9%***	***5.5%***	***36.0%***	***32.5%***	***28.4%***	***28.0%***	***23.8%***	***18.7%***	***13.8%***	***22.4%***
Mobile advertising	9	26	60	115	189	275	393	548	732	938	
YOY growth (%)		*189.5%*	*131.5%*	*91.3%*	*64.1%*	*45.4%*	*43.2%*	*39.3%*	*33.6%*	*28.1%*	*37.8%*
Total Internet advertising	**507**	**549**	**612**	**865**	**1 183**	**1 550**	**2 026**	**2 569**	**3 132**	**3 669**	
YOY growth (%)		***8.1%***	***11.5%***	***41.4%***	***36.7%***	***31.1%***	***30.7%***	***26.8%***	***21.9%***	***17.1%***	***25.4%***

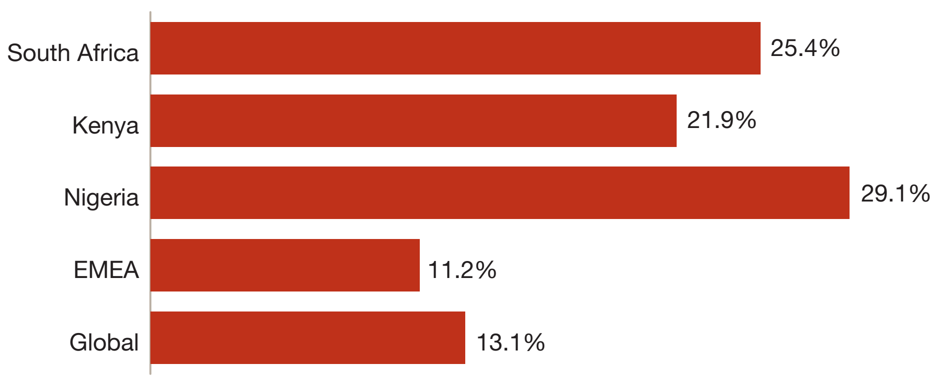
Source: PwC, Informa Telecoms & Media

Internet advertising revenues will grow at a CAGR of 25.4% in the next five years.

In comparison to other Internet advertising markets across the globe, South Africa's expected rate of growth in the next five years is remarkably high, and will be more than twice the average for EMEA (11.2%) and nearly twice the global CAGR of 13.1%.

Nigeria will have a slightly higher CAGR than South Africa, at 29.1%, but is starting from a lower base.

Rate of growth in select Internet advertising markets, 2012-2017 (CAGR %)

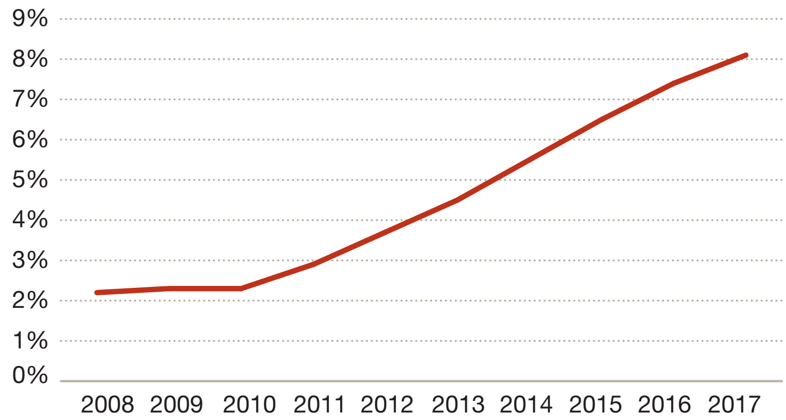


Source: PwC, Informa Telecoms & Media

South Africa's Internet advertising market is growing at nearly twice the global rate.

The effect of this growth is that Internet advertising's share of the overall South African advertising market will continue to increase to reach over 8% by 2017, more than double its share in 2012. This share would be even higher were it not for the growth in other advertising segments in the country, including television.

South African Internet advertising as a share of total advertising, 2008-2017 (%)



Source: PwC, Informa Telecoms & Media

Internet advertising's share of total advertising will continue to rise.

In a global context, Internet advertising continues to defy wider economic problems, growing in terms of both volume, and its share of the global advertising pie. Future growth will be fuelled by several key factors:

- **Growing broadband penetration**
  Gobal broadband penetration of households today is only 33%. In fast-growing markets like China and Russia, penetration remains below 50%. In India and Indonesia, it is under 10%. For users in developing markets, such as South Africa, without widespread access to fixed-line infrastructure, mobile Internet usage will take up the slack, and the mobile will be the primary – and sometimes only – point of Internet access for hundreds of millions of users.

- **Declining broadband prices**
  The cost of broadband subscriptions in developed markets is generally flat, but in developing markets, they are generally declining. This is a result of two factors: increased competition in some areas and a need for operators to reduce their prices in order to target a wider base of users than they have historically done.

- **Shift from public to private use**
  Broadband penetration alone does not tell the story of how many people use the Internet. Millions of users today access the Internet from public access points like work, schools, libraries and Internet cafes. But a shift is occurring with more and more users accessing the web from 'private' locations, either from home or via their mobile phone. This means they access the web more often, consume more content and are far more relevant to advertisers than if they only use the medium occasionally.

- **Increased consumption**
  The sheer number of web pages and the amount of time that we spend using the Internet continues to increase. Some of this time is taken from other media, such as print, some is simply a reflection of the fact that we spend more and more time seeking information. Social media sites, in particular, have proved enormously popular and have increased the amount of time that users spend on the Internet. All of this makes the Internet more attractive to advertisers.

- **More devices**
  Users' web use is no longer tethered to a PC or laptop, with mobile devices and tablets growing exponentially in terms of the amount of time they are used to browse the web. Again, some of this usage is at the expense of usage on devices such as PCs and laptops, but some of it is additive, again increasing the amount of time users are spending online.

Search advertising

Search will remain the largest online advertising format in South Africa throughout the forecast period, although its share of online advertising is going to decrease from a high of 49% in 2008 to 41% in 2017. While year-on-year growth peaked in 2012 at 36.3%, the growth rate will decline over the forecast period, but still remain above 15%. Search is forecast to grow to R1.5 billion in 2017 from R514 million in 2012, at a CAGR of 23.9%.

Search benefits from all of the same factors that have driven the overall online advertising market, principally, more broadband users surfing the web more often. But this is not the only reason for search's continued success in South Africa and abroad. It also continues to grow because it remains one of the most measureable and accountable advertising media, both online and offline.

Search and specifically Google will continue to dominate Internet advertising.

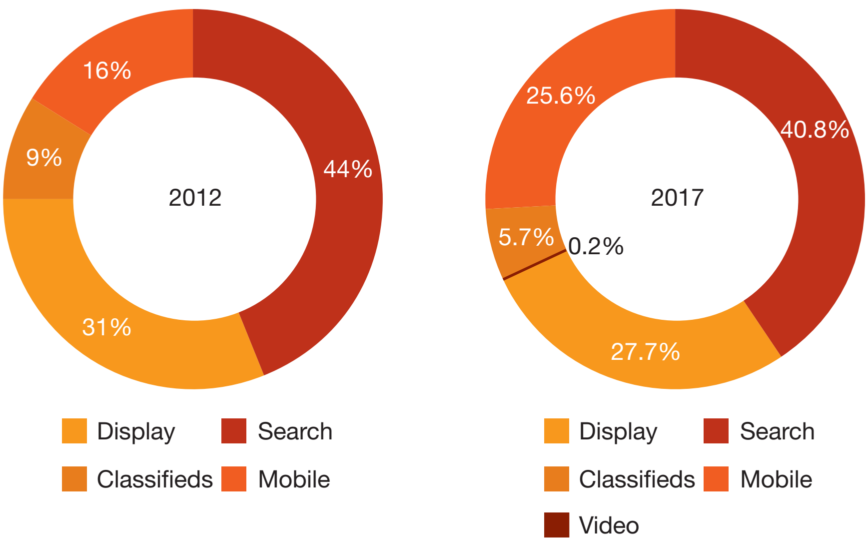
Advertisers are able to track every cent they spend on a search engine and can see when it has led to a click, interaction or purchase. Search also allows advertisers to target their messages to the identified interests of the user as reflected by the searches that they initiate. Being able to target an Internet user with advertising that you know they have previously shown interest is especially appealing to prospective advertisers.

Google continues to dominate the search market globally and has also grown its market share in South Africa. In 2012 the firm started to truly embrace social search with relevant results and content from Google+ appearing in search results.

Google Now, which predicts what users want to search for as they begin to type a search query, has reduced the time it takes users to search for something and has subsequently also driven growth in the market.

While Google is the primary search engine in South Africa, it is not the only one. International search engines like Bing, Yahoo, AOL and Ask are also present in the country, although it is not expected that they will significantly cut into Google's 94% share of the South African market. Rather, Facebook's huge South African membership – there were 5.5 million Facebook users in South Africa in April 2013 – is a bigger threat to Google's advertising revenues in South Africa.

Internet advertising market share by segment, 2012 and 2017 (%)



Source: PwC, Informa Telecoms & Media

Search will continue to dominate, while mobile will grow to 26% of all Internet advertising by 2017.

Most visited websites, July 2013

Ranking	Site
1	Google.co.za
2	Google.com
3	Facebook.com
4	Youtube.com
5	Amazon.com
6	Yahoo.com
7	Gumtree.co.za
8	Linkedin.com
9	Wikipedia.org
10	News24.com

Source: Alexa.com

Google is the dominant site visited by South African consumers.

Display advertising

Online display advertising continues to grow in South Africa, but the rate of growth will slow down over the course of the forecast period as the segment expands. The market grew markedly in 2011 as the South African economy recovered following the global economic downturn, and display advertising grew by 51.3% in that year as a consequence. The South African display market was worth R367 million in 2012 and is forecast to rise to R1 billion in 2017, a CAGR of 22.6%.

Despite this growth, display's share of total advertising spend is set to decline over the forecast period. Display constituted 31% of the total Internet advertising market in 2012, but will decline to approximately 28% over the forecast period, primarily as a result of the continuing rise in mobile's share of Internet advertising.

Display continues to grow as a result of consumers spending more time and visiting more pages when surfing the Internet. Advertisers are also showing a greater preference for more interactive advertising formats, which tend to be more expensive. This is particularly important as many advertisers are now attempting to use display as a branding medium.

Display advertising will continue to grow, but will lose share to mobile.

Historically, display advertising has been used much more as a direct response medium, and direct response campaigns (which tend to be cheaper than brand campaigns) have made up the majority of display revenues.

Facebook has also had a fundamental impact on the South African advertising market. It has become a major player based on the sheer number of ad impressions it serves, which in turn is a product of the amount of time that so many people spend on Facebook.

But the sheer volume of inventory that Facebook has pumped into the market has contributed to the depression of display ad prices. It has also contributed to much lower click-through rates for online advertising, which some observers have suggested have dropped to around 0.1% globally.

The future of display advertising relies on everyone in the value chain moving away from the kind of 'stack it high, sell it cheap' approach that has typified online display to date. This will happen in a number of ways:

- **Targeting**
  New forms of targeting, rather than simply adding more and more ads. Demographic, behavioural and geographic are the three most common types of targeting, but others are becoming more and more important. Retargeting allows advertisers to serve the same ad to a user as they visit other sites on the web, after they have first been exposed to the ad. Real-time bidding (RTB) will also have a significant impact on the display market. The RTB model allows advertisers to buy, and publishers to sell, individual impressions one at a time, via demand-side and supply-side platforms, in the same way a financial trading desk works. RTB can mean extracting greater value for specific inventory for publishers and greater efficiency and effectiveness for advertisers. In some more-developed markets it is likely that the amount of money traded via RTB will be close to that traded via conventional methods.
- **Formats**
  New ad formats that are better suited to the mobile browsing experience, and that encourage users to interact with ads.
- **Interactive adverts**
  More interactive display ad formats, which should help online display finally fulfil some of the potential it has as both a branding medium and as a direct response medium. This, too, is likely to lead to a reduction in the dominance of the cost-per-click (CPC) model to, potentially, more of a cost-per-view model.
- **Customer data**
  Linking customer data with display ad properties, giving advertisers increasingly integrated campaigns and being able to feed back to them more data about exactly who has clicked on or interacted with a piece of display advertising.

Online classifieds

Online classified revenues are anticipated to grow at a CAGR of 13.3% over the forecast period, growing from R112 million in 2012 to R209 million in 2017. Yet despite this forecast growth, online classifieds will still constitute the slowest-growing segment. Its percentage of total Internet advertising will fall from 9% in 2012 to 6% in 2017 as a result of the more rapid growth elsewhere, notably in mobile search and display. The residual loyalty of some readers to print formats for classified advertising is also a factor in online classifieds growing more slowly than other sectors.

Revenues from online classifieds will continue to grow, but at a slower rate than other segments.

Delivery of classified advertising through mobile channels will grow strongly in line with the increasing uptake of mobile devices both smartphones and tablets. The fact that mobile Internet access is set to increase at a CAGR of 62% over the forecast period – from 21% of the population in 2012 to 62% in 2017 – is a significant factor underlying online classified's low rate of growth over the forecast period.

Video advertising will remain a nascent market in South Africa.

Video advertising

Video advertising is still in a nascent form in South Africa, where the market was essentially non-existent prior to 2012. While the segment is expected to grow at a CAGR of 59.9% over the forecast period, this growth can be attributed to the segment growing from such a low base, with video advertising only expected to reach R8 million in 2017.

A key reason for video advertising's limited growth is the relatively low fixed broadband penetration rate in the country (13% in 2012), which is forecast to remain low: by 2017, only 18% of South African households are expected to have fixed broadband access. While mobile Internet penetration has increased in recent years, the majority of mobile devices have not had the capacity to stream high-quality video, which is dissuading advertisers from investing in the new format.

Video advertising will grow as a direct result of faster fixed and mobile broadband becoming more widespread, although this is not expected to generate significant growth in the online video segment until after 2017.

Mobile Internet advertising

Mobile advertising, which includes all spending on mobile phones and tablets (excluding text message advertisements), will see its share of Internet advertising increase from 16% in 2012 (it was just 2% in 2008) to 26% in 2017. Mobile advertising is forecast to increase from R189 million in 2012 to R938 million in 2017, a CAGR of 37.8%.

It has been suggested that there are more mobile phones in South Africa than there are people, and it is for this reason that projected growth in mobile advertising is so steep. According to some research, South African, and Africans in general, are more predisposed to receive advertising on their phones than their global peers. According to Millward Brown's AdReaction report in 2012, around 30% of the South African population have a favourable perception about advertisements on mobile phones and tablets.

Mobile Internet advertising will grow rapidly as access to smartphones increases.

South Africa is one of the most mature markets in Africa in terms of technology – in 2008 it was one of the first countries in Africa to provide 3G – and the rapid growth expected in mobile advertising throughout the forecast period is due to a rise in smartphone and tablet penetration, with smartphones expected to exceed 50% of the subscriber base by 2017.

The availability of cheap smartphones over the next few years will enable segments of the population that are currently unconnected to incorporate Internet browsing into their daily experience.

An important contributing factor in the rise of mobile advertising revenue has been the ability of social media to monetise its content. Facebook, for example, saw its global profits increase by 58% on the previous year in the first quarter of 2013, and the company reported that mobile advertising accounted for 30% of total advertising revenue during this period.

If social media can fully maximise its ability to display advertising on mobile devices, then its share of total mobile advertising will continue to increase as more people sign up to Facebook and other social networking sites.

Nigeria
In brief

Mobile technologies dominate the Nigerian Internet market due to wider cellular coverage and more competitive prices.

The fixed internet market, however, currently generates the largest revenue share (64% of the total in 2012), as it serves the higher-end business segments and residential clients.

All major operators run 3G networks, which comprise the largest share of the mobile broadband market. LTE is not part of a mass-market mobile broadband strategy. The technology is more likely to be deployed first by smaller players (mostly ISPs).

Nigerian Internet advertising is set to increase over the forecast period, with mobile advertising being the fastest-growing segment. Video advertising will not take off until after 2017, as fixed broadband connections are currently either too expensive, or not fast enough, for most consumers to properly access the format.

Nigeria

Revenues from Internet access and advertising, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Internet access	76	137	238	389	744	1 222	1 953	2 998	4 363	5 501	
YOY growth (%)		*79.1%*	*73.6%*	*63.8%*	*91.2%*	*64.1%*	*59.9%*	*53.4%*	*45.5%*	*26.1%*	*49.2%*
Internet advertising	5	6	11	15	20	27	36	46	58	73	
YOY growth (%)		*34.0%*	*70.5%*	*37.7%*	*35.3%*	*34.2%*	*31.2%*	*29.1%*	*26.1%*	*25.1%*	*29.1%*
Total Internet market	**81**	**143**	**249**	**404**	**764**	**1 249**	**1 989**	**3 044**	**4 421**	**5 574**	
YOY growth (%)		***76.5%***	***73.4%***	***62.6%***	***89.1%***	***63.3%***	***59.2%***	***53.0%***	***45.2%***	***26.1%***	***48.8%***

Source: PwC, Informa Telecoms & Media

Internet access and advertising will together generate revenues of US$5.6 billion in 2017.

Internet access

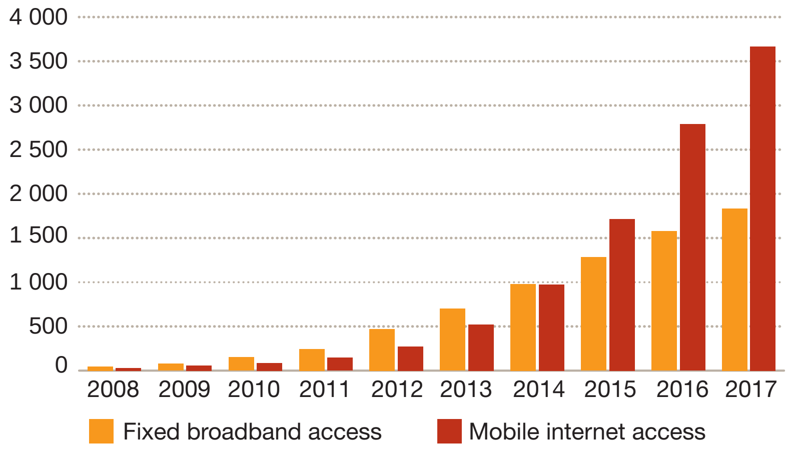
The Nigerian Internet access market generated revenues of US$744 million in 2012 and, fuelled by growth in both fixed and mobile access, this figure will grow to a forecast US$5.5 billion in 2017, a CAGR of 49.2%.

Although mobile access has the largest share of the Internet market in terms of users – more than 90% at the end of 2012 – mobile services account for less than 40% of total Internet access revenue. As in South Africa, mobile growth has occurred on the back of significant investment from the country's mobile operators in improving coverage and offering more affordable tariffs.

The fixed segment largely caters for the high-end residential segments, which partly explains the larger revenue share. Monthly average revenue per user (ARPU) increased from US$4.6 in 2011 to US$5.7 in 2012, as usage increased faster than prices declined.

Mobile Internet penetration will grow significantly in the next five years, from 2% of the population in 2012 to 23% of the population in 2017. While 3% of Nigerian households had fixed broadband access in 2012, this will only rise to an estimated 12% by 2017. The force is with mobile and revenues from mobile Internet access will exceed those from fixed broadband by 2015.

Internet access revenues by type, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

By 2015, mobile Internet revenues will surpass those for fixed broadband.

The Nigerian market is dominated by wireless technologies due to the persistent poor quality and coverage of the fixed infrastructure. Network performance is expected to improve with more international bandwidth available, following the launches of new international submarine cables (MainOne and Glo-1 in 2010, and WACS in 2012). Despite this improvement, challenges remain in bringing capacity inland and providing good quality Internet services at low tariffs.

Fixed Internet access remains a luxury in Nigeria, but subscriber numbers are forecast to improve in the next five years to reach nearly three million homes. The vast majority of this expansion will be based on WiMAX technology. The huge market share for WiMAX is the result of wider coverage, faster network deployment and an increased focus on the technology either as a single broadband strategy or as an alternative to pure fixed networks.

Over the past two years, fixed broadband growth has been fuelled by further WiMAX deployment, notably from the mobile provider MTN. Major telecoms companies, including mobile operators, were granted converged licences, which enabled them to expand services beyond their respective core business.

WiMAX is expected to retain the largest market share of the fixed broadband segment by 2017, as all major WiMAX players are still investing in network expansion and only plan to migrate to LTE in the longer term.

In the meantime, xDSL deployment will continue to prove slow. The technology is mainly provided by the second national operator, Globacom, and MTN, which both have very limited coverage in urban centres. FTTH/FTTB is set to record higher growth than xDSL with operators targeting the growing number of high-end residential customers in the country's booming middle class.

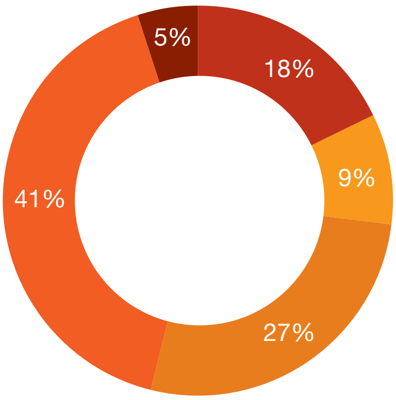
Property developers are increasingly requesting FTTH/FTTB connections to serve high-value gated residential estates.

Fixed broadband access revenues in Nigeria will grow at a CAGR of 31.2% in the next five years to reach US$1.83 billion.

There will be no real challenge to 3G in the next five years.

The Nigerian mobile broadband market recorded a 53% annual growth in 2012 on the back of increased network deployments. In the fourth quarter of 2012, the market had 9.9 million subscriptions of which 95% were based on W-CDMA, the 3G technology which evolved from GSM.

Mobile broadband market share by operator, 2012



Source: PwC, Informa Telecoms & Media

MTN had 41% of the mobile broadband market in 2012.

LTE is expected in Nigeria by 2014 with smaller ISPs such as Smile Telecom and Spectranet announcing that their rollouts will begin in 2013. In the meantime, CDMA operators Starcomms, Multi-Links and MTS First Wireless merged in 2012 to form CAPCOM. The new company is set to migrate from EV-DO to LTE.

Market leaders might also be part of the LTE early deployments as Airtel started trialling the technology in early 2013. But LTE deployment will be limited, both in terms of coverage and in terms of the percentage of the population targeted.

Beyond increased network deployments, mobile broadband usage in Nigeria is being fuelled by affordable and segmented tariffs as well as the declining price of devices.

Prepaid subscriptions represented 99.6% of mobile subscriptions in Nigeria in 2012. The trend is similar in the mobile broadband field as mobile Internet bundles are sold on a prepaid basis. Segmentation is essential to cater for the lower-end segments of the market. Daily bundle prices start from NGN100 (US$0.6) and 10MB is usually the smallest volume available.

With a growing demand from consumers and competition from operators, revenues from mobile broadband Internet access are forecast to grow at a CAGR of 68.1% in the next five years to reach US$3.67 billion by 2017, twice the amount generated by fixed broadband access.

Internet advertising

Internet advertising revenues, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Search	2.3	3.1	5.5	7.9	10.6	13.9	17.9	22.6	27.9	34.2	
YOY growth (%)		*35.0%*	*77.8%*	*44.5%*	*33.4%*	*31.5%*	*28.6%*	*26.5%*	*23.4%*	*22.4%*	*26.4%*
Display	1.4	1.8	3.0	3.7	4.8	6.3	8.1	10.3	12.7	15.5	
YOY growth (%)		*33.4%*	*65.1%*	*22.5%*	*30.0%*	*31.4%*	*28.5%*	*26.5%*	*23.4%*	*22.5%*	*26.4%*
Classifieds	0.8	0.9	1.4	1.6	1.9	2.6	3.3	4.2	5.0	5.8	
YOY growth (%)		*11.1%*	*56.4%*	*13.8%*	*19.0%*	*33.6%*	*29.0%*	*25.0%*	*20.0%*	*16.7%*	*24.7%*
Video	-	-	-	-	-	-	-	-	-	-	
YOY growth (%)		-	-	-	-	-	-	-	-	-	-
Total wired Internet advertising	**4.5**	**5.8**	**9.9**	**13.2**	**17.3**	**22.8**	**29.3**	**37.1**	**45.6**	**55.5**	
YOY growth (%)		***30.1%***	***70.4%***	***33.4%***	***30.7%***	***31.7%***	***28.6%***	***26.3%***	***23.0%***	***21.8%***	***26.2%***
Mobile advertising	*0.3*	*0.6*	*1.0*	*1.8*	*3.1*	*4.5*	*6.6*	*9.3*	*12.9*	*17.6*	
YOY growth (%)		90.4%	71.3%	79.6%	69.2%	47.9%	44.4%	41.9%	38.2%	36.9%	41.8%
Total Internet advertising	**4.8**	**6.4**	**10.9**	**15.0**	**20.4**	**27.3**	**35.9**	**46.4**	**58.5**	**73.1**	
YOY growth (%)		***34.0%***	***70.5%***	***37.7%***	***35.3%***	***34.2%***	***31.2%***	***29.1%***	***26.1%***	***25.1%***	***29.1%***

Source: PwC, Informa Telecoms & Media

The Nigerian Internet advertising market is forecast to grow at a substantial rate throughout the forecast period, growing from US$20 million in 2012 to US$73 million in 2017, a CAGR of 29.1%. By 2017, Internet advertising will, however, still account for less than 7% of all advertising spend in Nigeria.

Even the largest segment, search, is still a relatively nascent form of Internet advertising in Nigeria, with the total value of the Nigerian search market being less than US$11 million in 2012. The segment is set to increase at a CAGR of 26.4% over the next five years to reach US$34 million in 2017.

The search engine market in Nigeria is led by Google, which has an 88.5% share of the market. But, while Google is the predominant search engine, other international search engines also have a presence in Nigeria, with Yahoo occupying 5.9% of the market and Bing 4.49%. Local search engines have yet to make an impact in the market and will struggle to gain traction as a result of Google's strong and established position.

Internet advertising revenues will grow at a CAGR of 29.1% in the next five years.

Online display is also projected to grow at a rapid rate in Nigeria over the forecast period, but from a low base. Due to growth elsewhere, display's share of the Internet advertising market has gradually decreased since 2008, falling from 29% in 2008 to a projected 21% in 2017. This correlates with an increase in the share of mobile advertising, with mobile overtaking display in monetary terms in 2016.

Mobile advertising constituted about 15% of Nigeria's Internet advertising market in 2012, and, with 3.9 million mobile broadband subscribers, this is the area that most advertisers are focussing their efforts on.

While Nigeria's middle class is burgeoning, many continue to access the Internet primarily through mobile broadband. As improvements in mobile technology are rolled out in the next five years, mobile access and, by extension, mobile advertising will continue to increase.

Mobile advertising is expected to grow at a CAGR of 41.8% over the forecast period, increasing from US$3 million in 2012 to US$18 million in 2017.

Kenya In brief

Internet traffic in Kenya has increased due to the reinforcement of international bandwidth capacity.

Increased capacity has benefitted both the fixed and mobile segments, with fixed operators pushing FTTx further.

3G will dominate the mobile broadband market for a long time, but Kenya is set to pioneer the first LTE open network with a government-led initiative involving all major stakeholders.

Kenyan Internet advertising is set to grow at a CAGR of 21.9% over the forecast period, growing from a low base of only US$2 million in 2008. Search and mobile will be the main growth-driving segments over the forecast period.

Kenya

Internet revenues will grow at a CAGR of 48.3% in the next five years.

Revenues from Internet access and advertising, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Internet access	9	21	36	63	111	187	305	483	729	897	
YOY growth (%)		*136.2%*	*74.1%*	*76.5%*	*75.3%*	*69.5%*	*62.6%*	*58.7%*	*50.9%*	*23.0%*	*52.0%*
Internet advertising	2	4	9	16	24	33	43	52	59	64	
YOY growth (%)		*110.8%*	*110.2%*	*66.0%*	*51.6%*	*39.3%*	*31.2%*	*20.2%*	*12.9%*	*8.6%*	*21.9%*
Total internet market	**11**	**25**	**45**	**79**	**135**	**220**	**348**	**535**	**788**	**961**	
YOY growth (%)		***131.2%***	***80.6%***	***74.3%***	***70.6%***	***64.2%***	***57.9%***	***53.9%***	***47.2%***	***21.9%***	***48.3%***

Source: PwC, Informa Telecoms & Media

Mobile access revenues will dominate the Kenyan Internet market.

Internet access

Kenyan Internet access revenues reached US$111 million in 2012 and this is forecast to rise to US$897 million by 2017, a CAGR of 52%. Mobile dominated Internet access in 2012 – accounting for 62% of the revenues and 98% of subscriptions by the end of the year – and will continue to do so.

Internet access revenues by type, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Fixed broadband access	7	10	18	28	42	64	85	101	114	123	
YOY growth (%)		*50.3%*	*72.6%*	*58.4%*	*51.1%*	*54.3%*	*30.5%*	*19.8%*	*12.7%*	*8.5%*	*24.2%*
Mobile Internet access	2	11	18	35	69	123	220	382	615	774	
YOY growth (%)		*432.0%*	*75.6%*	*93.7%*	*94.2%*	*78.8%*	*79.4%*	*73.5%*	*60.9%*	*25.7%*	*62.3%*
Total internet access	**9**	**21**	**36**	**63**	**111**	**187**	**305**	**483**	**729**	**897**	
YOY growth (%)		***136.2%***	***74.1%***	***76.5%***	***75.3%***	***69.5%***	***62.6%***	***58.7%***	***50.9%***	***23.0%***	***52.0%***

Source: PwC, Informa Telecoms & Media

Competition in the data market has intensified, leading to increased data consumption. According to the Communications Commission of Kenya, of the 576 186Mbps of international bandwidth provided to Kenya by submarine cable, an average of 278 329Mbps was used over the fourth quarter of 2012, up from 264 584Mbps in the third quarter. International bandwidth usage is expected to continue to grow as demand for data services rises.

Fixed broadband subscriptions in Kenya totalled 149 000 in the fourth quarter of 2012 and grew by 92% year-on-year on the back of fibre and WiMAX network rollout. The landing of new international submarine cables on the East African coast has improved the quality of Internet service in Kenya and has also enabled fixed access operators to focus increasingly on FTTx.

Fixed-wireless access (FWA) is the dominant technology for fixed broadband services in the country. At the end of the fourth quarter of 2012, there were 78 000 FWA subscriptions, compared with 44 000 in the third quarter of 2012.

Cable modem is gaining popularity as a fixed broadband technology. The service is provided mainly by Wananchi Group. Jamii Telecom launched FTTH in the high-end suburbs of the capital city, Nairobi, in 2011 with the aim of connecting 100 000 households and, in the first quarter of 2013, it expanded FTTH to the coastal city of Mombasa, with plans to connect about 5 000 homes there.

Wananchi Group remained the leader in the fixed broadband market at the end of 2012, with 59 800 subscriptions. The operator has been very aggressive in a bid to spur take-up of its triple-play service through competitive pricing and a wider variety of packages.

Vandalism and accidental severing continue to have a negative impact on Telkom Kenya /Orange's fixed broadband quality of service and on the operator's deployment plans. Telkom Kenya is the country's fixed-line incumbent and plans to invest KES4 billion (US$46 million) in replacing its copper cable network with a fibre-optic one.

LTE open access is on the way

Mobile broadband is dominant due to its greater affordability and the larger number of offerings from operators. Increased investment in data networks by operators and availability of low-cost smartphones are expected to increase the number of mobile broadband users.

The number of mobile broadband subscriptions will increase to nearly 30 million by 2017, driven by WCDMA-based 3G services.

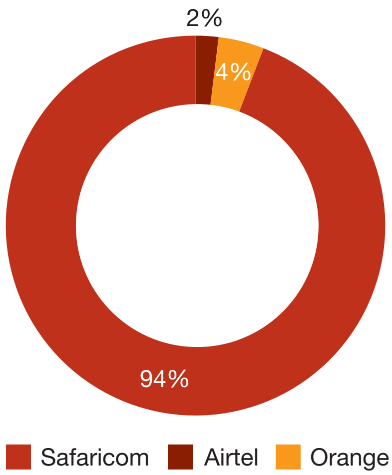
Operators are expected to launch LTE in 2014. In the third quarter of 2012, the Kenyan Government approved a 4G consortium consisting of Safaricom, Airtel Kenya, Orange Kenya, Essar Telecom Kenya, Kenya Data Network (KDN), MTN Business, Alcatel Lucent, Nokia Siemens Networks (NSN), American Epesi Technologies and the Kenyan Government.

The network will operate in the 800MHz band, in spectrum which is currently held by Orange Kenya. Orange is expected to make up to 25 MHz of spectrum in this band available to accommodate the new technology. The cost of a nationwide deployment of the LTE network is estimated at US$500 million.

As at mid-2013, Essar was the only GSM operator with no 3G network. The company plans to skip 3G and move straight to LTE once it secures necessary funding from its shareholders.

The availability of low-cost entry-level smartphones has led to a rise in penetration of the devices in Kenya. But penetration is still low compared with total mobile penetration. Informa Telecoms & Media projects that the number of smartphone connections in Kenya will exceed 12 million by the end of 2017, with total penetration standing at 26%.

Mobile broadband market share by operator, 2012



Source: PwC, Informa Telecoms & Media

Safaricom dominates Kenya's mobile broadband market.

Internet advertising

Internet advertising revenues, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Search	0.9	2.0	4.5	6.8	10.6	14.6	18.9	22.5	25.1	26.9	
YOY growth (%)		*125.1%*	*119.7%*	*52.8%*	*54.9%*	*37.9%*	*29.6%*	*18.7%*	*11.5%*	*7.2%*	*20.5%*
Display	0.5	1.2	2.7	4.3	6.0	8.1	10.3	12.2	13.5	14.3	
YOY growth (%)		*122.3%*	*120.1%*	*60.8%*	*40.3%*	*34.2%*	*28.5%*	*17.7%*	*10.6%*	*6.3%*	*19.0%*
Classifieds	0.2	0.6	1.2	1.9	2.9	4.1	5.1	5.8	6.0	5.8	
YOY growth (%)		*141.7%*	*108.5%*	*49.4%*	*56.0%*	*41.2%*	*24.1%*	*12.0%*	*3.4%*	*-2.7%*	*14.6%*
Video	-	-	-	-	-	-	-	-	-	-	
YOY growth (%)		-	-	-	-	-	-	-	-	-	-
Total wired Internet advertising	**1.6**	**3.8**	**8.4**	**13.0**	**19.5**	**26.8**	**34.3**	**40.5**	**44.6**	**47.0**	
YOY growth (%)		***126.6%***	***118.1%***	***54.8%***	***50.2%***	***37.3%***	***28.4%***	***17.4%***	***10.1%***	***5.6%***	***19.2%***
Mobile advertising	0.4	0.6	1.0	2.6	4.1	6.1	8.7	11.4	14.0	16.5	
YOY growth (%)		*46.3%*	*60.3%*	*161.9%*	*58.3%*	*49.0%*	*43.5%*	*31.2%*	*23.0%*	*18.0%*	*32.4%*
Total Internet advertising	**2.0**	**4.4**	**9.4**	**15.6**	**23.6**	**32.9**	**43.0**	**51.9**	**58.6**	**63.5**	
YOY growth (%)		***110.8%***	***110.2%***	***66.0%***	***51.6%***	***39.3%***	***31.2%***	***20.2%***	***12.9%***	***8.6%***	***21.9%***

Source: PwC, Informa Telecoms & Media

Internet advertising revenues will grow at a CAGR of 21.9% in the next five years.

The number of fixed broadband Internet users in Kenya is set to increase from 0.2 to 0.5 million people over the forecast period and, while that represents a CAGR of 25%, it still represents far fewer users compared with the amount of mobile broadband subscribers in Kenya – forecast to be 11.9 million by 2017. This is something that has been highlighted by the Kenyan Government, which, recognising that low fixed broadband access has hindered many development objectives, has subsequently set a target of 20% fixed broadband access by 2017.

The search segment is anticipated to grow at a CAGR of 20.5% over the forecast period, growing from US$11 million in 2012 to US$27 million in 2017. It is the largest Internet advertising segment in Kenya, accounting for 45% of the market in 2012, and will remain so throughout the forecast period, although its share will fall to 42% in 2017.

Search will benefit from more people acquiring fixed broadband connections throughout the forecast period, which will also increase as a result of the improving state of the wider Kenyan economy.

Kenyan display advertising is set to grow at a CAGR of 19.0% over the forecast period, although this is from a low base of only US$6 million in 2012. Display will slip from second to third-largest online ad segment in the next five years, as it will be overtaken by mobile.

Mobile advertising is the fastest-growing sub-segment in the Kenyan Internet advertising market, growing at a CAGR of 32.4%. It is projected to overtake online display advertising in 2016 to become the second-largest online advertising format in Kenya. Indeed, in terms of growth in access to the mobile Internet, Kenya will be one of the fastest-growing countries in the world in the next five years.

Although Kenyan GDP per capita is set to increase over the forecast period, the popularity of mobile Internet in Kenya will be further encouraged by the relatively high cost of laptops and computers.

Global trends in Internet

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Global Internet access and advertising revenues, 2008-2017 (US$ millions)

	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Fixed broadband access	149 023	160 088	176 398	190 884	208 039	224 183	240 141	254 799	267 515	279 222	
YOY growth (%)		*7.4%*	*10.2%*	*8.2%*	*9.0%*	*7.8%*	*7.1%*	*6.1%*	*5.0%*	*4.4%*	*6.1%*
Mobile Internet access	80 401	96 133	121 427	153 462	185 332	220 424	259 166	300 199	342 999	385 880	
YOY growth (%)		*19.6%*	*26.3%*	*26.4%*	*20.8%*	*18.9%*	*17.6%*	*15.8%*	*14.3%*	*12.5%*	*15.8%*
Total Internet access	**229 424**	**256 221**	**297 825**	**344 346**	**393 371**	**444 607**	**499 307**	**554 998**	**610 514**	**665 102**	
YOY growth (%)		***11.7%***	***16.2%***	***15.6%***	***14.2%***	***13.0%***	***12.3%***	***11.2%***	***10.0%***	***8.9%***	***11.1%***
Internet advertising	56 134	57 361	67 522	81 297	92 254	104 395	117 162	130 712	144 319	158 055	
YOY growth (%)		*2.2%*	*17.7%*	*20.4%*	*13.5%*	*13.2%*	*12.2%*	*11.6%*	*10.4%*	*9.5%*	*11.4%*
Mobile advertising	1 730	2 317	3 254	5 077	8 311	12 244	15 926	19 662	23 463	27 420	
YOY growth (%)		*34.0%*	*40.4%*	*56.0%*	*63.7%*	*47.3%*	*30.1%*	*23.5%*	*19.3%*	*16.9%*	*27.0%*
Total Internet advertising	**57 864**	**59 678**	**70 776**	**86 374**	**100 565**	**116 639**	**133 088**	**150 374**	**167 782**	**185 475**	
YOY growth (%)		***3.1%***	***18.6%***	***22.0%***	***16.4%***	***16.0%***	***14.1%***	***13.0%***	***11.6%***	***10.5%***	***13.0%***
Total Internet market	**287 288**	**315 899**	**368 601**	**430 720**	**493 936**	**561 246**	**632 395**	**705 372**	**778 296**	**850 577**	
YOY growth (%)		***10.0%***	***16.6%***	***16.8%***	***14.7%***	***13.6%***	***12.7%***	***11.5%***	***10.3%***	***9.3%***	***11.5%***

Source: PwC, Informa Telecoms & Media

The Internet will generate global revenues of US$850 billion in 2017, with US$665 billion coming from access.

Global Internet access trends

- After years of home broadband being the most popular way to access the Internet, a fundamentally different form will come to dominate: access via mobile broadband, most often via mobile phones rather than PCs and laptops. Penetration of mobile Internet services will reach 54% by the end of 2017, compared with 51% for fixed broadband.
- The US is the largest territory in fixed broadband with a high penetration and high ARPU. After exceeding the revenues of Japan in 2012, China is closing the gap on the US due to its aggressive double-digit growth in subscriber numbers and despite a considerably lower ARPU.
- In 2014, mobile Internet access revenues, worth US$259 billion, will account for over 50% of total Internet access spend, overtaking those from fixed broadband. By 2017, mobile Internet revenues will be in excess of US$385 billion, accounting for 58% of total Internet access spend.
- Growth will increasingly be driven by emerging markets. Brazil, China, India and Russia alone will account for 45% of fixed broadband subscriptions and 50% of mobile Internet users by the end of 2017.
- The underlying technologies will also change. Many developed markets have a head start with next-generation fibre and 4G networks, but ambitious operators and governments will ensure that many emerging markets will not be far behind, if not ahead. Getting spectrum policy right will be particularly important in advancing mobile broadband services.
- Key to success will be pricing and packaging. Pay-per-use or app tariffs will open up mobile broadband to hundreds of millions of lower-income consumers, while increasingly generous bundles of digital media, Wi-Fi, over-the-top services and new connected devices will drive migration to superfast broadband services.

Global Internet advertising trends

- Set to be worth over US$185 billion in 2017, Internet advertising will comprise 31% of the world's total advertising market, making it the world's second-largest medium for advertising, after TV.
- Search remains the dominant form of online advertising globally, despite its share dropping by two percentage points to 41% in 2017 (moving increasingly towards mobile and video advertising). Where Google is not the market leader (such as in Japan and South Korea), search tends not to be the dominant online advertising format.
- The display market is set to grow at a CAGR of 10% over the forecast period, reaching US$49.9 billion in 2017. Advertisers will have to consider new ways in which they can best use display advertising. Some of these new approaches will include new advertising formats for mobile browsing, as well as a more sophisticated approach that targets the user's specific location, as well as their demographic and behavioural traits.
- Classifieds will grow at a CAGR of 7%, reaching US$20.2 billion in 2017. Online classifieds are set to take over from their print equivalents in developing economies in the next five years. However, this segment's share of the total online ad market will be lower in 2017 than in 2012.
- The online video advertising market boomed in 2012, with an increase in annual revenue of approximately US$1 billion, representing year-on-year growth of 33%. This growth is set to continue over the forecast period with revenues reaching US$12 billion in 2017, a 26% CAGR. Video will benefit from better targeting, technological improvements and a more sophisticated approach to pricing.
- Mobile advertising is finally set to take off properly, with meaningful growth forecast across all regions over the next five years. A 27% CAGR will ensure mobile advertising revenues will be in excess of US$27 billion in 2017, comprising 15% of Internet advertising revenues. Despite this projected growth, mobile must still seek to overcome some key hurdles, especially device segmentation.

View year-on-year growth for consumer and advertising spend data.

Visit the online Outlook at www.pwc.co.za/outlook

Television

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Definitions

This segment considers consumer spending on subscriptions and licence fees as well as advertising spend on broadcast and online television.

The subscription spend category considers consumer spending on basic and premium subscriptions, including video on demand (VOD) accessed from satellite broadcasters and other multichannel distributors, as well as public television licence fees.

Revenues generated are all included, regardless of whether they are from a primary or secondary set. Public television licence fees cover the fee paid for both television and radio.

For subscription-TV household estimates, only the primary TV subscription in each household is considered. Penetration is calculated against the total number of households and cannot exceed 100%. All subscriber estimates are referred to as at year end.

The 'advertising' element of this segment considers all advertising spend on broadcast TV and online TV. The 'end-user spending' element includes public licence fees and pay-TV subscription revenues.

Broadcast television advertising covers all advertising revenues generated by free-to-air networks (terrestrial) and pay-TV operators (multichannel). Online television advertising consists of in-stream adverts only, combining a total of pre-roll and post-roll.

Overlays (where advertisers use a video overlay layer to deliver an ad unit) are not included within this definition.

Terrestrial covers advertising sold on traditional over-the-air channels regardless of whether it is viewed via a subscription or free-to-air service.

Multichannel includes network advertising revenue generated by pay-TV networks (digital terrestrial television [DTT], Internet Protocol TV [IPTV] or satellite), including revenue from free-to-air spin-off digital channels launched by the terrestrial networks.

All TV advertising revenues consist of net spending excluding agency commissions, production costs and discounts.

In brief

The continued attraction of TV content and the demand from new consumers will ensure that the pay-TV industry continues to grow despite concerns about over-the-top (OTT) services and piracy.

The value of the television sector – defined here as revenues from pay-TV, public licence fees and advertising – reached R27.4 billion in 2012. We expect television sector spend to reach the R30 billion mark in 2014, before pushing on past R35 billion in 2017, a CAGR increase of 5.5% over the forecast period of 2013 to 2017.

Public licence fee revenues – which go towards funding the activities of the South African Broadcasting Corporation (SABC) – will experience a 3.9% CAGR for the forecast period, reaching R1.1 billion by 2017.

The SABC has been severely weakened by a series of management and governance challenges in recent years, which have contributed to it reporting heavy financial losses.

South Africa's status as a fast-growing market means its total TV revenue is growing in importance in regional terms. By 2017, it will account for 4.4% of total EMEA television revenues, up from 3.7% in 2012.

Satellite operator MultiChoice remains the dominant player in pay-TV. However, rival TopTV is now backed by the Chinese operation StarTimes, and is aiming to challenge MultiChoice. Various new market entrants have recently indicated their intentions to launch satellite television services.

Advertising is expected to experience consistent growth in South Africa between 2013 and 2017, with net television advertising revenues growing at an estimated CAGR of 5.8% to reach R15.1 billion in 2017.

The regulation of programme and sports rights is becoming a certainty with the new policy on broadcasting expected to be finalised by March 2014.

The rollout of digital terrestrial TV (DTT) will increase competition in the broadcast sector. However indecision over the choice of technology standard and, more recently, a legal challenge by e.tv have delayed the launch of DTT several times.

In Nigeria pay-TV penetration is forecast to rise from 17% in 2012 to 24% in 2017.

The Kenyan pay-TV market is still in its infancy, with penetration of 8% in 2012. However, as competition increases, this will rise to an estimated 15% by 2017. The total of 232 000 pay-TV households at the end of 2012 is expected to more than double to reach 531 000 by the end of 2017.

Subscriber growth in Kenya is being driven by new players like Wanachi and Zuku that are fuelling competition by diversifying their offerings and cutting prices. Further, competition is now coming from StarTimes, owned by Chinese banks, which is looking to use paid DTT services, thereby increasing competition in the market.

South Africa

TV revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Pay-TV subscriptions	9 218	11 040	12 688	14 145	15 162	16 161	16 886	17 678	18 661	19 613	
YOY growth (%)		*19.8%*	*14.9%*	*11.5%*	*7.2%*	*6.6%*	*4.5%*	*4.7%*	*5.6%*	*5.1%*	*5.3%*
Public licence fees	822	865	868	872	893	930	981	1 022	1 054	1 082	
YOY growth (%)		*5.2%*	*0.3%*	*0.5%*	*2.4%*	*4.2%*	*5.4%*	*4.3%*	*3.1%*	*2.6%*	*3.9%*
End-user spending	**10 040**	**11 905**	**13 556**	**15 017**	**16 055**	**17 091**	**17 867**	**18 700**	**19 715**	**20 695**	
YOY growth (%)		***18.6%***	***13.9%***	***10.8%***	***6.9%***	***6.5%***	***4.5%***	***4.7%***	***5.4%***	***5.0%***	***5.2%***
% of total TV market	**62%**	**60%**	**57%**	**58%**	**59%**	**59%**	**58%**	**58%**	**58%**	**58%**	
Broadcast TV advertising	6 282	7 909	10 124	10 934	11 371	11 997	12 717	13 416	14 288	15 074	
YOY growth (%)		*25.9%*	*28.0%*	*8.0%*	*4.0%*	*5.5%*	*6.0%*	*5.5%*	*6.5%*	*5.5%*	*5.8%*
Online TV advertising	0.0	0.0	0.1	0.1	0.2	0.5	0.9	1.4	2.2	3.1	
YOY growth (%)		*81.1%*	*40.9%*	*61.3%*	*103.7%*	*140.8%*	*86.4%*	*61.6%*	*55.4%*	*38.9%*	*73.4%*
Total TV advertising	**6 282**	**7 909**	**10 124**	**10 934**	**11 371**	**11 997**	**12 717**	**13 417**	**14 290**	**15 077**	
YOY growth (%)		***25.9%***	***28.0%***	***8.0%***	***4.0%***	***5.5%***	***6.0%***	***5.5%***	***6.5%***	***5.5%***	***5.8%***
% of total TV market	**38%**	**40%**	**43%**	**42%**	**41%**	**41%**	**42%**	**42%**	**42%**	**42%**	
Total TV market	**16 322**	**19 814**	**23 680**	**25 951**	**27 426**	**29 088**	**30 584**	**32 117**	**34 005**	**35 772**	
YOY growth (%)		***21.4%***	***19.5%***	***9.6%***	***5.7%***	***6.1%***	***5.1%***	***5.0%***	***5.9%***	***5.2%***	***5.5%***
South Africa as a % of EMEA	2.3%	2.9%	3.3%	3.5%	3.7%	3.9%	4.0%	4.1%	4.3%	4.4%	

2008-2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

The South African television market will grow at a CAGR of 5.5% in the next five years.

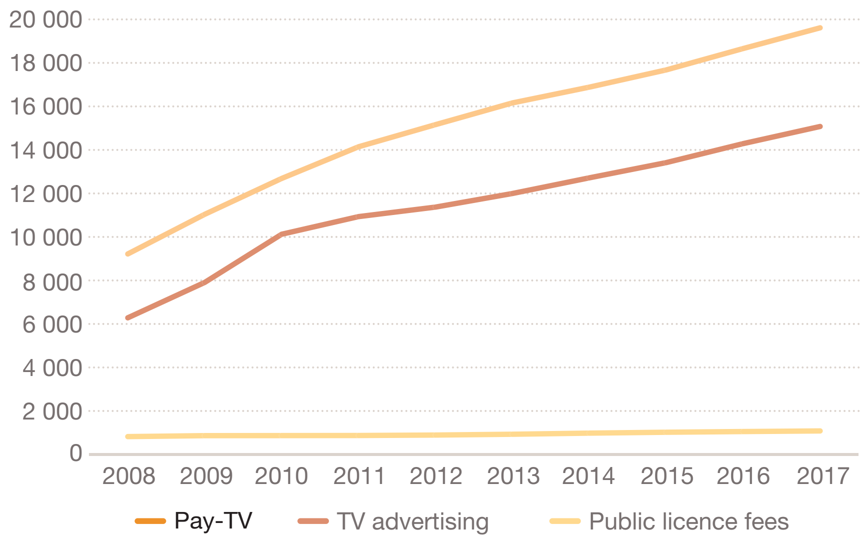
Revenues of R30 billion are on the horizon, as TV continues to grow

The South African TV sector posted highly impressive growth figures in both 2009 and 2010, and has now settled into a pattern of stable growth at a slightly lower level.

Having passed the R20-billion threshold in 2010, the value of the TV sector – defined here as revenues from pay-TV, public licence fees and advertising – reached R27.4 billion in 2012. It is expected to reach R30 billion in 2014, before pushing on past R35 billion in 2017.

These revenue figures represent a CAGR of 5.5% for the 2013-2017 forecast period.

TV revenue by component, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Pay-TV revenues remain the largest component of TV revenues.

All households or businesses that use a TV set are required to pay a public licence fee to fund the activities of the public broadcaster, the SABC. The centralised collection method involved makes the revenues collected a little easier to predict than other more volatile sectors and they tend to grow fairly steadily each year.

Licence fee revenues grew by 2.4% in 2012, with a CAGR of 3.9% projected for the forecast period. By 2017, this category will raise annual revenues of R1.1 billion.

The most popular broadcaster remains the SABC, which is funded through a combination of advertising revenues, public licence fees and government grants. SABC 1 has 22 million viewers per week. Plans by the SABC to raise more revenues by increasing the licence fee are still pending government approval. The broadcaster requires additional funding as it plans to extend its current channel offering from three channels to about 18 as part of the digital switchover.

South Africa's status as a fast-growing market means its total TV revenue is growing in importance in regional terms. Strong growth in recent years meant that the South African TV market accounted for 3.7% of the EMEA total in 2012, up from 2.3% in 2008. This percentage is expected to continue to increase during the forecast period, rising to 4.4% by 2017.

The market is becoming increasingly competitive

South Africa is the largest pay-TV market in Africa, with some 4.5 million pay-TV subscribers, representing 58% of TV households in 2012. This number is expected to increase to 6.3 million by the end of 2017, a CAGR of 7%, giving a household penetration rate of more than 74%, which is very high by regional – and indeed by global – standards.

Subscription revenues totalled R15.2 billion in 2012 and will reach an estimated R19.6 billion in 2017, a CAGR of 5.3%.

Pay-TV households, monthly spending and revenues, 2008-2017

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Pay-TV households (millions)	2.3	2.7	3.5	4.0	4.5	4.8	5.1	5.5	5.9	6.3	
YOY growth (%)		*21.8%*	*26.4%*	*16.1%*	*11.3%*	*7.0%*	*5.3%*	*8.2%*	*7.7%*	*6.9%*	*7.0%*
Average monthly spending (R)	340.9	368.1	340.1	314.2	296.5	289.9	285.5	280.0	273.8	268.3	
YOY growth (%)		*8.0%*	*-7.6%*	*-7.6%*	*-5.6%*	*-2.2%*	*-1.5%*	*-1.9%*	*-2.2%*	*-2.0%*	*-2.0%*
Pay-TV revenues (R millions)	9 218	11 040	12 688	14 145	15 162	16 161	16 886	17 678	18 661	19 613	
YOY growth (%)		*19.8%*	*14.9%*	*11.5%*	*7.2%*	*6.6%*	*4.5%*	*4.7%*	*5.6%*	*5.1%*	*5.3%*

Source: PwC, Informa Telecoms & Media

Domestically-based satellite operator MultiChoice, owned by Naspers Limited, has been the key player in the South African pay-TV market since its launch in 1995. Despite facing competition from the likes of TopTV, launched in 2010, MultiChoice continues to add new content and innovative services to maintain its appeal.

Chinese-backed StarTimes recently acquired a 20% stake in TopTV, but this transaction is still pending regulatory approval. StarTimes has built significant pay-TV subscriber scale elsewhere in Africa – and offers the prospect of mounting a serious challenge to MultiChoice.

Several other companies have applied for licences to launch new pay-TV channels. The regulator, the Independent Communication Authority of South Africa (ICASA), will be issuing these licences once the move from analogue to digital broadcasting is completed.

The applicants include:

- Mindset Media Enterprises, which is looking to launch an educational/ health channel;
- CloseTV, which aims to launch a channel addressing gay, lesbian and transgender issues;
- Kagiso Media, which aims to offer a bouquet of low-cost commercial channels; and
- SiyayaTV looking to offer African and South African content – including a football-focussed service after entering into an arrangement with the Council of Southern Africa Football Associations – with plans to launch a new regional football league.

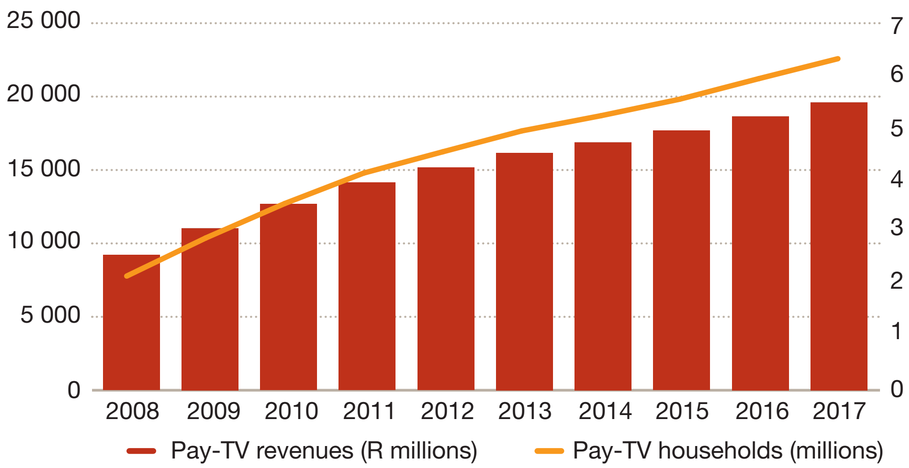
Pay-TV household numbers will grow at a 7% CAGR in the next five years.

In addition to these paid offerings, further channel choice could come from Platco Digital. Platco is a sister company of e.tv and plans to launch a 15-20-channel free-to-air satellite TV service, branded OpenView HD, in October 2013.

At first, it anticipates to launch four new channels on the OpenView platform, including a kids channel, movie channel, a channel focussing on Pan-African programming and a local content channel.

In this context, both subscriber numbers and pay-TV revenues will continue to grow at an impressive rate in the next five years.

Pay-TV revenues vs pay-TV households, 2008-2017



Source: PwC, Informa Telecoms & Media

The launch of TopTV's low-cost alternative has seen average monthly spending on pay-TV decline. This trend is set to continue with new entrants coming into the market and as MultiChoice has introduced its own lower-cost options, providing consumers with greater choice at a lower price. Average monthly spending will therefore drop from R296.50 in 2012 to R268.30 in 2017.

Competitors have struggled to match MultiChoice's array of premium content, including English and European soccer, as well as deals with MTV, BBC Worldwide, Discovery and Disney. TopTV's strategy has been to acquire secondary content rights, as well as add African content, to build a lower-cost alternative to MultiChoice's premium offering.

In April 2013, ICASA reversed an earlier decision and granted permission for TopTV to carry three adult subscription channels. At the time of publishing, the channels had not yet launched.

The Government has instructed ICASA to investigate TopTV's complaints about the dominance of MultiChoice's programme and sports rights ownership and recommend whether any action needs to be taken to address this and the pricing of the rights it sub-licenses to other broadcasters.

The new communications Minister, Yunus Carrim recently announced that he had tasked ICASA to formulate a policy by March 2014 to increase competition in the broadcasting sector and to ensure that content becomes more accessible to the widest range of citizens possible.

In addition to its strong content offering, MultiChoice's recent subscriber growth has been further fuelled by the adoption of digital video recorders (DVRs). The first locally-produced DVR was launched in May 2012 and the latest decoder, the 'Explora' was launched in August 2013. The improved decoder is capable of recording 220 hours of high-definition television. The BoxOffice and catch-up service is also boosted with additional titles being available on the decoder. Certain additional features may also become available in the future, including online content.

MultiChoice is developing niche 'bouquets' of paid services too, such as the Great Wall Africa bouquet of channels aimed at Africa's growing Chinese community, which was launched in March 2012.

While MultiChoice offers low-cost paid digital terrestrial services to other African markets via its GOtv brand, this is yet to launch in South Africa, but local growth in pay-DTT is expected in the next few years, driven by the roll out of DTT and increased competition.

In 2012, 99% of pay-TV revenues came from satellite services, with just some legacy analogue terrestrial services accounting for the remainder.

TV advertising to continue growing

TV advertising in South Africa generated net revenues of R11.4 billion in 2012 and its revenues are forecast to rise to R15.1 billion in 2017, a CAGR of 5.8%. Only a fraction of this growth will come from online TV advertising, with most coming from organic growth in the broadcast TV market, fuelled by growing audiences, greater competition among broadcasters and advertisers for their attention, and relatively favourable macroeconomic conditions, namely a rise in GDP.

The growing importance of community channels in the South African market was confirmed in July 2013 when the current community licensees – including Soweto TV, Cape Town TV and Tshwane TV – formed the Association of Community Television South Africa (Act-SA) to represent the interests of the sector.

The community licensees have an estimated collective audience of six million viewers and are coming together to try and develop a greater presence in the market, including the DTT market.

While they are focussed on establishing a set of common values around editorial independence and community development, the new association is also intended to help the sector maximise commercial opportunities, which has implications for advertising spend.

The South African economy experienced limited real GDP growth of 2.5% in 2012, and this kept TV advertising growth to a modest 4%. The period between 2013 and 2017 will see consistent revenue growth.

TV advertising revenues will grow at a CAGR of 5.8% in the next five years.

TV advertising revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Broadcast TV advertising	6 282	7 909	10 124	10 934	11 371	11 997	12 717	13 416	14 288	15 074	
YOY growth (%)		*25.9%*	*28.0%*	*8.0%*	*4.0%*	*5.5%*	*6.0%*	*5.5%*	*6.5%*	*5.5%*	*5.8%*
Online TV advertising	0.0*	0.0*	0.1	0.1	0.2	0.5	0.9	1.4	2.2	3.1	
YOY growth (%)		*81.1%*	*40.9%*	*61.3%*	*103.7%*	*140.8%*	*86.4%*	*61.6%*	*55.4%*	*38.9%*	*73.4%*
Total	**6 282**	**7 909**	**10 124**	**10 934**	**11 371**	**11 997**	**12 717**	**13 417**	**14 290**	**15 077**	
***YOY growth** (%)*	***25.9%***	***28.0%***	***8.0%***	***4.0%***	***5.5%***	***6.0%***	***5.5%***	***6.5%***	***5.5%***		***5.8%***

* Less than R1 million
Source: PwC, Informa Telecoms & Media

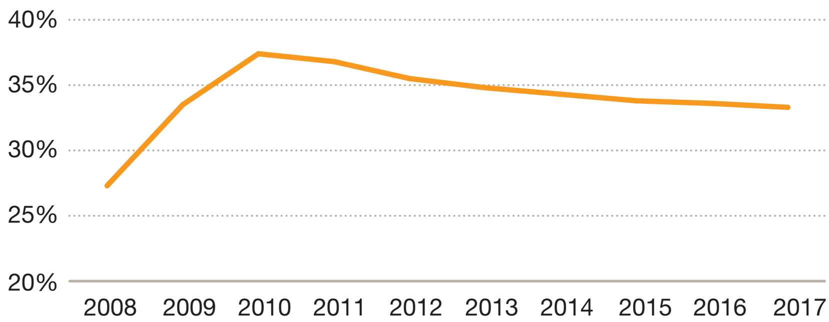
South Africa's overall advertising market grew by 4% in 2012, which is more in line with developed markets than the emerging giants of Asia. However, the market is expected to continue to grow, with TV as the largest component of that total.

Despite growth in the TV market, the growth of other advertising categories, including Internet and mobile advertising, means that TV's share of the overall market will fall slightly.

In 2012, TV accounted for 36.2% of all ad spend in South Africa and, despite the further growth forecast in TV channels and services, this share will fall to 33.3% by 2017. The significant majority of TV ad spend is generated by the free-to-air channels.

TV's share of total advertising revenues will continue to fall.

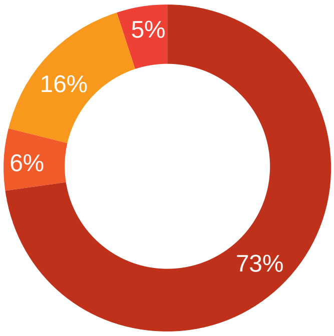
TV advertising's share of total advertising spend, 2008-2017 (%)



Source: PwC, Informa Telecoms & Media

The SABC is the most popular broadcaster and claims to represent more than 60% of all adult prime-time viewing via its three main channels. Advertising revenues account for more than 70% of the SABC's income, although it tried to increase income from other sources in 2012 by raising the public licence fee as well.

SABC, revenues by source, 2012 (%)



Source: SABC

The SABC faces increased competition from free-to-air rivals like the privately-owned e.tv, which acquired some key SABC content brands in 2012, including *Got Talent*, as well as the rights to certain South African rugby matches.

Increased competition in the sector is expected when DTT services are launched in the country, opening up the number of channels and allowing consumers more choice.

The SABC has been affected by a series of governance and management challenges, including a de-stabilised board, which contributed to it making a significant loss during the 2012/13 fiscal year. Following the appointment of a new communications minister, Yunus Carrim, in July 2013, the industry is hoping the SABC will become more stable and the uncertainty around the move to digital transmission will be addressed.

Despite these problems, the SABC's advertising revenues continue to grow, although competition from both free-to-air rivals and a dynamic pay-TV market are proving a challenge.

In more mature markets, the increased penetration of pay-TV services has reduced the share of the main broadcaster, so the SABC will need to adapt to this new competitive landscape to retain its share of TV ad spend.

One development that could help create new efficiencies in the South African TV market is the development of a new ad-coding system that is being developed by all the major industry bodies, including the SABC, DStv, e.tv, the Advertising Media Forum (AMF), Nielsen and the National Association of Broadcasters (NAB).

Currently, there is no standardised coding system, which for the TV industry can lead to errors in ad flighting, which are expensive for the industry to fix. The new system, which will flag potential problems before they occur, could save advertisers and marketers significant sums. It was successfully tested in early 2013 ahead of a wider launch.

Analogue switch-off could provoke significant market change

The structural priority of the global television business in recent years has been to push the transition from analogue to digital. By the end of 2012, more than 60% of South Africa's TV households were subscribing to a digital service through satellite broadcast, a figure that is expected to rise to 100% over the next five years when DTT services are introduced.

Digital progress would be even more impressive, but the launch of DTT has been delayed several times. A service was soft-launched in the Northern Cape region in October 2012, with national commercial launch initially scheduled for December 2012.

But this launch was delayed, primarily because commercial broadcaster e.tv launched a legal challenge over who should provide conditional access for the service. A DTT launch later in 2013 is now hoped for, although further delays are possible. The new Communications Minister is hoping to resolve the issues delaying the launch and is committed to consult all stakeholders, hoping a suitable solution to the disputed Set-Top box standard will be found.

With traditional channels already reaching most TV households, digital multichannel advertising is growing faster in many markets than the legacy terrestrial sector, simply because penetration of multichannel TV is increasing. Additionally, there are some technological factors at play, with digital services often best placed to offer HDTV and 3D TV channels, which have the potential to be attractive to advertisers because of their increased visual impact.

South Africa will start to feel the impact of the emerging forces that have shaped TV markets in other parts of the globe: rising subscription-TV penetration together with the increasing take-up of free-to-air DTT services driven by analogue switch-off will lead to a widespread increase in the number of channels available. While this has seen audiences decline for the traditionally leading broadcasters, audience fragmentation has brought the potential for more effective and targeted advertising, with advertisers using niche channels and programming.

The impact of analogue terrestrial signals being switched off could be of major significance in South Africa. First, there will be many more free-to-air channels available to the public, which may make some sectors of the public reconsider whether they need a pay-TV subscription at all. While this could hurt pay-TV subscriber growth, this will depend on the quality of content available on the new free-to-air channels as well as the value proposition of MultiChoice's own GoTV DTT offering.

Second, the launch of DVB-T2-based DTT in South Africa gives StarTimes another sub-Saharan market to target. StarTimes has already attracted a large number of subscribers to its services elsewhere and would introduce a significant new competitor into the market.

StarTimes has already gained a foothold in South Africa through its 20% stake in TopTV (which at the time of writing is still subject to regulatory approval) and will be keen to expand its presence into the emergent South African pay-DTT market, where it may eventually compete head-on with MultiChoice's GOtv pay DTT service. At present the GOtv is brand not available in South Africa.

Advertising measurement challenges and opportunities

A further by-product of the move to digital is a greater capability in creating targeted advertising. TV is uniquely able to deliver the mass audiences that advertisers see as essential to make their products and services visible to the largest possible percentage of the public. But, in the longer term, as audiences continue to fragment, a tipping point will come when this perception changes and when advertisers will want to target particular groups within a larger audience. SABC, e.tv and those new services that emerge as the DTT rollout proceeds will need to respond to a change in demand from advertisers as well as consumers.

The changing expectations of viewers will increasingly affect the TV advertising industry over the next five years. The sector is faced with a TV audience that is being fragmented by greater programming choice. This gives advertisers additional locations to place their messages, but has also led them to question the rates that they have been paying to the mainstream TV stations.

One of the key manifestations of viewer evolution is a move away from a passive consumer to someone typically much more engaged. Linked to this are the growth of social TV and the 'second screen' where people use smart devices – often to access social media – while watching traditional TV at the same time. A greater proportion of viewing will take place on non-TV devices, beyond the TV set.

The appeal of social TV is strong, especially for genres such as 'event' programming, reality TV, sports and news. It is not surprising that broadcasters with a young target audience and a host of reality shows – such as MTV – have so far been leading the way in social TV. The trend also has profound implications for the way content is created as well as distributed. Social elements will increasingly be embedded into the creative process.

To offer content across multiple screens, content providers must acquire multidevice rights, which are not easy to value, because historically, they have been dealt with separately. Persuading content owners to offer simple and affordable multidevice rights will remain a significant challenge in the short term. Also important is the issue of rights to distribute content globally and/or in different markets because it affects the ability to access and discover TV content.

Some of the statistics concerning social TV are impressive, like Twitter traffic exceeding 10 000 tweets per second around live TV events such as the US Super Bowl or Champions League football in Europe. But scepticism among advertising executives over the value of the 'second screen' as a platform suggests that advertisers' loyalty to TV (whose research they understand and trust) won't disappear anytime soon.

This ignores the fact that 'second-screen' interaction by TV consumers is no longer an early-adopter fad: numerous pieces of research confirm that it is already a mainstream consumer activity in many markets. The advertising industry, like the TV industry, will need to adjust – sooner rather than later.

The TV industry's whole premise – that audiences are actively engaged with a TV screen – has helped create South Africa's most lucrative advertising platform. But now that model needs to adapt to the new reality of TV as an increasingly ambient part of a multiscreen environment, one that is increasingly viewed in the background and is just one screen among many. New measurement metrics are essential to safeguard revenue levels.

The evolution of TV – characterised by digital networks, connected devices and increased personalisation – both requires and facilitates new and improved audience-measurement systems. These offer advertisers greater accuracy in reaching their target audience and therefore the potential to make a greater return on their investments.

There are two separate but interrelated challenges facing audience-measurement researchers seeking to provide more accurate data for their clients:

- Adding scale to traditional viewing-panel research, while at the same time maintaining individual – as opposed to household – insight; and
- Effectively measuring activity taking place on related devices rather than the TV set itself.

Until progress is made on these, migration of advertising revenues from traditional TV to online video platforms will lag behind consumer adoption of these new services. Failure to address them adequately could severely jeopardise future revenue growth.

Second-screen experiences are becoming more popular across the TV and advertising ecosystem, and the opportunities and challenges that industry players face are plentiful.

In a recent PwC report, *The Cord-Cutting Debate and the Role of the Second Screen in TV, Advertising and Content Distribution*, published in February 2013, we identified the key success factors to consider in the development of a second-screen strategy, including the importance of nurturing a conversation, the role of collaboration, the value of superfans, the need to respect consumer privacy and the use of new metrics to measure success.

Threat from over-the-top services

Even in 2017, revenues from over-the-top (OTT) video services (delivering video content via the Internet) will remain a fraction of overall pay-TV revenues. This is not to say that incumbent TV players can ignore the threat: indeed they should adapt their services to changing consumer expectations for more on-demand content.

The past few years have been particularly characterised by concern over whether increasingly popular Internet-delivered services (such as Netflix) are encouraging traditional subscription-TV users to 'cut' or 'trim' 'the cord', that is to cancel (or downgrade) their pay-TV subscription in favour of OTT video alternatives.

PwC's research findings suggest that the impact on the pay-TV industry will be minimal, at least over the next five years.

However, a bigger long-term concern for the industry is the prospect of 'cord-nevers', those younger viewers who have yet to acquire the habit of paying a subscription for their TV services. It remains to be seen whether this population sector will eventually adopt the consumption patterns of their parents, or demand something totally different from the existing model.

MultiChoice has been particularly active in responding to these new developments. In July 2011, it launched a push-VOD service for its satellite subscribers called BoxOffice. The service allows users to rent Hollywood movies and access catch-up content. The popularity of BoxOffice (it reports 400 000 rentals per month) has helped drive DVR uptake and subscriber growth overall.

MultiChoice went a step further in January 2012, soft-launching BoxOffice Online, which can be accessed by broadband subscribers – so widening its target base beyond its satellite TV subscribers. The online version of the service was launched commercially in March 2013, making it available to any household in South Africa with a broadband connection.

This taps into one of the factors behind the growth in Internet-based OTT services – not just their content but their convenience. Where it is available, a service such as Netflix can deliver the content to a host of different devices and platforms. Pay-TV operators are responding with multiscreen initiatives of their own, and these will be important for retaining existing customers.

MultiChoice has also launched stand-alone OTT video offerings. These make selected content from the operator's core service available without the need for satellite subscription.

But the impact of these OTT services, whether from existing TV players or newcomers, will be limited in the South African market by the relatively low levels of broadband penetration. Even by 2017, it is expected that only 18% of households will have fixed-broadband access. The numbers with mobile Internet access will grow more rapidly, but for most South Africans the best source of video content will continue to be traditional TV providers.

It's all about choice

For consumers, control and flexibility are crucial – especially when it comes to their digital TV service. They want to choose what they watch and when and how they watch it, whether that means using OnDemand to stream movies, watching prime-time shows at 5am or storing an entire season of a show on their DVR. They want their Internet speed to be fast and reliable. And, if something goes wrong, they want their providers' website and customer service representatives to help them quickly and solve the problem easily.

Consumers: Importance of innovative digital TV features (% rating 'important/very important')

79%	• The ability to restart a programme that is already in progress
73%	• Ability to watch prime-time TV up to 72 hours after it has aired by going back in the TV guide
72%	• Up to 150 hours of storage space
71%	• Whole-house DVR record in one room and watch in another
67%	• Total home DVR: record up to four shows at once on a single DVR and play back from any room in the house

Source: PwC Consumer Intelligence Series: Product and Services Innovation for TV and the Internet, July 2013

The role of the pay-TV operator must expand

The future role of the TV operator will expand beyond multiscreen delivery of video to include additional multiplay services, including music and games, typically delivered over the Internet. Storage of personal data in the cloud will be an important feature for operators to offer. Connected-home services, such as digital storage, remote security and online healthcare monitoring, represent significant new opportunities for operators to install a connected box in their customers' houses.

Nigeria

TV revenues (US$ millions) and pay-TV households (millions), 2008–2017

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Pay-TV subscription	255	350	403	385	407	472	523	563	594	623	
YOY growth (%)		*37.4%*	*15.1%*	*-4.5%*	*5.7%*	*16.1%*	*10.6%*	*7.8%*	*5.5%*	*4.7%*	*8.9%*
% of total TV market	59%	59%	62%	57%	57%	59%	58%	57%	56%	55%	
TV advertising	176	239	247	287	301	331	381	419	461	507	
YOY growth (%)		*35.6%*	*3.4%*	*16.2%*	*5.0%*	*10.0%*	*15.0%*	*10.0%*	*10.0%*	*10.0%*	*11.0%*
% of total TV market	41%	41%	38%	43%	43%	41%	42%	43%	44%	45%	
Total TV market	**431**	**589**	**650**	**672**	**708**	**803**	**904**	**982**	**1 055**	**1 130**	
YOY growth (%)		***36.6%***	***10.4%***	***3.4%***	***5.4%***	***13.5%***	***12.4%***	***8.7%***	***7.4%***	***7.0%***	***9.8%***
Pay TV households (millions)	0.6	0.9	1.0	1.3	1.8	2.2	2.4	2.5	2.7	2.9	
YOY growth (%)		*46.1%*	*21.3%*	*25.2%*	*40.9%*	*17.4%*	*9.7%*	*6.8%*	*6.3%*	*5.9%*	*9.1%*
Average monthly spending (US$)	36.0	40.2	35.2	27.3	21.5	19.6	19.2	19.1	18.9	18.7	
YOY growth (%)		*11.6%*	*-12.4%*	*-22.6%*	*-21.1%*	*-8.7%*	*-2.3%*	*-0.4%*	*-1.0%*	*-1.3%*	*-2.8%*

Source: PwC, Informa Telecoms & Media

Nigeria had 1.8 million pay-TV households at the end of 2012. It is expected to increase this total by 1.1 million, to reach 2.9 million by the end of 2017. Subscription revenues, totalling US$407 million in 2012, will reach US$623 million in 2017, a CAGR of 8.9%.

South African-based satellite operator MultiChoice, the long-term pay-TV leader, is now Nigeria's second-largest pay-TV provider. Its subscriber base has been overtaken by StarTimes, a Chinese venture running in partnership with the Nigerian Government. Nigeria had 10.5 million TV households in 2012, meaning pay-TV penetration was 17%. By the end of 2017, that figure will rise to an estimated 24%.

While growth in paid DTT will be more significant, ARPUs from satellite services such as MultiChoice will remain significantly higher. In addition, MultiChoice faces competition on the pay-DTT platform from the likes of StarTimes.

Revenues in the Nigerian TV market will grow at a CAGR of 9.8% in the next five years.

MultiChoice launched its own low-cost GOtv platform in 2011 and still retains key content rights including English Premier League football as well as channels from international providers such as the BBC and Sony Pictures Television.

The National Broadcasting Commission (NBC), the regulator, mandates a 40% local programming requirement, which is reduced to 20% for pay-TV. MultiChoice's dedicated sports channel, SuperSport, has made a significant investment in Nigerian content, including football and basketball.

One Lagos-based Internet company, iROKOtv, claimed 500 000 online subscribers for its library of local 'Nollywood' movies in 2012. While many of these subscribers are outside Nigeria, the company is now targeting growth in its home country.

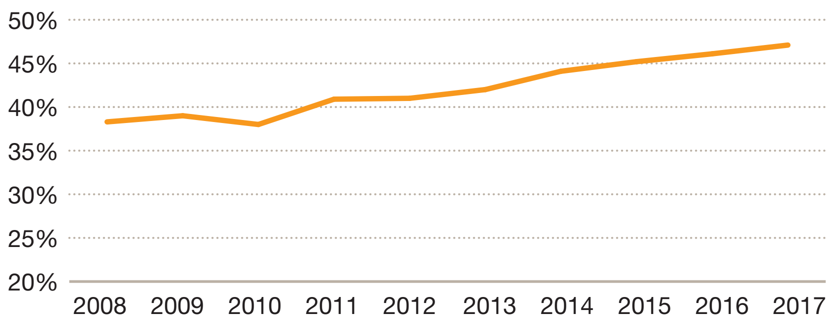
In 2012, TV accounted for 41% of all ad spend in Nigeria. But, with strong development of the TV sector anticipated, this share will increase to 47.1% by 2017. Having generated TV advertising revenues of US$301 million in 2012, the period between 2013 and 2017 will see consistent revenue growth, with net TV advertising revenues reaching US$507 million in 2017, a CAGR of 11%.

Although the global economic downturn affected the wider advertising business in Nigeria, overall, the past decade has seen significant growth in advertising, fuelled by the emergence of a middle class with higher disposable income for branded goods. TV is the most important medium for advertising.

The advertising market is primarily focussed around urban areas, with Lagos alone accounting for 60% of total advertising spend. The biggest advertisers in Nigeria are telecoms firms, while the banking and beer markets have seen a significant increase in expenditure.

While the penetration of fixed-broadband access will remain low, mobile Internet adoption will continue to grow more rapidly. In response, pay-TV provider StarTimes made some of its content available via mobile phones during 2012. In Nigeria, as elsewhere in sub-Saharan Africa, there will be an increasing opportunity to advertise to TV audiences via mobile devices.

TV advertising share of total advertising spend, 2008-2017 (%)



Source: PwC, Informa Telecoms & Media

TV's share of total advertising revenues will continue to rise.

Kenya

TV revenues (US$ millions) and pay-TV households (millions), 2008-2017

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Pay-TV subscription	21	27	36	45	59	70	81	91	101	111	
YOY growth (%)		*28.1%*	*33.6%*	*25.7%*	*31.6%*	*19.1%*	*15.4%*	*12.4%*	*11.6%*	*9.8%*	*13.6%*
% of total TV market	16%	17%	16%	13%	14%	14%	14%	14%	14%	13%	
TV advertising	107	134	191	310	359	416	483	560	650	754	
YOY growth (%)		*25.0%*	*42.9%*	*62.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
% of total TV market	*84%*	*83%*	*84%*	*87%*	*86%*	*86%*	*86%*	*86%*	*86%*	*87%*	
Total TV market	**128**	**161**	**227**	**355**	**418**	**486**	**564**	**651**	**751**	**865**	
YOY growth (%)		***25.5%***	***41.3%***	***56.3%***	***18.0%***	***16.4%***	***15.9%***	***15.5%***	***15.4%***	***15.2%***	***15.7%***
Pay-TV households (millions)	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.5	0.5	
YOY growth (%)		*59.4%*	*44.1%*	*42.6%*	*27.3%*	*24.8%*	*21.9%*	*18.2%*	*14.5%*	*11.3%*	*18.0%*
Average monthly spending (US$)	31.2	30.8	27.4	24.1	23.7	22.4	21.0	19.7	18.9	18.4	
YOY growth (%)		*-1.2%*	*-10.9%*	*-12.2%*	*-1.5%*	*-5.4%*	*-6.3%*	*-6.2%*	*-4.0%*	*-2.7%*	*-4.9%*

Source: PwC, Informa Telecoms & Media

Kenyan pay TV household numbers will more than double in the next five years.

The Kenyan pay-TV market is still in its infancy, with subscriber penetration at only 8% in 2012. However, as competition increases, this will rise to 15% by 2017. The total of 232 000 pay-TV households at the end of 2012 is expected to more than double to reach 531 000 by the end of 2017, a CAGR of 18%. Subscription revenues totalled US$59 million in 2012 and will reach US$111 million in 2017, a CAGR of 13.6%.

Subscriber growth will be driven by new players like Wanachi and Zuku, which are challenging the incumbent MultiChoice by diversifying their offerings and cutting prices.

In the satellite sector, MultiChoice faced significant competition in Kenya from new entrant GTV from mid-2007 until early 2009 when GTV went bankrupt. Since then, MultiChoice's Kenyan subscriber base has been increasing substantially.

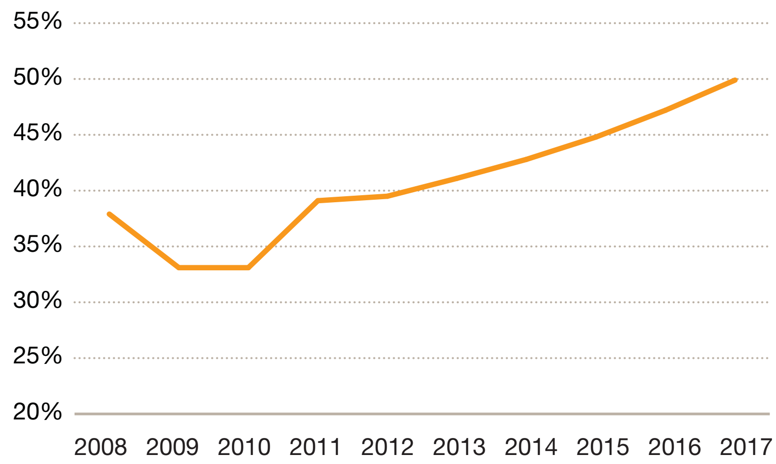
Further significant competition is now coming from Chinese-owned pay-TV provider StarTimes, which is looking to pay-DTT services to erode MultiChoice's strong position in the market. StarTimes is offering specific deals to former subscribers of defunct services like GTV and has been successful in generating subscriber scale. MultiChoice launched its own pay-DTT service, GOtv, in 2011.

In 2012, TV accounted for 35.3% of all ad spend in Kenya. But, with the TV sector expected to grow in strength over the next five years – assisted by the emergence of a new urban middle class with money to spend on consumer goods – this share will increase to 45.8% by 2017.

Having generated TV advertising revenues of US$359 million in 2012, the period between 2013 and 2017 will see consistent revenue growth, with net TV advertising revenues set to reach US$754 million in 2017, a CAGR of 16%.

TV's share of total advertising revenues will continue to rise.

TV advertising share of total advertising spend, 2008-2017 (%)



Source: PwC, Informa Telecoms & Media

However, Kenya has very high rates of advertising agency commission: a TV ad in Kenya costs more than twice the Nigerian price for the same air time. The advertising skill set in Kenya is perceived to be slightly higher than in Nigeria, thanks to better exposure to global trends, technology and training. Commissions are expected to reduce as the market matures, encouraging further spend.

As part of this growth trend, the wider advertising industry is also set to expand, with more agencies launching. Regulation may be introduced to ensure that while the Kenyan market grows rapidly, it does not become as fragmented as those in other African countries.

Global trends in Television

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Total TV revenues, 2008-2017 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Pay-TV subscription	137 466	146 091	155 312	163 403	171 691	180 444	189 162	197 315	205 376	212 359	
YOY growth (%)		*6.3%*	*6.3%*	*5.2%*	*5.1%*	*5.1%*	*4.8%*	*4.3%*	*4.1%*	*3.4%*	*4.3%*
Public licence fees	36 000	36 659	37 016	37 561	37 760	38 390	38 714	38 978	39 297	39 630	
YOY growth (%)		*1.8%*	*1.0%*	*1.5%*	*0.5%*	*1.7%*	*0.8%*	*0.7%*	*0.8%*	*0.8%*	*1.0%*
End user spending	**173 466**	**182 750**	**192 328**	**200 964**	**209 451**	**218 834**	**227 876**	**236 293**	**244 673**	**251 989**	
YOY growth (%)		***5.4%***	***5.2%***	***4.5%***	***4.2%***	***4.5%***	***4.1%***	***3.7%***	***3.5%***	***3.0%***	***3.8%***
% of total TV market	**53%**	**57%**	**55%**	**56%**	**56%**	**56%**	**55%**	**55%**	**54%**	**54%**	
Broadcast TV advertising	147 475	135 621	149 273	155 163	161 143	167 709	176 287	183 345	194 238	203 065	
YOY growth (%)		*-8%*	*10.1%*	*3.9%*	*3.9%*	*4.1%*	*5.1%*	*4.0%*	*5.9%*	*4.5%*	*4.7%*
Online TV advertising	1 527	1 751	2 001	2 234	2 861	3 426	4 609	6 097	7 381	8 647	
YOY growth (%)		*14.7%*	*14.3%*	*11.7%*	*28%*	*19.8%*	*34.5%*	*32.3%*	*21.1%*	*17.2%*	*24.8%*
Total TV advertising	**149 002**	**137 372**	**151 274**	**157 397**	**164 004**	**171 135**	**180 896**	**189 442**	**201 619**	**211 712**	
YOY growth (%)		***-7.8%***	***10.1%***	***4%***	***4.2%***	***4.3%***	***5.7%***	***4.7%***	***6.4%***	***5.0%***	***5.2%***
% of total TV market	**47%**	**43%**	**45%**	**44%**	**44%**	**44%**	**45%**	**45%**	**46%**	**46%**	
Total TV market	**322 468**	**320 122**	**343 602**	**358 361**	**373 455**	**389 969**	**408 772**	**425 735**	**446 292**	**463 701**	
YOY growth (%)		***-0.6%***	***7.3%***	***4.2%***	***4.2%***	***4.4%***	***4.8%***	***4.2%***	***4.8%***	***3.9%***	***4.4%***

Source: PwC, Informa Telecoms & Media

- The continued attraction of TV content and a demand from new consumers will ensure the global pay-TV industry continues to grow, despite concerns about OTT services and piracy. Subscription revenues from pay-TV providers will reach US$212 billion by 2017, up from US$172 billion in 2012 (at a CAGR of 4.3%), driven by rapid growth in the Asia-Pacific and Latin American markets, notably in China and Brazil, which will surpass the UK, Canada and India in 2013 to become the third-largest market.
- Indonesia will be the fastest-growing TV market with a revenue CAGR of 21% and a market set to be worth US$1.7 billion in 2017, while Kenya, Thailand and Vietnam also all show impressive growth (13%+ CAGR). In the mature markets of Europe, growth will generally be limited to 1-3%, with the exception of Russia.
- The threat from OTT services should not be exaggerated. Even by 2017, revenues from OTT services will remain just 6% of overall pay-TV revenues. But operators must adapt their services to changing consumer expectations for more on-demand content.
- A greater proportion of viewing and interaction will take place on non-TV devices, beyond the TV set. Multiscreen 'TV Everywhere' services will increase the appeal of TV, while the rise in social TV and second-screen activity will provide an opportunity for pay-TV operators to deepen their engagement with viewers.
- Cable will remain the dominant platform globally for delivering pay-TV services, although its share will decline. IPTV will be the fastest-growing platform – at a CAGR of 14% – but only in certain markets, such as China, the US and South Korea.
- Over the next five years, the TV advertising sector will pass US$200 billion in annual revenue – with a CAGR of 5.2% – reaching global revenues of US$211.7 billion in 2017 (compared with US$164 billion in 2012). Despite a rise in pay-TV subscriptions, terrestrial television will account for 69.6% of all TV advertising revenues in 2017.

- The US will still dominate global TV advertising revenues, accounting for 39.0% of the global total in 2017, which is only a modest drop from 2012's 39.4%. But the fastest rates of growth will be in other markets, including Kenya (16% CAGR), Indonesia (15%), India (12%), Nigeria (11%) and Brazil (10%).
- New technology that changes the way consumers watch TV will create challenges and opportunities for advertisers. Increased use of DVRs, connected portable devices (including 'second screens' such as smartphones and tablets) and connected TVs will threaten the traditional TV advertising models.
- Online TV advertising revenues will treble between 2012 and 2017, but will remain a fraction of traditional TV revenues. Aggressive growth will see Japan become the third largest market for online TV advertising globally, behind only the US and UK.
- The industry must react to changing consumer behaviour. The opportunity to provide targeted advertising, through the interrogation of consumers' online habits, presents the TV industry with a new and potentially vital revenue stream.
- Better measurement metrics are needed to reflect the new realities of TV consumption. Future revenues will be at serious risk without agreed models for what to measure and how to measure it.

Filmed entertainment

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Definitions

The filmed entertainment segment consists of both out-of-home and in-home components. Out-of-home includes consumer spending at the box office for theatrical motion pictures and advertising spend at the cinema, including on-screen advertisements before the movie. Concession sales of beverages and refreshments in theatres are not included.

In-home includes both physical home video and electronic home video of films, TV programming and other content. Physical home video includes spending on rentals of videos at video stores and other retail outlets and the purchase of physical home video products. Electronic home video consists of spending through TV set-top boxes and access over the Internet.

The figures do not include music videos (which are included in the music segment). They also do not include movies or other content licensed to pay-TV or other television content providers (which are included in the television segment). These figures are removed at the total level to avoid double counting.

In brief

The market for filmed entertainment in South Africa generated revenues of R2.2 billion in 2012. Fuelled by a growing economy and subsequent higher demand from consumers, the market is forecast to grow by a CAGR of 7.0% over the next five years to reach R3.1 billion in 2017.

Going to the cinema will continue to be a popular leisure activity in South Africa with box office revenues forecast to reach R835 million in 2017, while cinema advertising will also grow to reach R781 million in 2017.

The electronic home video segment will be the fastest-growing segment in the South African filmed entertainment market with a CAGR in excess of 24% over the forecast period and revenues exceeding R700 million in 2017. This growth in electronic home video will offset declines in the physical sell-through segment.

Over-the-top (OTT) delivery of high-quality video services over the Internet could become an important feature of the filmed entertainment market in the next five years, but growth will be limited by relatively low levels broadband access.

South Africa continues to be a prime film location, offering a combination of solid film infrastructure, attractive financial incentives with a favourable exchange rate, sunny climate and a wide diversity of spectacular locations.

Nigeria's filmed entertainment market generated revenues of R1.6 billion (US$198 million) in 2012, and, driven by the continuing popularity of the local film industry, Nollywood, revenues will grow to reach R2.2 billion (US$270 million) in 2017, at a CAGR of 6.4%.

Kenya's filmed entertainment market generated revenues of R353 million (US$43 million) in 2012, but with limited access to broadband and with few cinema screens available, this will rise to just R377 million (US$46 million) in 2017, at a CAGR of 1.3%.

South Africa

The South African filmed entertainment market will grow at a CAGR of 7.0% in the next five years.

Filmed entertainment revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Electronic home video	0*	0*	0*	172	240	318	394	480	583	709	24.2%
OTT/streaming	-	-	-	-	-	8	14	26	52	99	-
Through TV subscription	-	-	-	172	240	310	380	454	531	610	20.5%
Physical home video	907	982	995	851	848	844	833	813	796	781	-1.6%
Rentals	30	19	23	23	23	23	24	24	24	24	0.9%
Sell through	877	963	972	828	825	821	809	789	772	757	-1.7%
Box office	482	415	430	547	576	610	649	697	757	835	7.7%
Advertising	367	302	355	511	552	594	639	684	732	781	7.2%
Total	1 756	1 699	1 780	2 081	2 216	2 366	2 515	2 674	2 868	3 106	
YOY growth (%)		-3.3%	4.8%	16.9%	6.5%	6.8%	6.3%	6.3%	7.2%	8.3%	7.0%

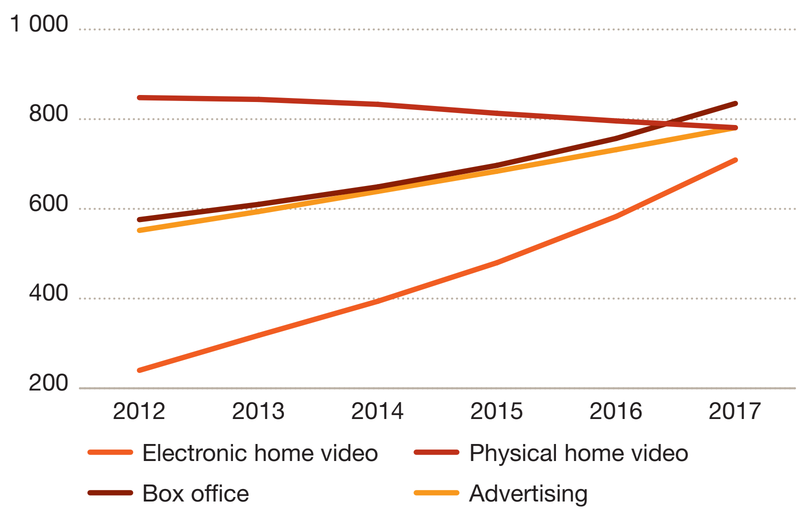
* Less than R1 million
2008 – 2012 South Africa figures have been updated to reflect most recently available information
Source: Aquidneck Consulting, PwC, Informa Telecoms & Media

The market will be boosted by the continued popularity of going to the cinema.

The market for filmed entertainment in South Africa generated revenues of R2.2 billion in 2012. The 3.3% fall in revenues in 2009 proved to be a blip with revenue growth of 16.9% in 2011 and a further 6.5% in 2012.

Fuelled by a growing economy and a subsequent higher demand from consumers, the market is forecast to grow by a 7.0% CAGR over the next five years to reach R3.1 billion. Annual growth is expected to accelerate in the latter half of the forecast period with 7.2% growth in 2016 and 8.3% in 2017.

Filmed entertainment revenues by segment, 2012-2017 (R millions)



Source: Aquidneck Consulting, PwC, Informa Telecoms & Media

The next five years will see a shift from physical to electronic home video.

Going to the cinema will continue to be a popular leisure activity in South Africa. Box office revenues are forecast to grow at a CAGR of 7.7% over the next five years to reach R835 million in 2017.

Advertisers are provided with a captive and relatively affluent audience, which will result in a 7.2% CAGR in cinema advertising over the forecast period and revenues of R781 million in 2017.

The filmed entertainment market will benefit further from consumers using services such as DStv Box Office and revenues from electronic home videos will replace those lost in the physical home video format. The electronic home video segment is expected to double its share of the filmed entertainment market, accounting for approximately 23% of the market in 2017, up from 11% in 2012.

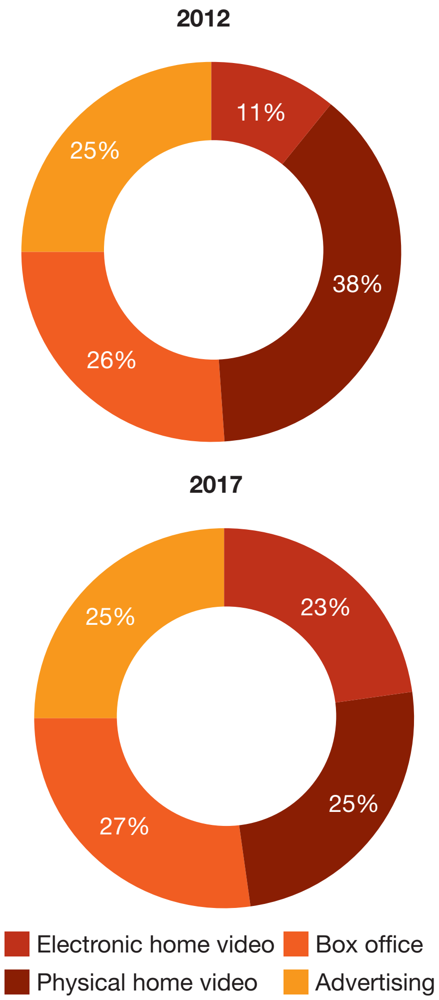
Filmed entertainment will increase its share of consumer spend on entertainment and media generally from 4.2% in 2012 up to 4.4% in 2017, while its share of advertising spend will remain at 1.7%.

Cinema revenues

Cinema admissions are forecast to grow by a 4.3% CAGR to reach 32.5 million in 2017, up from 26.4 million in 2012. Average ticket prices will also rise, from just over R22 in 2012 to R26 in 2017.

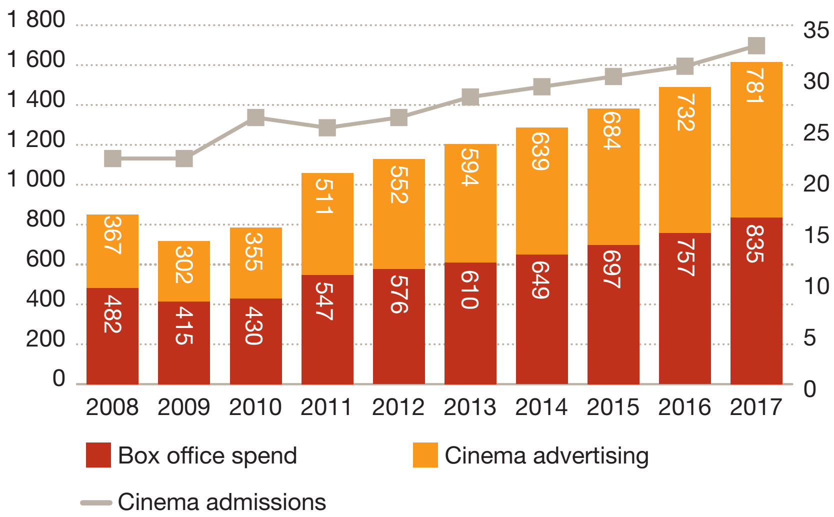
Cinema revenues from both advertising and admissions will grow strongly in the next five years.

Filmed entertainment revenue share by category, 2012 vs 2017 (%)



Source: Aquidneck Consulting, PwC, Informa Telecoms & Media

Cinema revenues (R millions) and admissions (millions), 2008-2017



Source: PwC, Informa Telecoms & Media

Cinema is attracting audiences by positioning itself as an affordable form of entertainment to be enjoyed with friends and family. Advances in digital technologies are providing clearer pictures and improved sound in cinema chains, delivering a more enjoyable experience for cinemagoers and an effective platform for advertisers.

The largest cinema chain in South Africa is Ster-Kinekor, part of Primedia, with 54 cinema complexes in South Africa, which translates into 400 screens and 63 000 seats. In addition, it has 58 3D cinemas and a separate art house cinema chain, Cinema Nouveau, with five complexes and a total of 34 screens. The cinema at Cradlestone Mall, currently under construction in Gauteng province, will have eight screens, including three 3D screens and the latest in sound technology.

Nu Metro, part of the Times Media Group, is the next-largest chain with approximately 200 screens. In November 2012, Nu Metro acquired Movies@Woodlands, the successful independent cinema complex in the upmarket area of Pretoria East.

Cinema chains are also segmenting their audience by offering 'premier' tickets with bigger seats and more legroom, replicating the comfort of their own homes with offerings such as Cinecentre's CinePremiere. Moreover, in September 2013, Ster-Kinekor Theatres, announced an agreement to install an IMAX theatre in its Multiplex at the Gateway Theatre of Shopping in Durban, opening in November 2013, which will be IMAX's first commercial multiplex theatre in the country after Nu Metro closed down all its IMAX theaters in 2010. There are plans to launch additional IMAX theatres in future. The new IMAX films will be shown in digital compared to the standard 70mm format which was used previously.

In addition, cinema operators are taking advantage of the increase in smartphone ownership in the country with Ster-Kinkor and Nu Metro Cinemas offering apps that enable customers to book tickets, browse cinema listings and watch trailers.

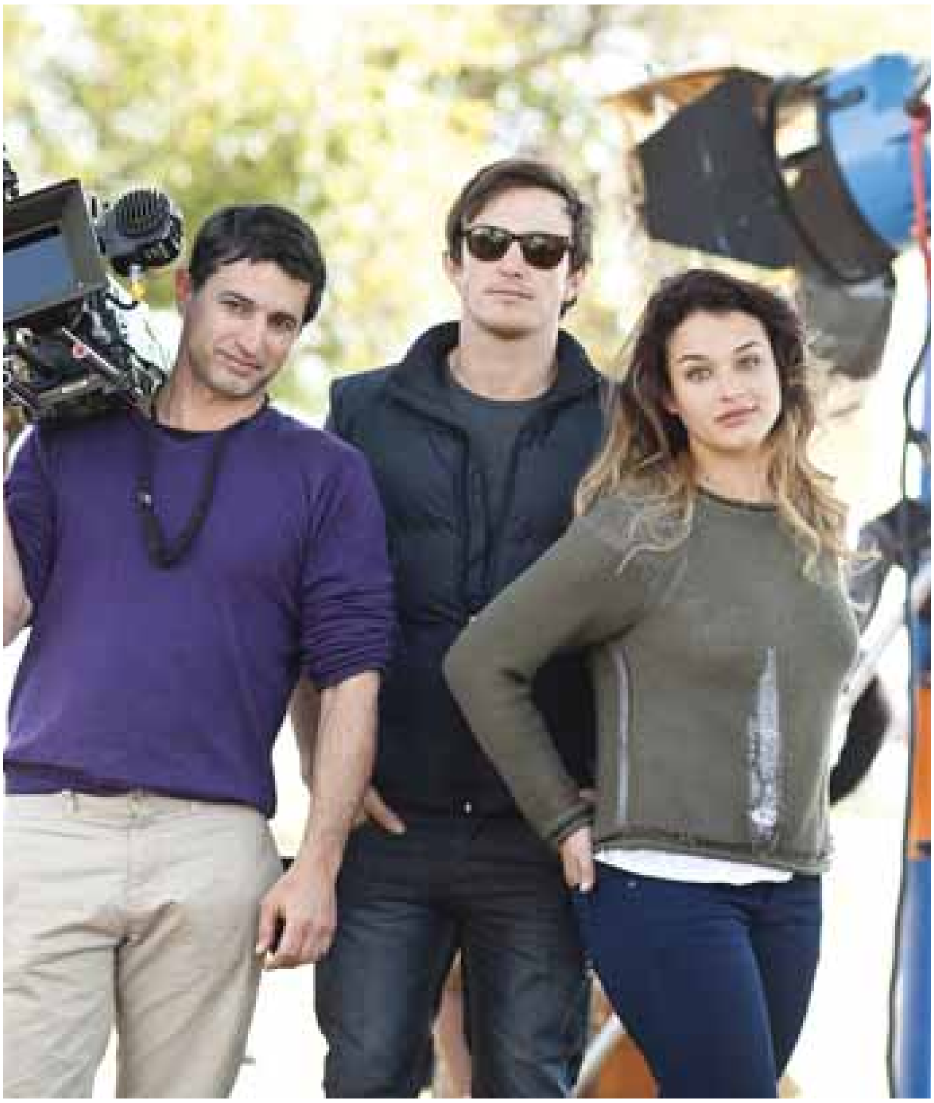
Improvements to facilities and cinema's relative affordability have driven box office revenues from a low of R415 million in 2009 to R576 million in 2012 and a forecast R835 million in 2017.

Advertising in cinemas is forecast to follow a similar revenue growth pattern, up from a low of R302 million in 2009 to R552 million in 2012. It is expected to reach R781 million in 2017.

While such projects provide opportunities for cinema chains to engage with more affluent consumers, it is gaining the custom of lower-income households that will significantly boost cinema revenues in the country.

The major cinema complexes are often situated far from where the majority of South Africans live. For this reason, the National Film and Video Foundation is looking to support cinema construction in low-income areas, with Nigeria's Cinemart in discussions to offer lower-cost, but good quality venues in densely-populated low-income areas, boosting revenues and admissions.

The wider industry will also benefit from an increasing number of films being shot in South Africa, including *Chronicle*, which topped the US box office on Super Bowl weekend in February 2012.



Cinema advertising

Cinema advertising delivers an attentive, relatively affluent captive audience.

Cinema advertising is forecast to rise by a CAGR of 7.2% over the next five years to reach R781 million in 2017. In addition to the factors driving cinema attendances and box office revenues, cinema offers advertisers some unique advantages compared to other media.

The screens themselves are comparable in size to roadside billboards and, coupled with the developments in sound technology, they offer advertisers the opportunity to deliver an immersive experience. Ster-Kinekor is currently upgrading its movie houses and will have a minimum of Dolby 5.1 at all its theatres in 2013, with many offering Dolby 7.1 'with some tweaks'[1].

Cinema-goers are less distracted inside a cinema than when going about their daily lives (as they are discouraged from using electronic media while inside the theatre) and so are more likely to pay attention to the adverts. In addition, cinema operators allow advertisers to air longer adverts compared with television, which gives them the opportunity to complement existing television campaigns. Furthermore, cinema is able to deliver audiences for targeting with both national and local campaigns.

Cinema audiences tend to be younger, well educated and more affluent than the overall population and the variety of film genres shown enable advertisers to fine-tune their placement according to the type of film being shown.

Admission figures for individual films provide advertisers with a good indication of the number of individuals who witnessed the advertisements: an advertiser can expect between 400 000 and 450 000 attendances at the 50 top screens in South Africa[2].

Advertising in cinemas is evolving from only being present in the run-up to the start of the film. It is now a feature throughout the cinemagoer's visit, for example in foyers, while queuing for refreshments and inside restrooms.

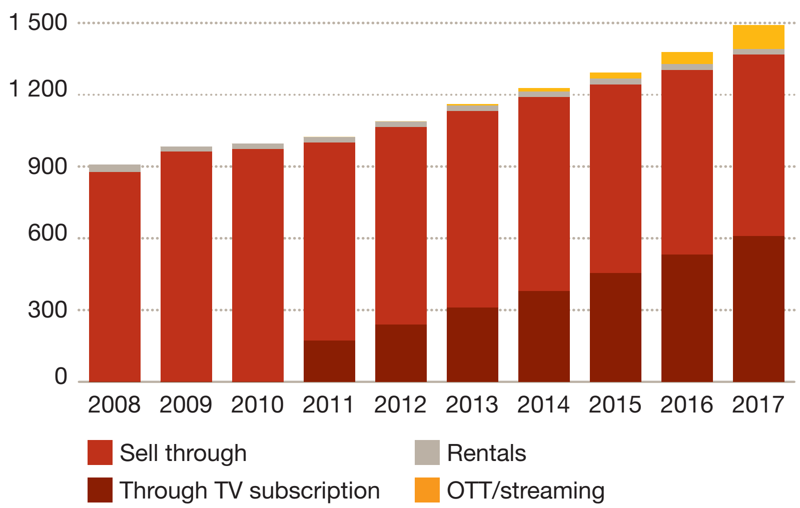
Home video

Home video revenues will be boosted by the growth in TV subscription services.

The electronic home video segment is forecast to be the fastest-growing segment in the South African filmed entertainment market with growth forecast to be more than 24.2% CAGR over the forecast period and revenues exceeding R700 million in 2017. This growth in electronic home video will offset declines in the physical sell-through segment.

Home video revenues will be boosted by consumers' use of TV-based movie services.

Home video revenues by type, 2008-2017 (R millions)



Source: Aquidneck Consulting, PwC, Informa Telecoms & Media

[1] Duncan Mcleod, "*Big action on the big screen*", TechCentral, www.techcentral.co.za/big-action-on-the-big-screen/36991/ (accessed Dec 13, 2012)

[2] *"The future of Media 2013"*, *Blueprint 2013*, www.omd.co.za (accessed Jul 3, 2013)

MultiChoice's DStv platform will spearhead the growth in the home video segment. The company is evolving to cater not only for subscribers accessing content via satellite, but also for consumers who are less likely to pay for a television subscription, but who might access content via a tablet device.

DStv launched an online version of its BoxOffice movie rental service in the first quarter of 2013 and offers customers the opportunity to rent and stream films directly from the BoxOffice website or to rent and download films via the DStv Desktop Player app. A DStv subscription is not required to access the service and customers only need to sign up for a BoxOffice Account.

South Africans can now also buy and rent movies from Apple's iTunes Store. The launch of movie rentals and downloads comes just six days after Apple launched music purchases in South Africa[3].

South African consumers are becoming familiar with new methods for accessing films and other television content. For example, M-Net Showcase now offers the likes of *Mad Men* and *Criminal Minds* close to their US release dates and enables customers to watch back-to-back episodes.

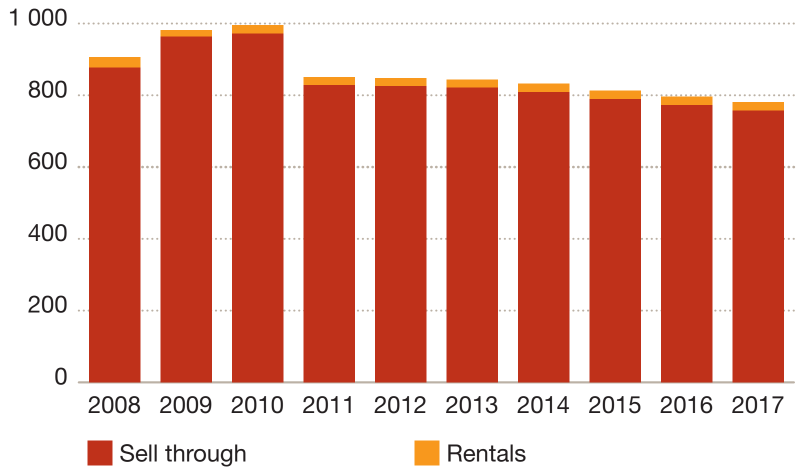
Although pure OTT services such as the popular Netflix service (delivering content 'over-the-top' of the Internet) have yet to be released in South Africa, OTT delivery of high-quality video is expected to become an important feature of the filmed entertainment market in the next five years. Growth will, however, be limited by relatively low levels of access to broadband. Fixed-broadband penetration is forecast to remain below 20% in South Africa, even by 2017. OTT services will therefore be accessed by a relatively small, albeit affluent, number of consumers.

The majority of consumers purchasing films on-demand will do so via their satellite TV subscription. In addition to the lack of broadband, a further consideration will be whether consumers with capped data packages will be willing to download movies and whether the viewing experience will be free of buffering or picture pixilation.

The challenges around delivering OTT content in South Africa are reflected in the strategy adopted by Iroko Partners. The company provides Nigerian Nollywood films online in the US and Western Europe, but inside Africa, focusses on selling content in DVD format.

Rentals will not offset the decline in physical sell-through revenues.

Physical home video revenues by type, 2008-2017 (R millions)



Source: Aquidneck Consulting, PwC, Informa Telecoms & Media

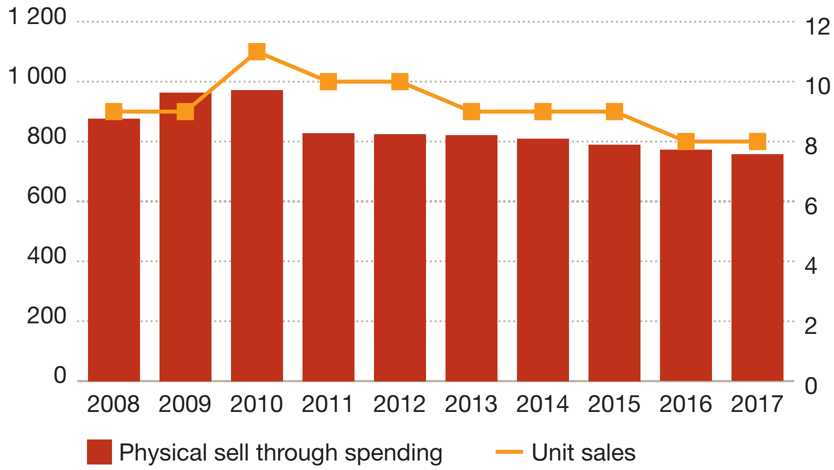
The physical home video market is forecast to continue its decline as a result of competing formats for delivery of filmed entertainment, falling by a CAGR of 1.6%. Although consumers will remain loyal to the rental market, which is forecast to stabilise at around R24 million, it will continue to represent just a small fraction of the overall home video market.

South Africa will follow the trend seen in other parts of the world with physical sell-through revenues falling as consumers become familiar with watching video delivered via the Internet. As a result, DVDs are increasingly being seen as an outdated product. The lack of broadband access remains the main constraint to faster migration to the viewing of videos online. At the same time, the longevity and ubiquity of DVD players will ensure that DVD remains an important format for the next few years.

[3] "iTunes now offers movies in SA", TechCentral, www.techcentral.co.za/itunes-now-offers-movies-in-sa/36972 (accessed Dec12, 2012)

Unit prices in the sell-through segment will continue to fall.

Physical sell-through spending (R millions) and unit sales (millions), 2008-2017



Source: Aquidneck Consulting, PwC, Informa Telecoms & Media

But new entrants will help to reduce DVD prices. For example, Iroko Partners, which entered the South African DVD market in 2013 with the release of 10 000 Nollywood titles packaged as a premium product, sells titles for as little as R30.

DStv's BoxOffice Online offers a competing model to the traditional movie rental services with users able to watch a downloaded film as often as they like in a 48-hour period.

Piracy

Piracy, in South Africa as elsewhere, remains a major challenge that the industry still has to address. Whether it is physical (counterfeit DVDs) or digital, involving illegal downloading via peer-to-peer networks such as BitTorrent, piracy is ravaging home entertainment revenues. Lack of availability of legal content also appears to have increase piracy levels as consumers seek immediate access to the latest releases.

The basic principle – making the right content available at the right price on the right platform will encourage movie fans to pay for legal content – must become part of a wider anti-piracy strategy alongside more traditional punitive measures.

Piracy remains a major challenge for distributors, but there are signs of progress.

An effective strategy for countering the threat of piracy must address both supply and demand issues. Policing the distribution of counterfeits and taking them out of the market will continue. In the financial year ending March 2012, South Africa's Film and Publications Board closed down 215 illegal operators and destroyed or confiscated over 370 000 illegal content items.

The industry needs to adjust to the new reality that the connected consumer is taking control.

Distributors and content owners are starting to address changing demand from consumers, who expect to see content when they want it. A delay of several months between the release of a movie in the US and its release in South Africa, for example, creates an unmet demand, which individual consumers and criminal organisations can readily capitalise on by making that content available online or on DVD almost instantly.

The windowing model, in which content providers resell their content several times depending on when it is made available, is continuing to be expanded and will come under increasing pressure as consumers expect to be able to access content whenever they want.

The fear is that reducing the number of windows a studio can exploit will reduce the film studio's ability to monetise content. The counter-argument is that the different windows do not necessarily cannibalise each other, but provide an opportunity to serve different audiences simultaneously.

The industry in South Africa is also responding in other ways. MultiChoice is able to negotiate release dates much closer to the original dates in countries such as the US to mitigate the risk of online piracy. The company is also introducing innovative ways to consume the content on its various platforms (such as PVR downloads and apps, coupled with competitive prices) in order to compete more effectively with pirated content.

Attractive film location

Long regarded as a prime location for feature films, TV series, telefilms, commercials and stills shoots, South Africa combines a solid film infrastructure and attractive financial incentives with a favourable exchange rate, sunny climate and a wide diversity of spectacular locations that can double for anywhere in the world.

The South African Government has introduced measures to encourage filmmakers to come to South Africa and the country is keen to cultivate a reputation for providing filmmakers with lower production costs, while maintaining product quality.

Incentives for filmmakers

There are three forms of relief or incentives available to a 'film owner' depending on the date on which 'principle photography' started, namely:

- A tax allowance in terms of Section 24F of the Income Tax Act 58 of 1962 (the Act);
- The South African Film and Television Production and Co-Production Incentive from the Department of Trade and Industry DTI; and
- The film exemption in terms of Section 12O of the Act.

Tax allowance Section 24F of the Act

A specific deduction is granted in the determination of taxable income of the film owner. The provision permits the deduction of what might otherwise have qualified as a capital expense. The aim of this provision is to promote the film industry through beneficial tax deductions.

However, there are some limitations – this provision only applies to a 'film owner' as defined in terms of Section 24F of the Act, rather than a mere licensee and furthermore relates only to post production cost (subject to certain exclusions) and productions costs, which are also defined in the Act.

Also, the film owner would only be allowed to claim the said allowance once the film is completed. Section 24F(5) further states that an amount incurred in respect of production costs of a film shall not be allowed as a deduction in terms of Section 24F unless there is a binding, unconditional obligation to pay that amount within a period of 18 months from the completion date of the film.

Lastly, there is a limitation in terms of Section 24F(8), which is aimed at ensuring that the film owner i.e. the person claiming the favourable deduction in terms of Section 24F is economically at risk if the film flops at the box office. Section 24F (8) of the Act states that a film owner will be at risk if the repayment of the loan or credit used by the film owner for the payment or financing of the production or post-production costs would result in an economic loss to the film owner were no income to be accrued by or accrued to the film owner in future years from the exploitation of the film.

It is important to note that Section 24F only applies to films in respect of which the principal photography commenced before 1 January 2012 and it only applies to expenditure incurred on or before 31 December 2012.

South African Film and Television Production and Co-Production Incentive

The DTI provides these incentives for eligible films, which became operative on 30 June 2004. The funds for this incentive are released in tranches based on the fulfilment by the producers of certain film production milestones.

The DTI incentive includes certain procedural criteria, which include the creation of a domestic company to act as a special purpose corporate vehicle (SPCV). The purpose of the SPCV is to separately account for DTI funding as applied to film production costs. The DTI income is treated as exempt income for the SPVC and the incentive can be passed as tax free onto film owners.

As from 1 January 2012, Section 12O of the Act provides for a 100% tax exemption in respect of all receipts and accruals in respect of films of which principal photography commences on or after 1 January 2012, but before 1 January 2022.

The rationale for the change from the allowance to the exemption was the opinion that the tax allowance has been highly unsuccessful and that the allowance led to tax schemes.

Film Exemption Section 12O of the Act

This exemption exempts the receipts and accruals in respect of income derived from the exploitation rights of a film. An exploitation right is defined as the right to any receipts or accruals in respect of the use, or right of use, or the granting of permission to use, in a film, to the extent to which those receipts and accruals are wholly dependent on profits and losses in respect of the film.

Section 12O(3) precludes broadcasters from receiving the exemption and Section 12O(4) requires the SPCV (established in terms of the DTI Incentive) to report to the National Film and Video Foundation.

The section further goes on to limit the exemption to the income received for the first 10 years from date of completion.

South Africa's landscapes have been used for Hollywood productions such as *Blood Diamond*, *Lord of War* and *Invictus*. The likes of Cape Town Film Studios are looking to build on the country's reputation for dramatic scenery by investing in additional production facilities, including soundstages, production offices and multipurpose workshop spaces. *Black Sails* will be one of the biggest productions for a television series to be filmed at the Cape Town Film Studios. Beginning in 2013, it is scheduled to run for the next three to five years[5].

Recent productions include *Chronicle,* made by Fox and set in Seattle, which was a box office hit in 2012; Scott Free's *Gettysburg* for the History Channel, which won four Emmys and the 3D comic-book adventure *Dredd*. In addition, *Mad Max: Fury Road*, is scheduled for release in 2013, and is considered by the South African Minister of Trade and Industry, to be the largest commercial film shot in South Africa[6].

The Film and Television Production incentives offered by the Department of Trade and Industry consist of: the Foreign Film and Television Production and Post-Production incentive to attract foreign-based film productions to shoot on location in South Africa and conduct post-production activities; and the South African Film and Television Production and Co-production Incentive, which aims to support the local film industry and to contribute towards employment opportunities in South Africa[7].

The Foreign Film and Television Production and Post-Production incentive provides a rebate programme that includes an uncapped 20% rebate for foreign productions shot on location in South Africa as well as a 22.5% break if post-production is carried out in the country.

In order to access the rebates, foreign films, documentaries, animation and television projects must spend at least four weeks shooting in South Africa and complete half their principal photography there, at a minimum cost of R12 million.

[5+6] Karen van Schalkwyk, "SA sought after destination for mega productions, a great film destination" www.nfvf.co.za (accessed Jul 2, 2013)

[7] Department of Trade and Industry, *Trade, Export and Investment Financial Assistance (Incentives)*, www.thedti.gov.za (accessed Jul 3, 2013)

Co-productions must spend a minimum of R2.5 million, shoot for at least two weeks and still complete half their principal photography in South Africa.

Films that have received DTI funding to date include: *Invictus, Bush Station, Necklace, Spoon, White Lion, Killing Robin, Number 10, Prey, Jozi H, Faith's Corner, Tsotsi, The Deal, 10 000 BC* and *Blood Diamond*[6].

The South African Revenue Service (SARS), 24F Tax Incentive is aimed at reducing the tax liability of the individuals and corporates investing in films.

The aim of these incentive schemes is not just to create jobs and revenues, but also provide a stimulus for foreign investment and tourists to visit the country.

Film festivals

South Africa has gained a place in the international film arena owing to the official and consistent participation of South African films in major film festivals around the world since 2000, and in Cannes since 1997.

The National Film and Video Foundation (NFVF) hosts the South African presence at the Cannes International Film Festival. The schedule at the 2013 festival, which took place in May 2013, included, among others, the market screening of local films *Blitz Patrollie*, *Black South Easter* and *Khumba*[8].

The directive of the NFVF presence at Cannes and other international film festivals is to achieve the following:

- To promote South African film and television content in international markets and help raise the profile of South African content and, by implication, the industry as a whole.
- To enable South African filmmakers to increase their networks of international contacts which will enable them to conduct business according to international standards and develop strong business models for their companies.
- To equip South African filmmakers with the skills to operate in the film environment.
- To assist producers to attend international markets to secure finance for a project or a slate of projects and enable producers to put in place the final elements of finance for their projects.
- To provide support to producers whose projects have been invited to internationally-recognised pitching forums/competitions, etc.
- To provide support to producers with minimal or no experience of international film and television markets who have a project to pitch, the opportunity to attend an international market, develop their financing skills and further their project(s).
- To enable film and television personnel to attend screenings of their work at selected international festivals and events, enhance the profile of a film at a festival and increase its appeal to the international marketplace, while offering professional development opportunities for the recipient.

In order to promote South Africa as a filming destination and co-production partner at these festivals, South Africa has signed co-production treaties with eight countries: Canada, Italy, Germany, the UK, France, Australia, New Zealand and Ireland.

A South African animated film found international success for the first time in 2012. The international box office hit *Zambezia* was featured at the Annecy International Animated Film Festival held in France in June every year. In 2013 the animation film festival hosted a second feature-length South African animation film, *Khumba*, again produced by the Triggerfish studio.

The African market is characterised by low-quality productions, although this is improving steadily as economies burgeon. With an improved economic standing and a consistent growth of interest in film, there is an opportunity for South Africa to position itself as the post-production centre of Africa.

The South African Government wants to protect the country's cultural identity and build its heritage in developing local content while trying to establish a balance with generic Hollywood productions.

Locally-hosted festivals have facilitated the recognition of South African films by distributors such as Ster-Kinekor and Nu Metro as well as invitations to participate in international film festivals.

Now in its 34th year, the Durban International Film Festival (DIFF) is the largest and longest-running festival in South Africa. DIFF has grown in size and stature over the years to become one of the country's premier festivals, with a considerable profile overseas. The festival's aim is to produce a professionally-implemented international film festival of culturally-diverse, quality films from around the world with a special focus on Africa and South Africa. It also presents a relevant seminar and workshop programme aimed at filmmakers, emerging filmmakers and the general public[9].

The 2013 DIFF presented more than 290 screenings of new films from around the world, with a strong focus on South African and African cinema. Screenings took place throughout Durban, including in township areas where cinemas are non-existent[9].

South Africa also hosts a variety of film festivals that recognise the wide range of productions, documentaries and other film content that local filmmakers and producers have to offer in competition to other foreign film industries.

[6] Karen van Schalkwyk, "SA sought after destination for mega productions, a great film destination" www.nfvf.co.za (accessed Jul 2, 2013)
[8] "Three SA films to be screened at the 66th Cannes International Film Festival" www.nfvf.co.za (accessed Jul 4, 2013)

[9] "Durban International Film Festival" www.cca.ukzn.ac.za/index.php/festivals/durban-international-film-festival-home (accessed Jul. 9, 2013)

Nigeria

Nigeria will remain a high growth market throughout the next five years.

Filmed entertainment revenues, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Electronic home video	0*	1	12	10	11	14	17	19	21	23	15.4%
OTT/streaming	-	-	-	-	-	0*	0*	0*	1	1	-
Through TV subscription	0*	1	12	10	11	14	17	19	20	22	14.4%
Physical home video	103	83	85	83	81	79	77	76	73	74	-1.8%
Rentals	8	5	6	6	6	6	6	6	6	7	1.4%
Sell through	95	78	79	77	75	73	71	70	67	67	-2.1%
Box office	76	66	66	98	105	112	121	133	149	171	10.4%
Advertising	2	2	2	2	1	1	2	2	2	2	7.5%
Total	181	152	165	193	198	206	217	230	245	270	
YOY growth (%)		-15.9%	8.2%	17.0%	3.1%	4.7%	4.9%	6.0%	7.0%	9.3%	6.4%

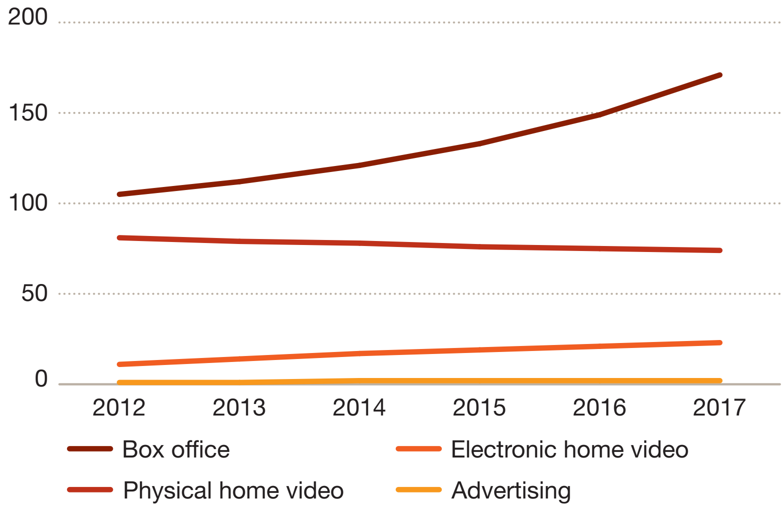
* Less than US$1 million
Source: PwC, Informa Telecoms & Media

After a 15.9% fall in 2009, the filmed entertainment market in Nigeria has rebounded, with growth of 8.2% in 2010 followed by 17% growth in 2011. In 2012, it generated revenues of US$198 million.

Driven by the continuing popularity of the local film industry, Nollywood, Nigeria's market for filmed entertainment will grow further to reach US$270 million in 2017, a CAGR of 6.4%.

Nigeria's filmed entertainment market will be boosted by box office revenues.

Filmed entertainment by segment, 2012-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

In terms of the numbers of films produced, Nigeria is second only to India in the world, with approximately 50 movies made per week. The World Bank is assisting the Nigerian Government in funding the industry to create a million more jobs in the sector.

Nollywood films have a large following around the world and can be produced in such large volumes thanks to the wide availability of camcorders and digital recording devices, with content easily transferred to DVDs. The low-budget films are typically produced within a month and sell around 20 000 units on DVD. As a result, a movie can be profitable within two to three weeks of release.

However, Nollywood is a victim of its own success with the World Bank estimating that 90% of DVDs in circulation are pirated. Again with assistance from the World Bank, the Nigerian Government is developing anti-piracy measures such as a source identification code.

As yet, OTT services delivering paid Nollywood content across the Internet have not been established in the country, but with broadband penetration rising from 3% of households in 2012 to 12% in 2017, there is a scope for such a service to be launched in the country.

The growth in mobile Internet access will be even more rapid: 23% of Nigerians will have access to the Internet via a mobile device by 2017, which creates a huge opportunity for delivering Nollywood content digitally. Nollywood aggregator iROKOtv already streams Nollywood films to the Nigerian diaspora around the globe. It currently focusses on DVDs within Nigeria itself, but this will change.

In spite of the lack of cinemas in the country, the physical sell-through market is coming under pressure from other parts of the filmed entertainment market with operators such as DStv launching in Nigeria. These TV-based services generated revenues of US$11 million in 2012 and are expected to grow by 15% over the forecast period to reach US$23 million in 2017.

Formal cinemas are something of a rarity in Nigeria with approximately one screen for every five million citizens. Nigerians are watching movies either in theatres such as those run by Silverbird, which have facilities comparable with those in Europe, or video shacks, located in rural areas or urban slums, which are typically showing pirated films bought for less than US$1 and displayed on a small screen.

Box office revenues are forecast to increase by 10% CAGR and reach US$171 million in 2017 with an expansion in the construction of cinemas in the country.

Cinemas will focus on balancing revenues with affordability for the local population, aiming to attract the middle third of consumers rather than the most affluent. Cinemart has eight cinemas across Nigeria – two are purpose-built and the rest conversions – with the firm looking to construct 400-seat cinemas and multiplexes with 4-6 screens.

Kenya

Kenya's filmed entertainment market is still recovering from a contraction in 2009.

Filmed entertainment revenues, 2008-2017 (US$ millions)

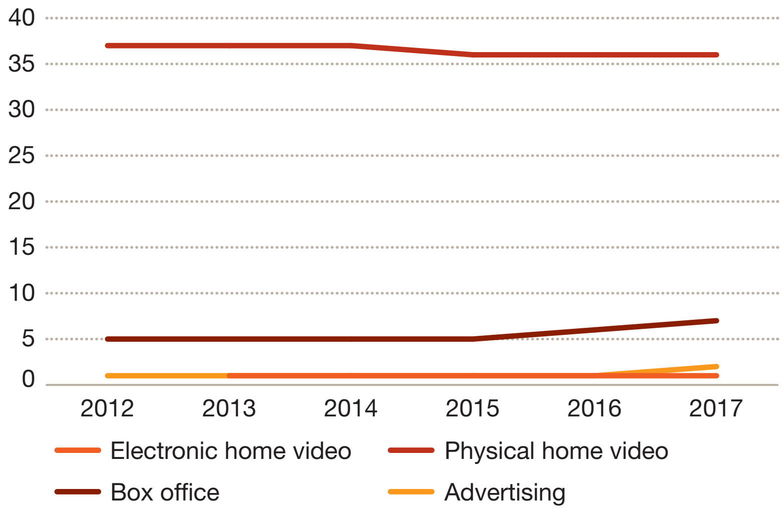
Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Electronic home video	-	-	-	-	-	1	1	1	1	1	23.2%
OTT/streaming	-	-	-	-	-	-	-	-	-	-	-
Through TV subscription	-	-	-	-	-	1	1	1	1	1	15.1%
Physical home video	44	36	38	38	37	37	37	36	36	36	-0.4%
Rentals	3	2	3	3	3	3	3	3	3	3	2.8%
Sell through	41	34	35	35	34	34	34	33	33	33	-0.7%
Box office	2	3	3	4	5	5	5	5	6	7	7.8%
Advertising	1	1	1	1	1	1	1	1	1	2	13.3%
Total	47	40	42	43	43	44	44	43	44	46	
YOY growth (%)		*-15.1%*	*4.5%*	*2.7%*	*-0.8%*	*0.5%*	*0.7%*	*1.1%*	*1.6%*	*2.7%*	*1.3%*

Source: PwC, Informa Telecoms & Media

In 2012, the Kenyan filmed entertainment market generated revenues of US$43 million, a rise of US$3 million from the low of 2009, when the market fell by over 15% in 12 months. The market is forecast to reach US$46 million in 2017, but this will still be lower than its value in 2008.

The market is dominated by physical home video.

Filmed entertainment revenues, 2012-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Physical home video accounts for around 86% of the market's revenues. Retail outlet Planet Media stocks books, music and DVDs and the company is boosting its home entertainment revenues further by establishing partnerships with brands like Samsung, LG and Sony and providing space for those companies to showcase their products in store.

Towards the end of the forecast period, cinema will begin to increase its revenue streams in Kenya. At the moment, the cinema format is struggling in light of movie piracy and the popularity of home entertainment alternatives.

In Kenya, there is only one cinema screen for every two million citizens, with Kenyans predominantly viewing films at video shacks, which often show pirated films. Cinemas are under construction in cities such as Nairobi and the focus is on providing affordable entertainment in order to encourage patrons away from informal video shacks. At the other end of the scale, Fox Theatres is focussing on affluent consumers with an IMAX theatre system showing 3D movies.

Kenya has one of the lowest levels of broadband penetration in the world with just 4% of the population forecast to be connected to fixed broadband by 2017, limiting the scope for TV-based OTT services in the country. Mobile Internet access will be much higher, however, with 24% of Kenyans expected to be able to access the Internet via a connected personal device by 2017.

DStv is expanding its presence in Kenya by providing content via both satellite and mobile phone. But, while the electronic home video segment is forecast to grow at a CAGR of 23% over the forecast period, it will only generate US$1 million in 2017.

Kenya's filmed entertainment market will remain constrained by the ready availability of pirated movies and the fact that cinemagoing is set to remain an entertainment only for the richest consumers in urban areas.

Global trends in filmed entertainment

The following is extracted from PwC's *Global Entertainment and Media Outlook: 2013-2017*

The global filmed entertainment market will see revenues rise at a CAGR of 3.6% in the next five years.

Global filmed entertainment revenues, 2008-2017 (US$ million)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Electronic home video	**5 473**	**6 475**	**7 575**	**9 377**	**11 232**	**13 407**	**15 864**	**18 771**	**22 298**	**26 901**	**19.1%**
OTT/streaming	2 479	2 765	3 176	4 182	5 238	6 569	8 268	10 484	13 410	17 438	27.2%
Through TV subscription	2 994	3 710	4 399	5 195	5 994	6 838	7 596	8 287	8 888	9 463	9.6%
Physical home video	**48 477**	**45 565**	**45 229**	**42 714**	**40 341**	**38 196**	**36 242**	**34 464**	**32 838**	**31 341**	**-4.9%**
Rentals	14 378	14 096	13 940	12 948	12 052	11 255	10 540	9 903	9 334	8 824	-6.0%
Sell through	34 099	31 469	31 289	29 766	28 289	26 941	25 702	24 561	23 504	22 517	-4.5%
Box office	**27 873**	**30 794**	**32 500**	**32 931**	**34 463**	**35 973**	**37 666**	**39 623**	**41 859**	**44 393**	**5.2%**
Advertising	**2 120**	**2 089**	**2 300**	**2 420**	**2 588**	**2 764**	**2 930**	**3 086**	**3 238**	**3 376**	**5.5%**
Total	**83 943**	**84 923**	**87 604**	**87 442**	**88 624**	**90 341**	**92 702**	**95 944**	**100 233**	**106 011**	
YOY growth (%)		***1.2%***	***3.2%***	***-0.2%***	***1.4%***	***1.9%***	***2.6%***	***3.5%***	***4.5%***	***5.8%***	***3.6%***

Source: PwC, Informa Telecoms & Media

- Global filmed entertainment revenues will continue to grow, generating annual revenues of more than US$106 billion by 2017. Within that, revenues from the worldwide physical-home-video market – sales and rentals of DVDs and Blu-ray – will be worth less than box office for the first time in 2014.
- Despite China overtaking Japan in 2012 to become the world's second-largest theatrical market, the Asia-Pacific region will continue to provide the greatest opportunities for growth in filmed entertainment over the next five years. Most countries in Asia-Pacific and Latin America are still relatively under-screened when it comes to cinemas, but new cinemas, notably in China, will create new audiences and drive overall growth. As Hollywood targets young audiences outside the US, local industries will respond and co-production activity will thrive.
- Connected consumers are in control. They expect to access the content they want, on the screen they want, at a time of their choosing. In response, the studios have become more willing than ever to try different business models to deliver their content, and, importantly, to experiment with price points and offerings.
- Over-the-top services that deliver video over the Internet will continue to grow rapidly, generating revenues of US$17.4 billion in 2017, up from US$5.2 billion in 2012, a CAGR of 27%. Subscription and rental models, rather than ownership models, will continue to be the dominant consumer preferences.
- Piracy of both physical and digital content will remain the greatest threat to the future of filmed entertainment. Outside North America and Western Europe in particular, the future will depend on the industry's ability to counter the appeal of pirated content with better services of their own. New innovative services, along with education, enforcement and regulation will enable the industry to counter piracy.

Filter advertising and consumer spend data across segments.

Visit the online Outlook at www.pwc.co.za/outlook

Radio

Charles Stuart
Associate Director, PwC Southern Africa

Alinah Motaung
Senior Manager, PwC Southern Africa

Definitions

The radio segment includes all advertising spend on radio stations and radio networks.

Advertising revenue is measured gross of agency commissions and net of discounts and value added incentives, as extracted from the Radio Advertising Bureau Revenue Report. This measurement basis is different to the other segments within the Outlook which are measured as gross revenue net of agency commissions. If the radio segment were measured on this basis, 2012 revenues would be R3.1 billion and radio would account for 9.8% of advertising spend in South Africa.

Public television licence fees, which cover the fee paid for both television and radio, have been included within the television segment.

In brief

The radio market in South Africa generated revenues of just over R3.6 billion in 2012, up from R2.65 billion in 2008. Advertising revenues in South Africa's radio market are forecast to continue to grow steadily, with a CAGR of 8.8% overall, topping R5 billion in 2016 and reaching approximately R5.5 billion in 2017.

Radio lost a share of advertising to other forms of media in the run up to the FIFA World Cup in 2010 and its share bottomed out at 10.9% in 2011. However, radio has bounced back and is forecast to gain share each year from 2013 and account for 12.2% of advertising spend in 2017.

31
million

Radio provides advertisers extensive reach with total audience figures in excess of 31 million listeners and the ability to be heard by a large cross section of the South African society with all age ranges, including both men and women who are regularly listening.

ZULU

Zulu is the most common home language among the South African radio audience, with over 7 million listeners, followed by Afrikaans and Xhosa with just over 4 million listeners each. Radio is listened to by speakers of all South Africa's 11 official languages.

New technologies offer important distribution channels for radio: around 5% of South Africans now listen to the radio online, while approximately 28% listen to radio content on their phones.

Social media offers two-way communications between the audience and presenters (and advertisers) facilitated by SMS, online, mobile phones, social networks, podcasts and vodcasts.

Radio stations are looking to establish and engage with communities of listeners by being interactive and being inclusive. Advertisers are able to gauge the audience reaction to their campaigns in real time, though better measurement of online audiences remains a priority.

Nigeria is an emerging radio market with revenues of R705 million (US$86 million) in 2012. Tight regulation of the country's radio and TV markets has historically held back its development, but growth will continue with the market set to generate revenues of R836 million (US$102 million) by 2017, at a CAGR of 3.4%.

Kenya is an emerging radio market with revenues of R2.25 billion (US$274 million) in 2012.Total radio revenue grew by a remarkable 215% between 2008 and 2012, reflecting the early growth stage of the Kenyan radio market. This growth is poised to continue albeit at a slower pace than in previous years and will see revenues reach R2.79 billion (US$339 million) in 2017.

South Africa

Radio revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	2 650	2 664	3 019	3 243	3 612	3 885	4 242	4 634	5 055	5 513	
YOY growth (%)		*0.5%*	*13.3%*	*7.4%*	*11.4%*	*7.6%*	*9.2%*	*9.2%*	*9.1%*	*9.1%*	*8.8%*
Total	**2 650**	**2 664**	**3 019**	**3 243**	**3 612**	**3 885**	**4 242**	**4 634**	**5 055**	**5 513**	
YOY growth (%)		***0.5%***	***13.3%***	***7.4%***	***11.4%***	***7.6%***	***9.2%***	***9.2%***	***9.1%***	***9.1%***	***8.8%***

2008-2012 South Africa figures have been updated to reflect most recently available information
Source: Radio Advertising Bureau, PwC, Informa Telecoms & Media

The South African radio market will grow at a CAGR of 8.8% in the next five years.

Advertisers are shifting budgets to radio audiences

The radio market in South Africa recorded overall revenues of just over R3.6 billion in 2012, up from R2.65 billion in 2008. After the surge in advertising around the FIFA World Cup in 2010, the radio market has been able to retain its popularity with advertisers, with further growth of 7.4% in 2011 and 11.4% in 2012.

Advertising revenues in South Africa's radio market are forecast to continue to grow steadily, with an estimated CAGR of 8.8%, reaching approximately R5.5 billion in 2017. This forecast is directly correlated with the likely GDP trends shown by the IMF and any adjustment to the future developments of the GDP will have an impact on the advertising market.

Fuelling the growth in radio revenues is the popularity of traditional radio output – not just music, but also discussions, current affairs programmes, national and local news, weather and sport. Stations thrive on the popularity of presenters and the potential for listeners to feel part of a show's community.

In a country where a significant percentage of the population lacks access to the Internet (only 13% of households had fixed broadband in 2012, with 21% having mobile Internet), radio remains an attractive medium for advertisers as it reaches almost 90% of the adult population.

With insufficient public transport across the country, the car is a critical mode of transport for commuters. Growing car ownership has led to further traffic congestion and with commuting times getting longer, radio advertisers have a captive audience of in-car listeners.

The popularity of listening to the radio on mobile phones featuring FM receivers and the popularity of community radio stations has led to radio advertising generating above-average growth rates compared to other media.

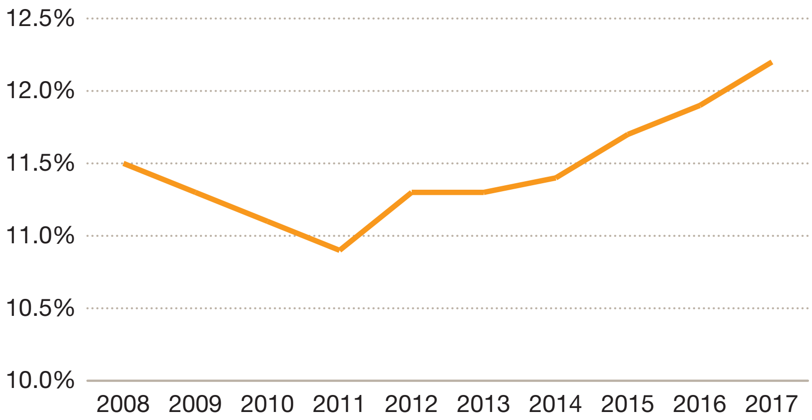
Radio within South Africa currently receives no direct public funding, other than a negligible amount in respect of educational programming. Government does, however, fully fund Channel Africa, a radio station based in South Africa that broadcasts exclusively into Africa. Channel Africa is an international radio station whose mandate is to support South African foreign policy.

The Public Service Broadcasting Bill, which could potentially change the state of public funding within South Africa, remains in limbo following its release in 2009 and recall by the former Minister of Communications in November 2010.

Radio lost a share of advertising to other forms of media in the run-up to the FIFA World Cup in 2010 and its share bottomed out at 10.9% in 2011. However, radio has bounced back and is forecast to gain share consistently from 2013 and account for 12.2% of advertising spend in 2017.

Radio's share of total advertising revenues will grow to 12.2% by 2017.

Radio's share of total advertising revenues, 2008-2017 (%)



Source: Radio Advertising Bureau, PwC, Informa Telecoms & Media

In terms of advertising revenues, 94.7 Highveld Stereo again attracted the most revenue followed by Jacaranda 94.2 in 2012. Overall, there were six private radio stations and four public radio stations in the top 10.

94.7 Highveld Stereo attracted the most advertising revenue in 2012.

Top-10 radio stations by advertising revenue, 2012

1	94.7 Highveld Stereo
2	Jacaranda 94.2
3	Metro FM*
4	KFM
5	East Coast Radio
6	Talk Radio 702
7	5FM*
8	Ukhozi FM*
9	Kaya FM
10	Umhlobo Wenene FM*

Source: PwC, RAB Revenue Report
(*station of the state-owned broadcaster)

Listening to the radio continues to be a popular activity across South African society

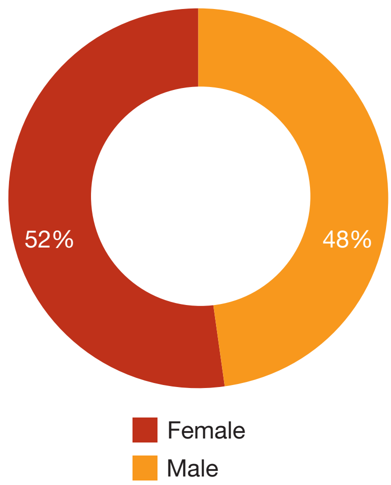
Statistics from SAARF's Radio Audience Measurement Survey (RAMS) for June 2013 show that radio listenership is holding steady at 3.29 hrs per day or 24.24 hrs a week. The Free State province has the highest listenership levels with residents listening to the radio for an average of 4hrs 27 minutes per day, while the Western Cape has the lowest at 2 hrs 41 minutes.

Listeners are loyal to particular stations with audiences in the Western Cape listening to 1.8 stations a week, while those in the Free State tune in to 1.9 stations. Listeners in other regions listen to more than two different stations in a given week.

Radio provides advertisers extensive reach, with total audience figures in excess of 31 million listeners and the ability to be heard by a large cross section of South Africans with all age ranges and both men and women listening regularly.

Radio appeals to both male and female audiences.

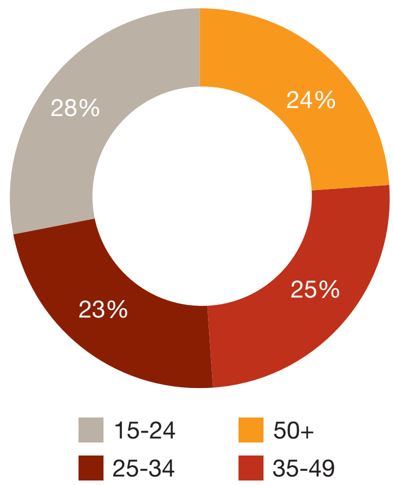
Audience split by gender, June 2013



Source: SAARF

Radio's appeal crosses all age groups.

Radio audience split by age, June 2013



Source: SAARF

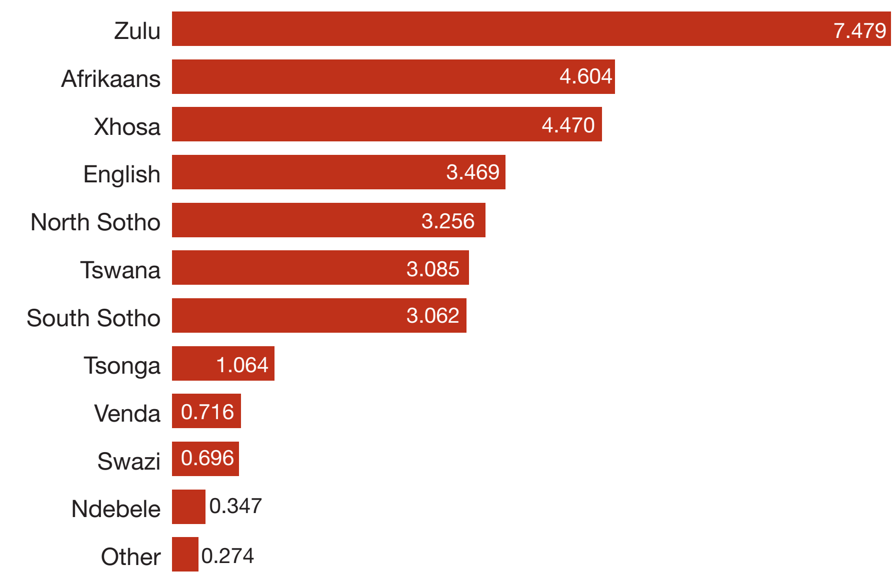
Radio's ability to engage in different languages delivers distinctive audiences to advertisers

Zulu is the most common home language of radio listeners, with an audience of over 7 million. This is followed by Afrikaans and Xhosa with over 4 million listeners each. Radio is listened to by speakers of all South Africa's 11 official languages.

In 2012, 92% of Afrikaans and English speakers had listened to radio in the last seven days, but only 88% of Xhosa speaking households had done so. All the other languages had listenership levels above 93%, according to the South African Audience Research Foundation (SAARF AMPS, June 2012).

Zulu-language radio has the largest audience in South Africa.

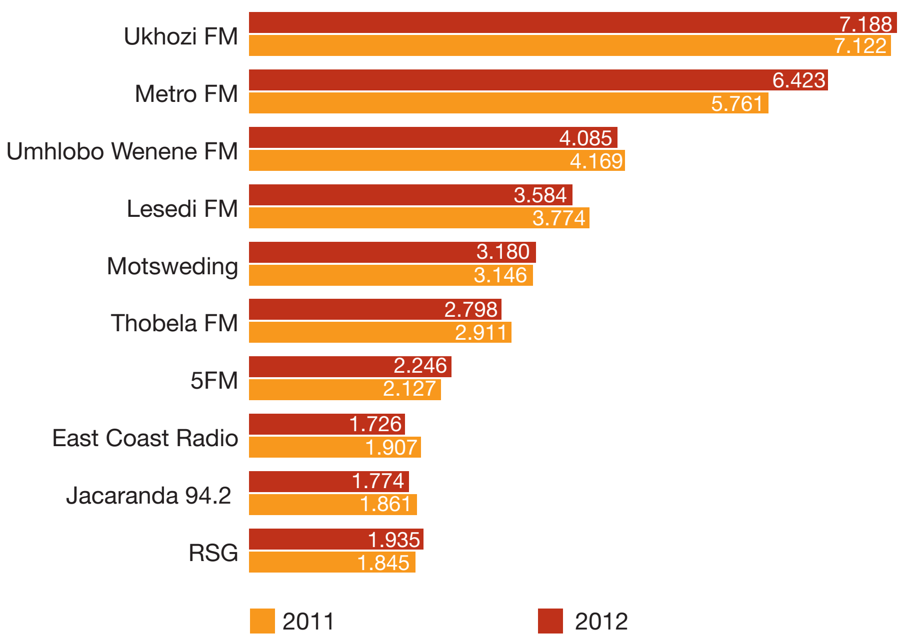
Radio audience split by home language (thousands), 2012



Source: SAARF AMPS, June 2012

Ukhozi FM is the most popular radio station by listenership, and is growing.

Top 10 radio stations by listenership (thousands), 2011 and 2012



Source: SAARF RAMS, June 2013

Broadcasting in Zulu, Ukhozi FM has the highest number of listeners in South Africa at over 7 million. The station looks to provide listeners with 'edutainment': a mix of music, news, current affairs, traffic reports, sports news and talk. The station is the dominant station in KwaZulu-Natal and the third-most listened to station in Gauteng.

Lesedi FM focusses on providing a mix of entertainment, gospel and motivation to its Sesotho speaking listeners. It attracts an audience of more than 3.5 million, mostly in the Gauteng region.

Many non-English-language stations are looking to be a focal point for their local languages and cultural communities by offering listeners music, current affairs and educational programming with Umhlobo Wenene FM serving Xhosa speakers, Motsweding FM Setswana speakers, Thobela FM Northern Sotho speakers and RSG Afrikaans speakers.

The output of predominantly English stations Metro FM, Jacaranda 94.2, 94.7 Highveld and East Coast Radio are more recognisable to European or North American audiences with content covering pop music, news, traffic and sports and programmes orientated around the time of day (breakfast shows and drive time).

As of June 2013, there were 196 community radio stations in South Africa. This figure has doubled in the last decade, serving particular ethnic communities such as Hellenic Radio or Arrowline Chinese Radio or individual locations for example, Radio Grahamstown or the newly-established Pongola Community Radio and the re-energised Durban Youth Radio 105.1 FM.

Community radio stations have struggled to access advertising and other forms of financing. However, they provide a wide choice for listeners and also play a role as a training ground for presenters and staff of commercial radio stations.

Radio Islam is one of the most successful community stations in the country and was recognised by the industry with 23 nominations at the 2012 MTN Radio Awards, winning seven. The content is tailored to the audience, with traffic updates, for example, incorporating listeners' requirements of going to prayer five times a day or fasting for Ramadan.

The Independent Communications Authority of South Africa (ICASA), whose role it is to issue broadcast licences, ensure universal access and hear disputes brought against licensees, regulates the industry.

As part of its awarding of new licences, three new commercial radio stations have gone live during the past year – Vuma FM in KwaZulu-Natal, Power FM in Gauteng and Smile FM in the greater Cape Town area.

Radio thriving in the mobile age

The Internet: an important distribution channel

To date, the model of media owners selecting or 'curating' content for listeners (the traditional radio model) has coexisted in a world where listeners can cherry-pick only the content they wish to listen to (by subscribing to music streaming services such as Simfy). Consumers are not just listening to radio stations for the music, but for the additional programming and information provided by stations.

For the time being, and despite their strong growth, Internet radio stations are not perceived by traditional broadcasters to be an imminent threat to their existence. Broadcast radio stations have expanded their presence online too and can offer advertisers opportunities across both platforms.

In addition, traditional broadcasters have established separate radio stations in order to capture new audiences. For example Ja.fm, an Afrikaans station launched in 2011 by Kagiso Media, now has an audience of around 100 000 listeners.

Ja.fm offers a crowdsourced model in which listeners vote for songs. "This interactive approach to digital radio has proven to be a hit with fans of Afrikaans music, including many homesick South Africans living abroad," according to Attila Bernariusz, divisional head of Kagiso Digital.

The lack of a regulatory framework for Internet radio in South Africa makes it an easy platform for the establishment and expansion of radio stations. The challenge is that the metrics for measuring Internet radio listenership in South Africa are also only just starting to develop. Accurate listenership figures are crucial in determining appropriate advertising rates, which currently vary substantially.

SAARF's RAMS survey shows that around 5% of South Africans listened to radio content online in any given week, up from about 4% last year.

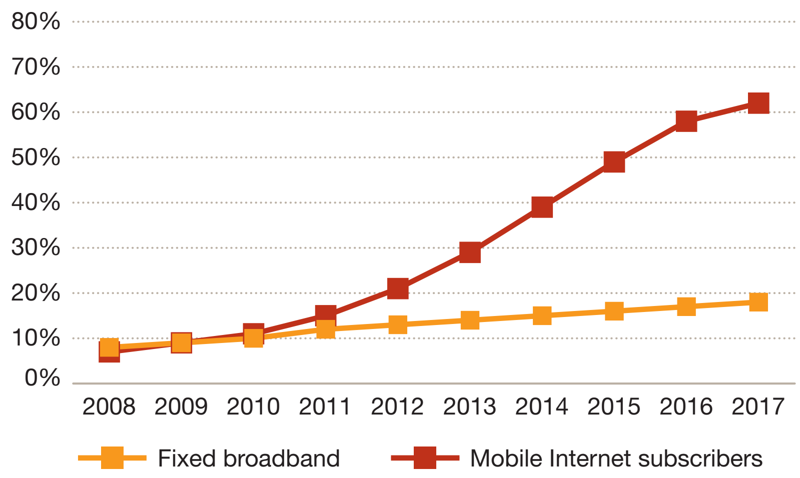
Fixed broadband is considered to be a high-end product in South Africa with only 13% of households connecting to the Internet via broadband in 2012. Internet stations such as 2oceansvibe Radio are able to offer advertisers a relatively wealthy and tech-savvy audience because their listeners are only accessing services via smartphones or broadband connections.

Penetration of mobile Internet outstrips Internet connections via fixed broadband and is growing more rapidly. This will boost the number of people listening to radio content over the Internet as carriers bundle services in order to increase ARPU levels (although the high cost of mobile bandwidth will discourage many from listening to online radio).

This increased penetration has resulted in live audio streaming becoming one of the most popular ways for listeners in and outside South Africa to access local music, news and talk. Listeners are able to choose when and how to listen to their favourite shows. Connection speed and quality as well as high data charges are some of the challenges limiting growth, but as connectivity improves, audiences are expected to grow rapidly.

Internet access is growing rapidly, led by mobile rather than fixed broadband.

Penetration of fixed broadband and mobile Internet, 2008-2017 (%)



Source: PwC, Informa Telecoms & Media

Smartphones offer advertisers access to listeners on the move

Phones are an increasingly important platform for radio listening in South Africa: SAARF reports that in May 2013, 27.7% of the population listened to radio content on their phones, up from 26% in June 2012. This includes both radio content delivered to a phone with an FM receiver, which is free and therefore more popular, and streaming media, which remains relatively expensive given the cost of mobile bandwidth.

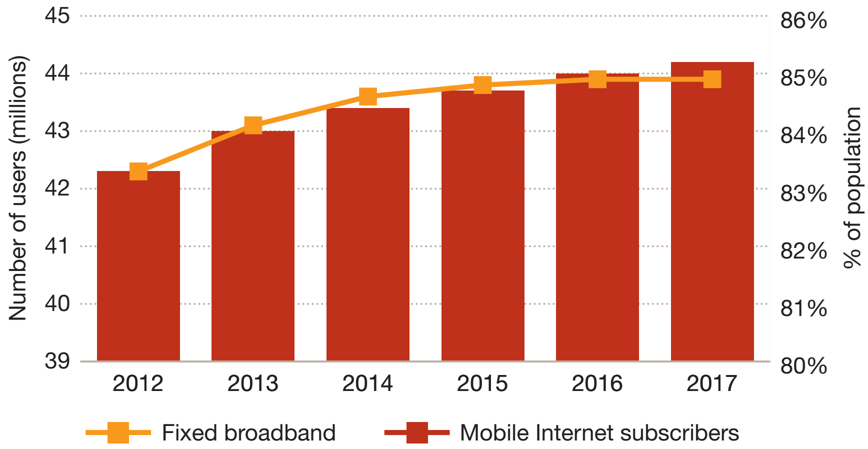
Nevertheless, the smartphone is set to become the key device for audio streaming services. New players such as Ballz Visual Radio, worldtunes.net and 2oceansvibe.com are entering the market and, unlike traditional radio broadcasters, they do not need approval from the regulator ICASA.

Traditional broadcasters are responding by offering their stations as apps on the leading smartphone platforms. Kagiso Broadcasting and Primedia Broadcasting, for example, offer apps to listen to their stations. Broadcasters are preparing for the future by establishing an online foothold, but are unlikely to gain a large audience in the near term given the cost of mobile bandwidth. High data costs will remain an impediment to growth in streaming media.

The number of mobile phone users in South Africa is forecast to surpass 43 million and will account for over 84% of the country's population by 2017.

More than 80% of the population has a mobile phone.

Number of mobile phone users, 2012-2017



Source: Informa Telecoms & Media

Much of the growth in mobile phone use will come from users adopting smartphones, encouraged by carriers offering competitively priced promotions for data. Growth in the use of tablets and smartphones is being fuelled by consumer enthusiasm for applications such as those provided by radio stations.

The penetration of smartphones is forecast to post annual growth of 21% over the forecast period. By 2017 there will be an estimated 29 million smartphone connections in South Africa, accounting for 33% of all connections.

Digital audio broadcasting is not on the menu for now

Though radio is still predominately an analogue market, audiences are quickly adopting digital media on other platforms and expect radio to be similarly portable and ubiquitous. How the radio business responds to the digital transition over the coming years will determine the shape of its long-term future.

Since August 2011, digital broadcasting company, Mobile TV has been conducting technical tests of DMB (digital multimedia broadcasting) and DAB+ (digital audio broadcasting) in Gauteng. In July 2012 it applied for a commercial licence with the final decision regarding the licence being made in 2013.

While South African radio broadcasters are set to start trialling digital radio channels using the DAB+ standard in Gauteng in 2014, it is expected that traditional analogue radio, supplemented by the Internet, will continue to dominate the radio sector in South Africa for the foreseeable future.

New technologies are creating a more engaged radio audience

Radio is no longer just a one-way communication medium, since new technologies allow broadcasters to deliver an even more engaged audience to advertisers. Listeners no longer merely passively consume a station's output, but actively contribute to programmes via crowdcasting software, such as Listener Driven Radio (LDR), which allows the audience to collaborate in minute-by-minute programming, phone-ins and discussions via social media such as Facebook (which in May 2013 reported more than 5.5 million users in South Africa) and Twitter (which according to a January 2012 report by Portland Communications, How Africa Tweets, has more than five million users in South Africa).

Kagiso Broadcasting is an example of a company seeking to make better use of this opportunity. It has augmented its stations' online presence with new teams evaluating the point at which social media and radio meet, thereby informing future strategy. The opportunity to deepen the broadcaster relationship with listeners is clear, although monetising this remains a challenge.

Socialising radio's content

The advent of social networks has been a boon to the radio industry despite doubts that radio could continue to capture the attention of listeners. The traditional role of the radio phone-in has been enhanced in the era of social media with listeners also interacting online regarding shows and their content. The immediacy of the phone-in is being continued albeit on a wider scale.

Radio stations' websites are being integrated with social media applications, making it easy for users to share stories with the station's digital community via a number of social media platforms.

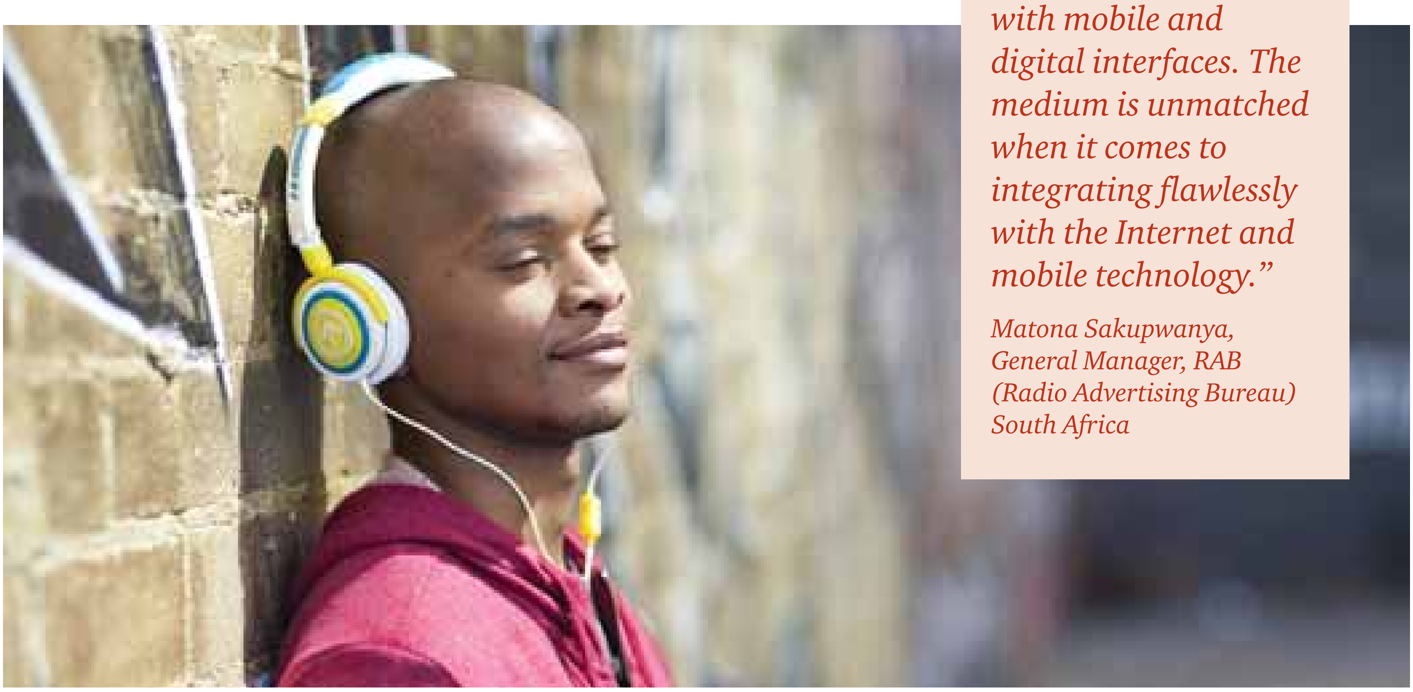
Sales houses, like Mediamark, who traditionally offered separated radio, events and digital advertising platforms, now offer multi-platform converged solutions using radio, digital and event (soon TV) platforms seamlessly.

Radio remains a key component to campaigns

Radio stations are building their brands within social networks by creating communities and running promotions. The South African Reserve Bank, for example, ran a radio campaign to support the introduction of the 2012 South African Currency Note Series, which feature an image of Nelson Mandela. Through radio, they managed to maximise reach across all market segments, especially high-risk low-LSM segments that are difficult and/or expensive to reach by any other means. Radio also allowed the campaign to engage with audience members throughout the day in multiple consumption environments.

"Looking to 2013, radio's greatest achievement will continue to be its ability to synergise with mobile and digital interfaces. The medium is unmatched when it comes to integrating flawlessly with the Internet and mobile technology."

Matona Sakupwanya, General Manager, RAB (Radio Advertising Bureau) South Africa



Another example is Vodacom, which used radio to promote its gaming application, Gotcha, as part of its campaign to promote new bundled pricing plans for talk, SMS and Internet in 2012. Radio also retains its role for providing public information, with National Geographic using radio to promote practical tips on helping the local environment.

Radio advertising in South Africa also attained international recognition in the past year with local advertising agencies scooping a number of top awards at the Cannes International Festival. Matona Sakupwanya of RAB South Africa believes this could help raise radio's advertising status in the local market. She says South Africa is now seen as the international capital of radio advertising and international counterparts are telling their industries to get in touch with local agencies doing good radio work.

In a traditionally conservative business sector, FNB recently broke the mould and boldly placed their entire advertising budget for retail banking on radio with their heralded 'Steve' campaign. The campaign gave radio an opportunity to prove that it can be used very effectively as a primary, and even exclusive, medium for major campaigns. Campaigns of this nature have prompted a revival in radio advertising.

Social media gives listeners a voice

Social media platforms have strengthened the voice of the consumer, in much the same way as they have enhanced the ability of the stations to connect and get feedback from consumers in real time. Social media offers two-way communications between the audience and presenters (and advertisers) facilitated by SMS, online, mobile phones, social networks, podcasts and vodcasts.

Radio stations are looking to establish and engage with communities of listeners by being interactive and inclusive. Advertisers are able to gauge the audience reaction to their campaigns in real time by the number of Facebook 'likes' or re-tweets their promotions elicit.

Better measurement of online audiences is a priority for the radio industry

A key challenge facing the radio industry in South Africa is demonstrating audience levels to advertisers. The Radio Advertising Bureau (RAB) has adopted the RadioGAUGE, a tool which measures radio advertising awareness, brand perception and ad creativity effectiveness. It is made available free to advertisers in order for them to understand how their campaigns are working.

For Internet radio stations, the measurement of audio streaming remains a controversial issue. The real challenge for the Internet stations is the lack of an independent organisation with the responsibility and credibility to establish a recognised methodology to report online listenership.

The needle in radio's side

The National Association of Broadcasters (NAB) remains in dispute with the South African Music Performance Rights Association (SAMPRA) regarding needletime royalties payable for the broadcast of copyrighted sound recordings. A judgment by the Commissioner of Copyright at the Copyright Tribunal in 2012 established a rate of up to 7% of gross revenues as an equitable measure.

The NAB lodged an application for leave to appeal the judgment, which was granted, and papers were filed with the Supreme Court of Appeal in May 2013. The parties are currently awaiting a date to be set for the appeal to be heard.

The basis of the appeal is that a formula proposed by the NAB was ignored by the tribunal and secondly, that the percentage proposed by the Commissioner is in itself quite high and is also based on gross revenues, which results in it being even more onerous on broadcasters, given that their actual revenues are reduced by discounts, agency commissions and other levies.

The implementation of the needletime royalty in its current form will likely force marginal broadcasters to reconsider their format options – like reducing their music content, or other cost-cutting initiatives. Backdating the royalties will also present an immediate cost and substantial cash outflow to broadcasters.

Most, if not all broadcasters, have been providing for the levy as per NAB's formula, but this is well below the level proposed by the Commissioner.

The future of global radio

To deliver real success, experience-led innovation needs to be applied to traditional broadcasters' core assets, including trusted brands, careful curation of content and on-air talent. All of those are also assets that non-traditional broadcasters can and should invest in.

The future of the global radio business will increasingly be shaped by non-traditional broadcasters. These newer players, including some of the leading music-streaming services, have taken their lead from the traditional sector by following the best practices and improving on other areas.

For traditional radio stations, the key to turning digital from a threat into an opportunity is to build on their existing strengths by creating a sense of community around localised services via greater user interaction and then delivering those strengths into the digital channel. New and smarter ways of measuring audiences will also be essential to the successful monetisation of digital radio.

The challenge of how to get a return on any such investment remains as relevant now as it has always been.

Nigeria

Nigeria's radio market will grow at a CAGR of 3.4% in the next five years.

Radio revenues, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	71	75	80	82	86	89	92	94	98	102	
YOY growth (%)		*5.6%*	*5.6%*	*2.6%*	*5.0%*	*3.2%*	*3.2%*	*3.2%*	*3.6%*	*3.9%*	*3.4%*
Total	**71**	**75**	**80**	**82**	**86**	**89**	**92**	**94**	**98**	**102**	
YOY growth (%)		***5.6%***	***5.6%***	***2.6%***	***5.0%***	***3.2%***	***3.2%***	***3.2%***	***3.6%***	***3.9%***	***3.4%***

Source: PwC, Informa Telecoms & Media

Nigeria is an emerging radio market with revenues of US$ 86 million in 2012. Tight regulation of the country's radio and TV markets has historically held back development, but on average the market grew by 5% per annum from 2009 to 2012.

The Nigerian radio market is regulated by the National Broadcasting Commission and today there are more than 150 radio stations broadcasting in the country, reaching over 75% of the population.

Radio is the key source of information for many Nigerians, not only because of its coverage in both cities and rural areas, but also because programmes are broadcast in local languages.

Growth will continue to be respectable rather than stellar, with the market set to generate revenues of US$102 million by 2017, a CAGR of 3.4%.

Radio advertising will benefit from an economy where real GDP is forecast to grow by on average just under 7% per annum over the next five years. Another attraction for advertisers is the rapid urbanisation of Nigerian society, with the World Bank forecasting that 63% of Nigerians will live in urban areas by 2017, up from 47% in 2008. This process, combined with economic growth, creates new consumer demand for advertisers' products.

Radio stations are carving out distinctive niches to attract audiences and advertisers:

- Beat FM 99.9 premieres new music with a focus on popular presenters;
- Inspiration FM 92.3 caters to a multicultural community;
- Lagos Traffic Radio was launched by the Lagos State Government in May 2012 to help listeners navigate the traffic congestion in the city; and
- Nigeria Info 99.3, launched in 2012, provides audiences with talk shows, news and sports.

In addition, a number of Nigerian radio stations have started to present formal music charts and structured playlists.

Nigeria switched over to digital broadcasting in 2012 and Nigerian radio stations are available via the Internet and smartphones too. Radio stations such as Cool FM 96.9 are available on streaming services such as Streema, while the Nigeria Radio Player 1 is available as an app for iPhones and iPads.

Internet streaming also offers a way for Nigerian expatriates to keep in touch with music and news from home and offers a new and potentially affluent segment to advertisers.

Mobile Internet subscriptions are forecast to rise dramatically over the forecast period with a 22% penetration in 2017, up from just 0.2% in 2008. Smartphones will also play an important role in the growth of the Nigerian radio market, with connections forecast to grow by over 50% per annum to reach 35 million in 2017.

Social media is also important for Nigerian radio stations. THE BEAT 99.9FM unveiled its mobile social network in August 2012. In addition to live radio, the platform includes news, blogs, photos, videos, and listeners can have online chats with presenters. The station has also launched its own social community in order to be a hub for people to discuss the station's output.

Radio stations in Nigeria are adopting similar strategies to those in other countries by encouraging the presenters to be the face of the station and integrating social media in order to offer listeners a greater sense of community.

Kenya

Radio revenues, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	87	150	220	258	274	290	307	322	333	339	
YOY growth (%)		*72.9%*	*46.5%*	*17.2%*	*6.2%*	*5.8%*	*5.8%*	*4.7%*	*3.6%*	*1.9%*	*4.4%*
Total	**87**	**150**	**220**	**258**	**274**	**290**	**307**	**322**	**333**	**339**	
YOY growth (%)		***72.9%***	***46.5%***	***17.2%***	***6.2%***	***5.8%***	***5.8%***	***4.7%***	***3.6%***	***1.9%***	***4.4%***

Source: PwC, Informa Telecoms & Media

Kenya is an emerging radio market with revenues of US$274 million in 2012. Total radio revenue grew by a remarkable 215% between 2008 and 2012, reflecting the early growth stage of the Kenyan radio market.

Historically the commercial development of the radio market has been constrained by tight regulations.

Although the Kenya Broadcasting Corporation (KBC) is state funded, and aims to raise awareness of government policies, it also receives revenue from advertising. The KBC has a Swahili Service in addition to its flagship English Service. It also operates regional services in the 16 major languages spoken across Kenya.

Kenya's radio market is dominated by the KBC, not only because of its funding structure, but also its ability to cover the largest geographical area. Radio remains the most important medium in rural areas.

Commercial stations offer a wide range of choice to listeners with the combination of music and phone-ins being a popular format.
Capital FM and Kiss FM focus on providing contemporary music, EastFM caters for Nairobi's Asian listeners, while Milele FM broadcasts in Swahili.

The radio market is poised to continue its growth albeit at a slower pace than in previous years and will see revenues reach US$339 million in 2017.

Growth will be fuelled by the continued popularity of radio as a source of news and entertainment. Increasing incomes over the forecast period will increase demand for consumer goods on the back of real GDP growth of just under 6%.

Rising GDP will contribute to an increasing number of Kenyans moving from rural areas to urban areas, boosting radio audiences and radio advertising in the country. According to World Bank forecasts, 29% of Kenyans will be living in urban areas in 2017, representing a rise of nine percentage points from 2008.

Radio stations now make their content available for streaming and Internet-delivered services, which are likely to be widely adopted by Kenyans over the forecast period. Informa Telecoms & Media forecasts that by 2017, 24% of Kenyans will have a mobile Internet subscription, up from just 1.8% of the population in 2012. The actual penetration of Internet access will likely be far higher as users also access the Internet via standard data bundles.

In addition, the smartphone will be an important device for accessing radio with smartphone connections set to rise by 40% per annum over the forecast period to reach 15 million in 2017.

After a period of rapid growth, Kenya's radio market will grow at a CAGR of 4.4% in the next five years.

Global trends in radio

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Radio revenues, 2008-2017 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	34 982	30 873	31 990	32 915	33 690	34 698	35 900	37 024	38 301	39 561	
YOY growth (%)		*-11.7%*	*3.6%*	*2.9%*	*2.4%*	*3.0%*	*3.5%*	*3.1%*	*3.4%*	*3.3%*	*3.3%*
Public funding	6 514	6 635	6 656	6 624	6 606	6 708	6 746	6 773	6 802	6 809	
YOY growth (%)		*1.9%*	*0.3%*	*-0.5%*	*-0.3%*	*1.5%*	*0.6%*	*0.4%*	*0.4%*	*0.1%*	*0.6%*
Satellite radio	2 378	2 479	2 617	2 834	3 213	3 536	3 828	4 109	4 390	4 651	
YOY growth (%)		*4.2%*	*5.6%*	*8.3%*	*13.4%*	*10.0%*	*8.3%*	*7.3%*	*6.8%*	*6.0%*	*7.7%*
Total	**43 874**	**39 987**	**41 263**	**42 373**	**43 509**	**44 942**	**46 474**	**47 906**	**49 493**	**51 021**	
YOY growth (%)		***-8.9%***	***3.2%***	***2.7%***	***2.7%***	***3.3%***	***3.4%***	***3.1%***	***3.3%***	***3.1%***	***3.2%***

Source: PwC, Informa Telecoms & Media

The global radio market will grow at a CAGR of 3.2% to generate revenues of US$51 billion by 2017.

- Thanks to persistent demand for radio content, accelerated by a rise in car ownership (and traffic congestion) in many markets, the global radio market is growing overall. Over the next five years, global radio revenues will grow to US$51 billion, a CAGR of 3%.
- Within that global figure, however, there are a number of shifts occurring. Revenues in North America and Europe will grow more slowly than the more rapid revenue growth in the emerging radio regions of Latin America, Asia and Africa.
- China stands out as the global radio industry's revenue success story. Its revenues grew by an impressive 69% between 2008 and 2012. It rose from being the seventh-largest radio market in 2008 to the third-largest in 2012.
- North America will continue to account for almost 50% of all global radio revenues, however, and will generate US$24 billion in 2017. But, while Europe and North America play a leading role in radio-technology and business-model innovation, their combined market shares will decline from 78% of global radio revenues in 2012 to 74% by 2017.
- Connected listeners want to access radio on a range of devices. Internet-based music streaming services and the rising use of smartphones as media consumption devices threaten traditional radio models, but broadcasters are investing in developing these platforms too. Experience-led innovation will be the key to success for radio companies in the digital era. Connected cars, for example, will provide a new opportunity.

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Music

Lesrick Nayager
Manager, PwC Southern Africa

Definitions

The music segment consists of recorded music and live music played at concerts, and considers consumer spend on music. The recorded music component is split into physical and digital elements:

- Physical sales cover any retail or online purchase of albums, single sound recordings and music videos; and
- Digital consists of any music distributed digitally to mobile devices and includes any music downloaded via app stores and licensed services. Digital music is analysed by units and revenues. Revenues include subscription services, advertising-supported streaming services, master ring tones (not polyphonic or monophonic) and ringback tones. Unit sales comprise single track downloads, full album downloads and music video downloads only.

All consumer spend is measured at retail level, which can be substantially higher than the wholesale or trade value of revenue reported.

The recorded music market does not consider subscription fees paid to satellite radio providers or advertising generated by Internet radio services. The figures also do not include performance rights or synchronisation fees.

Figures for live music revenues are made up of consumer spending on tickets to concerts and music festivals as well as sponsorship payments. No other consumer spending at live music events, such as on merchandise or refreshments, is included in the live music total.

In brief

The value of South Africa's music market stood at R2.2 billion in 2012, down from R2.6 billion in 2008. Annual revenue is forecast to remain relatively flat, growing by a CAGR of 0.4% to reach R2.2 billion in 2017.

Retail spending on physical and digital music and live concerts will experience differing fortunes over the next five years. Retail spending on physical formats will fall at a faster rate than spending on digital will rise, resulting in an annual decline in spending on recorded music. Spending on live music will overtake spending on physical recorded music in 2014 and total recorded-music spending in the following year. By 2017, live music will account for 57.1% of consumer spending on music in South Africa.

Local repertoire has seen less of a drop-off in sales than international artist releases. Local repertoire is priced lower than international releases and local music remains popular with South African audiences.

The bestselling download in 2012 was Loliwe by the South African artist Zahara, taken from her debut album of the same name, which was released in 2011.

International digital music services now operating in South Africa include iTunes, Nokia Music, the subscription services Deezer, Rara.com and Simfy. Microsoft is set to launch its Xbox Music service before the end of 2013. At the time of writing, Apple had not confirmed any dates for the international rollout of its iTunes Radio service, which was launched in the US in September 2013.

The major international record companies accounted for around three-quarters of total music sales in 2012. Universal Music Group was the leader, ahead of Sony Music.

South Africa is experiencing the same online piracy problems as other developed music markets around the world. The relatively low broadband penetration in the country, compared with Western European and North American countries, has limited the scale of the problem, but as broadband use grows, then so will online piracy. Legal music distributors have long complained that consumers view piracy as a victimless crime, and education efforts and campaigns have largely failed to change this perception.

Nigeria's music market generated revenues of R421 million (US$51.3 million) in 2012, up from the 2008 revenue of R369 million (US$45 million). Annual revenue is forecast to grow by a CAGR of 0.9% to reach R441 million (US$53.8 million) in 2017. Digital's share of total spending on recorded music in Nigeria will rise to an estimated 66.6% by 2017, up from 49.0% in 2012.

Kenya's music market generated revenues of R163 million (US$19.8 million) in 2012, up from R135 million (US$16.5 million) in 2008. Annual revenue is forecast to edge up in 2015 to R170 million (US$20.7 million), but fall back to R165 million (US$20.1 million) by 2017. Consumer spending on digital music will overtake physical spending in 2015.

South Africa

Music market, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Recorded music	1 868	1 628	1 512	1 350	1 229	1 160	1 098	1 044	996	943	
YOY growth (%)		-12.9%	-7.1%	-10.8%	-8.9%	-5.6%	-5.3%	-5.0%	-4.6%	-5.4%	-5.2%
Physical	1 801	1 559	1 430	1 263	1 139	1 062	992	929	873	811	
YOY growth (%)		-13.4%	-8.3%	-11.7%	-9.8%	-6.7%	-6.6%	-6.3%	-6.0%	-7.1%	-6.5%
Digital	67	69	82	87	90	98	106	115	123	132	
YOY growth (%)		3.9%	18.4%	6.0%	4.0%	8.7%	8.2%	7.9%	7.4%	7.0%	7.8%
Live music	689	732	802	862	925	986	1 049	1 116	1 185	1 257	
YOY growth (%)		6.3%	9.5%	7.4%	7.4%	6.5%	6.4%	6.4%	6.2%	6.1%	6.3%
Total	**2 557**	**2 360**	**2 314**	**2 212**	**2 154**	**2 146**	**2 147**	**2 160**	**2 181**	**2 200**	
YOY growth (%)		***-7.7%***	***-2.0%***	***-4.4%***	***-2.6%***	***-0.4%***	***0.1%***	***0.6%***	***1.0%***	***0.9%***	***0.4%***

2008-2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

The South African music market will grow at a CAGR of 0.4% in the next five years.

South Africa's music market was worth R2.2 billion in 2012, down from the 2008 revenue of R2.6 billion. Annual revenue is forecast to grow marginally by a CAGR of 0.4% remaining relatively flat at R2.2 billion in 2017.

The three main constituents of the South African music industry, physical, digital and live, are set to experience differing fortunes. Retail spending on physical formats has been falling for the last few years and will continue to fall in the years up to and including 2017. Revenues from the retail value of physical sales are expected to total R811 million in 2017, less than half the equivalent revenues in 2008.

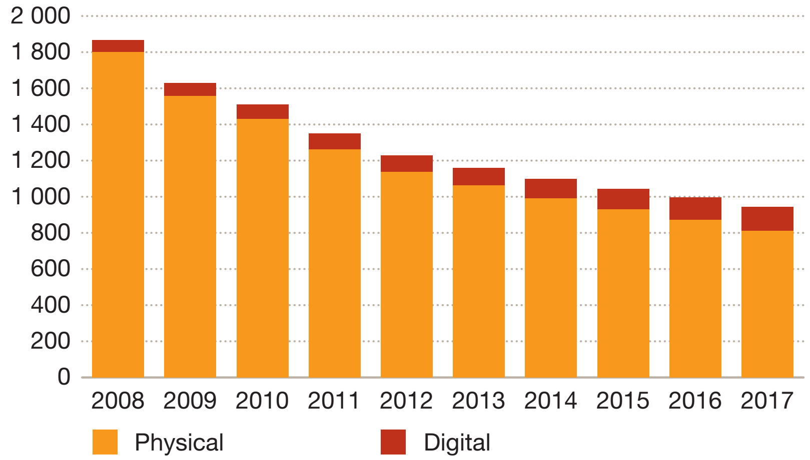
Growth in broadband and smartphone penetration is fuelling the shift to digital and away from physical. Digital is a very attractive option as consumers can buy individual songs, listen to music on portable devices, access music instantly and pay less for it.

In contrast, retail spending on digital music will increase at an estimated CAGR of 7.8% in the next five years and will total approximately R132 million in 2017. However, the gains made by digital retailers will fall short of compensating for the physical declines.

Although annual growth is forecast for retail spending on digital music, by 2017, digital will account for just 14.0% of total retail spending on recorded music. Moreover, the annual rise in share will be modest. In 2012, digital took a 7.3% share of total spending.

Spending on live music will increase at a forecast CAGR of 6.3% in the next five years and will total R1.3 billion in 2017. It will account for 57% of total spending in the music market. However, the gains made by live music will also fall short of compensating for the decline in physical sales.

Recorded music retail spending by format, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Digital sales will account for just 14% of South African recorded music retail sales by 2017.

The pattern of recorded music unit sales will follow retail spending, with unit sales of physical products falling and digital unit sales rising. The number of physical unit sales is expected to decrease at a CAGR of 4.5% in the next five years, with unit sales in 2017 forecast at 12.6 million, almost half the total of 23 million in 2008. Digital unit sales will rise at a CAGR of 3.1% to end 2017 at 1.5 million.

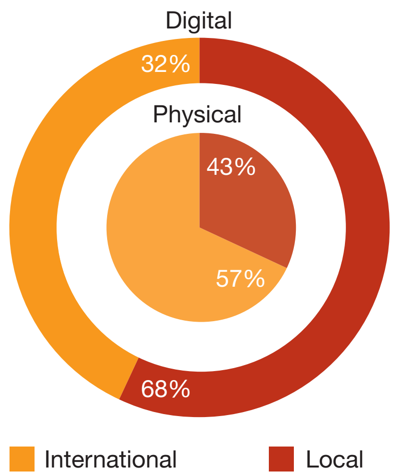
Local repertoire has seen less of a drop off in sales than international artist releases. This could be partly because local repertoire is priced lower than international artists. There is also a difference emerging in the sales patterns of local and international artists.

International repertoire accounted for 57% of both the retail value and total unit sales of physical recorded music in 2012. However, local repertoire dominated digital sales, accounting for 68% of both the value and the units sold, reflecting both the appeal of local acts among the more tech-savvy music fans in South Africa, as well as the affordability and convenience of downloading a song onto a mobile device.

Local artists dominated digital sales in 2012, while international artists accounted for the majority of physical music sales.

Recorded music unit sales will fall at a CAGR of -3.9% in the next five years.

Recorded music sales by repertoire share, 2012 (%)



Source: Aquidneck Consulting

Recorded music unit sales, 2008-2017 (millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR % 2013-17
Physical	23.0	20.2	19.0	17.2	15.9	15.3	14.6	13.9	13.3	12.6	-4.5%
Digital	1.0	1.0	1.0	1.1	1.3	1.3	1.4	1.4	1.5	1.5	3.1%
Total	**24.0**	**21.2**	**20.0**	**18.3**	**17.2**	**16.6**	**16.0**	**15.3**	**14.8**	**14.1**	**-3.9%**

Source: PwC, Informa Telecoms & Media

Half of the top-10 selling physical albums in 2012 were by international artists.

The difference in popularity between local and international repertoire is also evident when comparing the sale of physical albums and digital downloads. Five of the top 10 selling physical albums in 2012 were by international artists, but all of the top 10 single downloads were by local artists.

A significant share of consumer spending on digital music has been on ringtones and ringback tones. Local repertoire is very popular with the majority of South African audiences, resulting in a local repertoire-dominated singles chart. Many consumers are also choosing to purchase digital formats over physical formats, because they are more affordable.

The *Now* series of hit compilations has proved popular in South Africa and the top three physical album sales in 2012 were all from this series. UK singer Adele was the bestselling physical album artist in 2012 in South Africa with *21* being the fourth bestselling album in the country.

Top 10 physical album sales, 2012

Rank	Title (release year)	Artist/Act	Genre	Source
1	Now 62 (2012)	Various Artists	Pop / Rock	International
2	Now 61 (2012)	Various Artists	Pop / Rock	International
3	Now 60 (2012)	Various Artists	Pop / Rock	International
4	21 (2010)	Adele	Pop / Rock	International
5	Hart Vol Drome (2012)	Theuns Jordaan /Juanita du Plessis	Afrikaans	Local
6	Roeper (2011)	Theuns Jordaan	Afrikaans	Local
7	Joyous Celebration 16 (2012)	Joyous Celebration	Gospel	Local
8	Adele - Live At The Royal Albert Hall (2011)	Adele	Pop / Rock	International
9	Bonnie en Clyde (2012)	Jay en Lianie	Afrikaans	Local
10	Ina Ethe (2011)	Zonke	Kwaito	Local

Source: Aquidneck Consulting

All of the top 10 single downloads/ringtones in 2012 were by local artists.

Top 10 singles/ringtone sales, 2012

Rank	Title	Artist/Act	Album (release year)	Source
1	Loliwe	Zahara	Loliwe (2011)	Local
2	Still (Album Edit)	Liquideep	Fabrics Of The Heart (2010)	Local
3	Sizohlangana Ku Facebook	DJ Cleo	Es'khaleni 8 (2011)	Local
4	Ingakho Ngicula	Ncwane, S'fiso	Kulungile Baba (2011)	Local
5	My Name Is (feat. Busiswa)	DJ Zinhle	Kalawa Jazmee 2012 Pre Release (2011)	Local
6	Serious	Big Nuz	Pound For Pound (2011)	Local
7	Hlokoloza	Arthur Mafokate	Hlokoloza (2011)	Local
8	Lengoma (feat. DJ Sbu)	Zahara	Loliwe (2011)	Local
9	Wa Muhle (feat. Nokwazi & Qob)	Brothers Of Peace	n/a	Local
10	Lento	Professor	University Of Kalawa Jazmee (2010)	Local

Source: Aquidneck Consulting

The bestselling song download in 2012 was *Loliwe* by the South African artist Zahara, taken from her debut album of the same name released in 2011. The album has sold more than 100 000 copies in South Africa. At the annual South African Music Awards last year, Zahara won seven awards, including best album of the year and best female artist.

Digital sales remain low in South Africa, despite the presence of a number of international digital music services. Although growing rapidly in recent years, the digital market remains relatively small because of the country's relatively low broadband penetration: only 13% of households in South Africa had a fixed broadband connection in 2012, significantly below the penetration rate in Western Europe (73%) and also below the average of 15% across the Middle East and Africa (MEA) region. Since digital music is largely accessed online, low broadband penetration limits digital spending.

However, access to mobile Internet in South Africa is becoming more significant than access to fixed broadband and will also grow dramatically: 21% of South Africa's population had mobile Internet access in 2012 and this will rise to 62% in 2017, creating greater opportunity for music services delivered to handsets.

Nokia was one of the first international brands to launch a music service in South Africa. The handset manufacturer initially offered its subscription service under the 'Comes with Music' name and provided unlimited free-of-charge music downloads with the purchase of a Nokia Comes With Music edition phone.

Nokia later rebranded the service to 'Ovi Music Unlimited' and then 'Nokia Music'. Although the unlimited music service has been withdrawn in most markets, South Africa is one of a few countries in which it is still available.

Apple officially launched the iTunes store in South Africa at the end of 2012, joining a number of local digital music services already operating in the country. International digital music services now operating in South Africa include the subscription services Deezer, Rara.com and Simfy. It is estimated that there were 7 000 customers subscribing to these digital music services at the end of 2012.

Local reports suggested that Microsoft was set to launch its Xbox Music service in South Africa before the end of 2012, but the rollout was delayed by licensing agreements and it is now expected to launch before the end of 2013.

Live music

Consumer spending on live music is set to remain healthy and is forecast to rise at a CAGR of 6.3% over the next five years, reaching R1.3 billion in 2017, up from R925 million in 2012. Spending on live music will overtake spending on physical recorded music in 2014 and total recorded music spending the following year. By 2017, live music will account for 57.1% of consumer spending on music in South Africa.

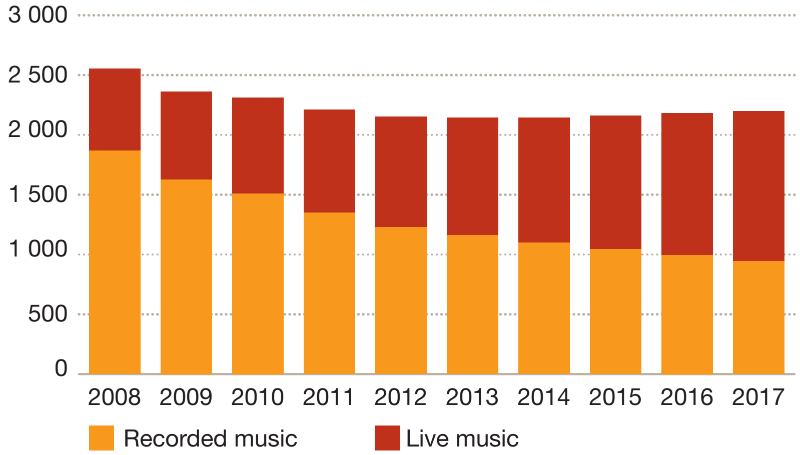
Despite being an integral part of the music industry, the business of live music is very different from that of recorded music and music publishing. Increasing record company interest in the live music sector and the opening up of new markets by global promoters hints at closer ties between players in the different industry sectors. The corporatisation of the live entertainment sector is a relatively new development. Moreover, the business models and practices of the leading live music players are not as coherent and defined as the companies operating in recorded music and music publishing.

A business idea that has been around for a decade or so is the 360-degree business model for artists. Falling recorded music sales meant record companies needed to generate new revenue streams, and income from live performances grew in importance. A 360-degree deal enables record companies to receive a major cut in all of the artist's sources of income, including touring, merchandise and publishing.

The 360-degree model was expected to become the industry standard, but has resulted in only a small number of joint ventures between record companies and live music organisers.

Consumer spending on live music will overtake spending on recorded music in 2015.

Consumer spending share on live and recorded music, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

The local music industry follows the European model, but local repertoire is growing in importance.

Local increasingly lekker

South Africa is unique on the continent of Africa for being the only country with a music market similar to those in Europe and North America. Local and international record companies have experienced interest in digital music formats, especially from the mobile sector and the country has become a major destination for touring international artists.

South Africa's live scene is more akin to those in Western countries than to those in neighbouring countries. A small number of large promoters dominate and are behind most of the big-name acts to play in the country. International promoter Live Nation operates in South Africa, having formed a strategic alliance with local concert promoter Big Concerts.

Even before the deal with Live Nation, Big Concerts was the leading South African live promoter. The Eagles and Michael Bublé were two of the biggest acts promoted by Big Concerts in 2012 and big-name artists set to perform in South Africa this year include the Dave Matthews Band and Rihanna.

Big Concerts was also behind Justin Bieber and Bon Jovi in May 2013. Since it was created in 1989, the company has sold more than 10 million tickets and produced concerts by some 300 international artists. The company promotes concerts in the largest South African cities, including Johannesburg, Cape Town and Durban.

The most notable music festivals in South Africa are the Cape Town International Jazz Festival, which is held annually in April, and RAMfest, a rock festival staged in Cape Town, Durban, Port Elizabeth and Johannesburg in March. Rocking the Daisies, Splashy Fen and Oppikoppi have also become very well established on the South African music festival scene.

Similarities between South Africa and the developed markets of Europe and North America extend to the dominance of recorded music sales by the major record companies. In 2012, the majors accounted for around three-quarters of the total music market. Universal Music Group (UMG) is the leader, ahead of Sony Music. Warner Music is the smallest of the majors: it operates in South Africa as Warner Music Gallo Africa after the creation of a joint venture with Johnnic Communications (now known as Times Media Group), owner of the country's largest and oldest independent label, Gallo Music.

However, despite the influence of major global players, there is a strong local presence too. Independent record companies in South Africa, represented by the Association of Independent Record Companies (AIRCO), account for close to one-third of domestic music sales and almost two-thirds of releases in the country. Notable independent music companies include Mozi Musiek, Select Musiek, Sheer Sound, Rhythm Records, Bula Music and Coleske Artists.

The popularity of different musical genres varies among different cultural groups and across geographical areas. African music styles range from local versions of hiphop and R&B to the township dance genre, kwaito, as well as pop, gospel and choral styles such as isicathamiya and mbaqanga. In the past few years, there has also been a resurgence in the popularity of Afrikaans music.

Perhaps the best opportunity to generate digital music revenue in Africa is for services to make use of consumers' interest in all things mobile. Until now, the vast majority of spending on digital music has been on ringtones and ringback tones. Rising smartphone adoption means that there are real opportunities for mobile services to extend subscriber interest to more sophisticated offerings such as subscription-streaming services. Wireless network upgrades, growth in smartphone penetration and the growing proliferation of tablets should make South Africa an attractive market for streaming services in the coming years.

Tackling piracy to remain a priority

As the most developed music market in the region, South Africa is experiencing the same piracy problems as most other developed music markets around the world. Illegally downloaded content is often burned to CDs and DVDs and sold by vendors in street markets. Legal music distributors have long complained that consumers view piracy as a victimless crime and education efforts and campaigns have largely failed to change this perception.

The South African Police Service (SAPS) runs an anti-piracy campaign in several cities as part of the 'when duty calls' operation. Although the action has targeted street traders, the police action also focuses on the manufacturers of pirated goods.

The local music trade association, the Recording Industry of South Africa (RISA), coordinates anti-piracy activities under the RISA Anti-Piracy Unit (RAPU) banner. RAPU is made up of former SAPS police officials. In early 2013, the unit shut down the music-sharing site KasiMP3, which was found to be facilitating unauthorised file sharing. According to RISA, KasiMP3 offered more than 1.2 million downloads at its peak. KasiMP3 was set up at the beginning of 2012 and was funded by advertising. Although the site was intended for legitimate music distribution, users were able to upload any content, regardless of its copyright status.

In December 2012, RISA announced it had closed down Mzansi-music.co.za, an infringing site operating out of Durban that hosted a significant amount of local repertoire.

Continued efforts at both education and enforcement will be required, although the increasing availability of content via legal digital music services will also be a factor in combating the appeal of piracy.

The digital music era kicked in 10 years ago in South Africa and both record labels and producers were not ready. Both assumed slow adoption and did not foresee how this would make pirates more powerful. In fact, pirates ceased to be foreign nationals, but young boys from down the road who acquired hard drives, downloaded music and copied for communities for a price, of course.

The current most influential players in the distribution of music are the mobile phone networks, who have provided a lifeline for the music business. The networks will continue to grow as they diversify their content offering for users.

In five years, music outlets will be a thing of the past and almost all content will be online. Social media is fuelling this trend with more young people sharing files through the cloud, Dropbox and other similar platforms. Online platforms will monopolise music distribution and the content aggregator will be the new record company.

Greg Maloka, Managing Director, Kaya FM

Nigeria

The value of the Nigerian music market will rise at a CAGR of 0.9% over the next five years.

Music revenues, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Recorded music	**38**	**39**	**41**	**42**	**43**	**43**	**43**	**43**	**43**	**42**	
YOY growth (%)		***5.3%***	***2.4%***	***2.6%***	***3.3%***	***0.3%***	***0.0%***	***-0.3%***	***-0.4%***	***-1.1%***	***-0.3%***
Physical	27	26	25	24	22	21	19	17	16	14	
YOY growth (%)		*-2.3%*	*-5.4%*	*-5.1%*	*-5.3%*	*-7.7%*	*-7.8%*	*-9.1%*	*-9.8%*	*-11.0%*	*-9.1%*
Digital	11	13	16	18	21	22	24	26	27	28	
YOY growth (%)		*24.7%*	*17.9%*	*14.9%*	*14.5%*	*9.1%*	*7.1%*	*6.6%*	*5.9%*	*4.6%*	*6.7%*
Live music	**7**	**8**	**8**	**8**	**8**	**9**	**10**	**10**	**11**	**12**	
YOY growth (%)		***4.4%***	***4.6%***	***3.0%***	***0.7%***	***6.8%***	***7.4%***	***6.6%***	***6.4%***	***5.8%***	***6.6%***
Total	**45**	**47**	**49**	**50**	**51**	**52**	**53**	**53**	**54**	**54**	
YOY growth (%)		***5.1%***	***2.7%***	***2.7%***	***2.8%***	***1.3%***	***1.2%***	***0.9%***	***0.9%***	***0.3%***	***0.9%***

Source: PwC, Informa Telecoms & Media

Digital sales will account for 67% of Nigerian recorded-music retail sales by 2017.

Nigeria's music market generated revenues of US$51.3 million in 2012, up from US$45.0 million in 2008. Annual revenue is forecast to grow by an estimated CAGR of 0.9% to reach US$53.8 million in 2017.

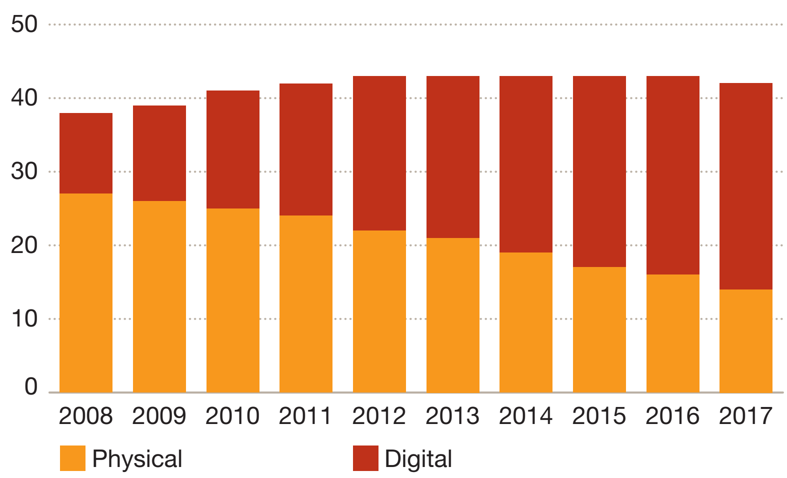
As in South Africa, sales of physical, digital and live music will experience differing fortunes in the years up to and including 2017. Retail spending on physical formats has been falling for the last few years and will continue to fall in the next five years. The retail value of physical sales will total approximately US$13.9 million in 2017, equivalent to half its value in 2008.

In contrast, retail spending on digital music will overtake spending on physical music in Nigeria in 2013. It will increase at a forecast CAGR of 6.7% over the next five years and will total US$28.4 million in 2017.

However, the rise in digital sales will not fully compensate for the declines in physical sales and annual spending on recorded music overall will decrease at a CAGR of -0.3%.

Digital's share of total spending on recorded music will rise to 67% by 2017.

Recorded music retail spending by format, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Recorded music unit sales, 2008-2017 (millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR % 2013-17
Physical	5.3	5.3	5.1	5.0	4.9	4.6	4.4	4.1	3.8	3.5	-6.2%
Digital	0.2	0.4	0.5	0.6	0.7	0.7	0.7	0.8	0.8	0.8	4.5%
Total	**5.5**	**5.7**	**5.6**	**5.6**	**5.6**	**5.3**	**5.1**	**4.9**	**4.6**	**4.3**	**-4.7%**

Source: PwC, Informa Telecoms & Media

Unit sales of recorded music will fall at a CAGR of -4.7% over the next five years.

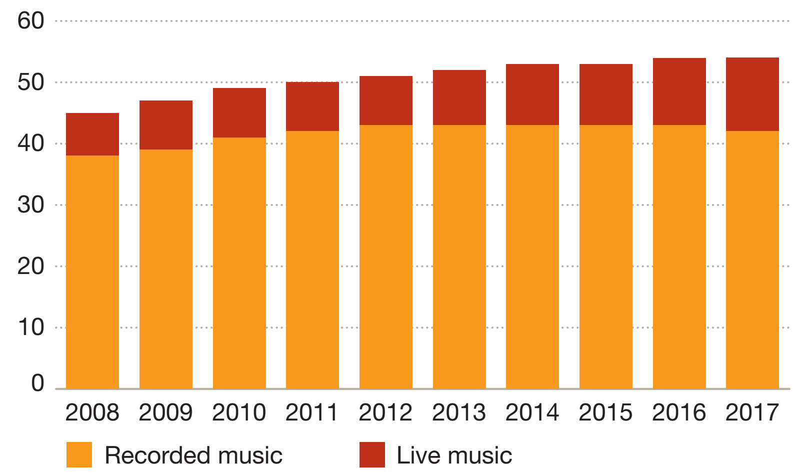
Unit sales of recorded music will follow retail spending, with unit sales of physical products falling and digital unit sales rising. The number of physical unit sales will decrease at a CAGR of -6.2% in the next five years, with unit sales in 2017 forecast at 3.5 million. Digital unit sales will rise at a CAGR of 4.5% to end 2017 at 0.8 million.

Consumer spending on live music events in Nigeria is set to grow, with a CAGR over the next five years of 6.6%, almost identical to the CAGR of spending on digital music in the same period. However, the decline in spending on physical music formats means that live music will account for an increased share of total music revenues by 2017.

Spending on live music over the last few years has been boosted by a steady rise in the number of high-profile international artists visiting Nigeria as part of their world tours. For example, rap artist Jay-Z is set to perform at the Ocean View restaurant in Lagos in October 2013 as part of a tour that will also see him perform in Ghana and South Africa.

Perhaps the biggest live music event in Nigeria is the annual Star Trek tour, which sees a number of top local acts play in most of the country's major cities. The 2013 tour saw 22 artists, including 2face Idibia, D'banj and Psquare, playing in ten venues during June, July and August.

Consumer spending share on live and recorded music, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Consumer spending on live music will account for 22.2% of consumer spending on music in 2017.

Although Nigeria is one of the wealthiest and most populous countries in Africa, per-capita spending on recorded music is very low. Legitimate retailers struggle to compete with highly-organised illegal sales of pirate CDs at a fraction of the price of legitimate versions. Artists often complain of little return on the release of albums with many relying on live performances as their main source of income.

With no growth forecast in the sales of physical recorded music, digital may provide a way of effectively monetising music in this market. Broadband household Internet penetration remains low – just 3% of households in Nigeria had fixed broadband access in 2012 – and almost all digital sales have been of mobile ringtones and ringback tones. The launch of Apple's iTunes store in Nigeria at the end of 2012 now provides those Nigerians who want to buy downloads with a legal option. But, as Internet penetration rises – by 2017, 12% of households are forecast to have fixed broadband access, while 23% of the Nigerian population will have access to mobile Internet – so too will the availability of unauthorised services offering unlicensed music.

Nigeria's best hope for a longer-term solution for the music industry may be through subscription services. Rising pay-TV subscriber numbers show that there is a market in Nigeria for entertainment subscription services so long as the price is right and the content is compelling. Deezer was the first international subscription service to go live in Nigeria and it competes with local services iROKING and Spinlet.

Kenya

The value of the Kenyan music market will end 2017 at the same level as 2012.

Music revenues, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Recorded music	**15**	**16**	**16**	**17**	**18**	**18**	**18**	**19**	**18**	**18**	
YOY growth (%)		***7.1%***	***4.3%***	***3.8%***	***4.4%***	***1.4%***	***1.2%***	***0.5%***	***-1.5%***	***-1.8%***	***0.0%***
Physical	12	12	11	11	11	10	9	9	8	7	
YOY growth (%)		*0.1%*	*-3.0%*	*-2.9%*	*-3.1%*	*-4.8%*	*-5.0%*	*-5.6%*	*-7.7%*	*-9.7%*	*-6.6%*
Digital	3	4	5	6	7	8	9	10	10	11	
YOY growth (%)		*33.1%*	*25.2%*	*18.2%*	*17.7%*	*10.6%*	*8.9%*	*7.2%*	*4.8%*	*5.1%*	*7.3%*
Live music	**1**	**1**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	
YOY growth (%)		***4.0%***	***4.1%***	***2.8%***	***0.6%***	***4.9%***	***5.1%***	***4.9%***	***1.8%***	***2.4%***	***3.8%***
Total	**16**	**17**	**18**	**19**	**20**	**20**	**20**	**21**	**20**	**20**	
YOY growth (%)		***6.9%***	***4.2%***	***3.7%***	***4.1%***	***1.7%***	***1.5%***	***0.9%***	***-1.2%***	***-1.4%***	***0.3%***

Source: PwC, Informa Telecoms & Media

Kenya's music market generated revenues of US$19.8 million in 2012, up from US$16.5 million in 2008. Annual revenue is forecast to rise to US$20.7 million in 2015, but fall back to US$20.1 million in 2017.

Retail spending on physical formats has been edging down for the last few years and will continue to fall in the next five years. The retail value of physical sales will total approximately US$7.7 million in 2017, down from US$10.8 million in 2012.

In contrast, consumer spending on digital music will grow to overtake physical spending in 2015. Digital sales will increase at a CAGR of 7.3% in the next five years and will total an estimated US$10.6 million in 2017. This rise in digital sales will just compensate for the physical declines so that total spending on recorded music will be flat over the next five years.

Factors that should boost spending on digital music include a rising youth population, a growing economy and increased Internet access. Although only 2% of Kenyan households had access to fixed broadband in 2012 (rising to just 4% of households by 2017), by 2017, 24% of Kenya's population will have access to mobile Internet (up from just 2% in 2012).

Legal digital music services face stiff competition from unauthorised services and music that is available free online. Despite the fairly low prices charged by digital services, consumers with limited budgets are choosing to download music free rather than pay for it. Most ISPs take no action to prevent access to free music and lax copyright laws in the country make it difficult for rights holders to take action against illegal downloading.

Digital's share of total spending on recorded music will rise to 61.1% by 2017.

Digital sales will account for 61% of recorded music retail sales in 2017.

Consumer spending on live music events in Kenya is set to grow, with a CAGR over the next five years of 3.8%. However, live music is the smallest of the three music sectors and by 2017 will only account for 10% of music revenues. Kenya is not a major stop-off point for international artists. The most notable live music event in the country is the Kenya Music Festival, which is held at the Kenyatta International Conference Centre in Nairobi over ten days in August. Traditionally, only African music is played at this event.

Consumer spending on live music in Kenya will account for 10% of consumer spending on music in 2017.

Recorded music unit sales, 2008-2017 (millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR % 2013-17
Physical	2.4	2.4	2.4	2.4	2.4	2.3	2.2	2.2	2.0	1.9	-4.3%
Digital	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	6.6%
Total	**2.5**	**2.6**	**2.6**	**2.7**	**2.7**	**2.6**	**2.5**	**2.6**	**2.4**	**2.3**	**-2.8%**

Source: PwC, Informa Telecoms & Media

The pattern of recorded music unit sales will mirror spending, with unit sales of physical products falling and digital unit sales rising. The number of physical unit sales will decrease at a CAGR of -4.3% over the next five years, with unit sales in 2017 forecast at 1.9 million. Digital unit sales will rise at a CAGR of 6.6% to reach 0.4 million in 2017.

Although not the poorest country in Africa, Kenya offers little in the way of meaningful revenues for the recorded music industry. According to the World Bank, Kenya's gross national income per capita is below US$1 000, which is lower than the average for sub-Saharan developing countries.

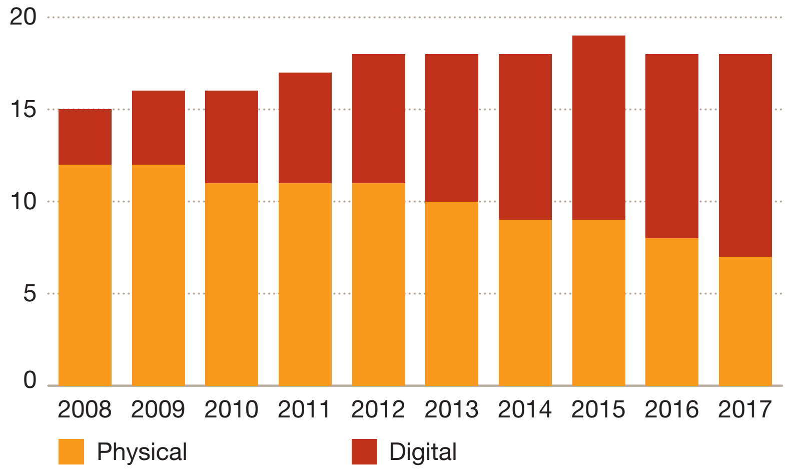
Widespread unauthorised distribution of CDs has severely limited any prospects of establishing a growing 'bricks and mortar' music retail sector. Music use and the need for businesses to pay for licences are slowly being recognised.

The rollout of digital services in Kenya has been limited to telecoms services but, as most mobile subscribers have simple handsets that are unable to receive full tracks, the sale of downloads is very small. Ringtones and ringback tones are the most popular digital formats.

A boost to the digital sector came at the end of 2012 with the entry into the country of Apple's iTunes store and the French subscription service Deezer. Although the prices charged by these services will be beyond the reach of most Kenyans in the short term, a significant number of consumers is expected to engage them.

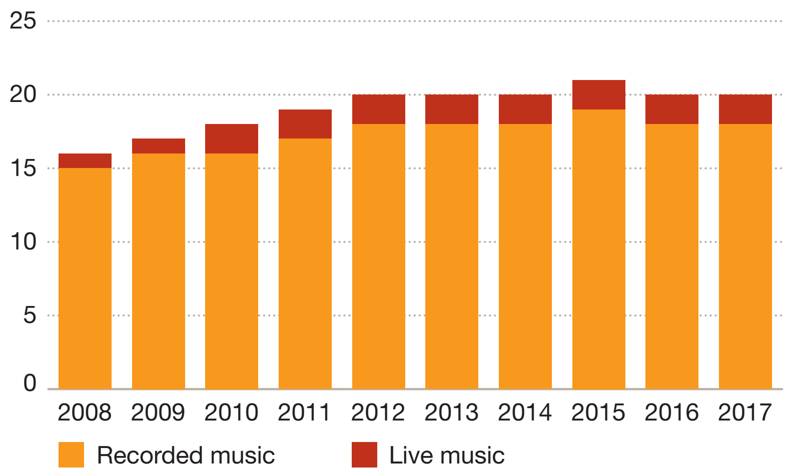
Unit sales of recorded music will fall at a CAGR of -2.8% over the next five years.

Recorded music retail spending by format, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Consumer spending share of live and recorded music, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Global music trends

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Globally, the music industry will grow at a CAGR of 1.5% over the next five years.

Music revenues, 2008-2017 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Recorded music	**30 146**	**27 155**	**24 787**	**24 140**	**23 404**	**23 070**	**22 952**	**22 904**	**22 891**	**22 927**	
YOY growth (%)		***-9.9%***	***-8.7%***	***-2.6%***	***-3.0%***	***-1.4%***	***-0.5%***	***-0.2%***	***-0.1%***	***0.2%***	***-0.4%***
Physical	23 818	20 302	17 491	15 967	14 389	13 227	12 326	11 494	10 713	9 996	
YOY growth (%)		*-14.8%*	*-13.8%*	*-8.7%*	*-9.9%*	*-8.1%*	*-6.8%*	*-6.8%*	*-6.8%*	*-6.7%*	*-7.0%*
Digital	6 328	6 853	7 296	8 173	9 015	9 843	10 626	11 410	12 178	12 931	
YOY growth (%)		*8.3%*	*6.5%*	*12.0%*	*10.3%*	*9.2%*	*8.0%*	*7.4%*	*6.7%*	*6.2%*	*7.5%*
Live music	**24 973**	**26 099**	**25 200**	**25 966**	**26 528**	**27 409**	**28 339**	**29 215**	**30 035**	**30 902**	
YOY growth (%)		***4.5%***	***-3.4%***	***3.0%***	***2.2%***	***3.3%***	***3.4%***	***3.1%***	***2.8%***	***2.9%***	***3.1%***
Total	**55 119**	**53 254**	**49 987**	**50 106**	**49 932**	**50 479**	**51 291**	**52 119**	**52 926**	**53 829**	
YOY growth (%)		***-3.4%***	***-6.1%***	***0.2%***	***-0.3%***	***1.1%***	***1.6%***	***1.6%***	***1.5%***	***1.7%***	***1.5%***

Source: PwC, Informa Telecoms & Media

- Globally, the music industry is getting back on track: Total consumer spending on music was US$49.9 billion in 2012, a slight decline from 2011. However, annual revenue will start to grow again in 2013 and will reach US$53.8 billion in 2017, a CAGR of 1.5% over the forecast period.
- The fastest growth will come from countries that are not traditionally the largest music markets, including Russia, Sweden, China and Brazil. India with a CAGR of 14% will be the fastest-growing market. The expansion of music streaming services will drive growth among smartphone users.
- Digital music revenues will exceed physical revenues globally by 2016, demonstrating the importance of digital formats to the industry. Widespread access to broadband and smartphones will encourage further growth in music subscription services, although there is no uniformity in the way digital markets will evolve.
- The challenges of licensing content for multiple territories will hinder the growth of services across multiple territories, notably in Europe. Active intervention will be required to ensure new flexible licensing deals can be struck.
- Live music continues to grow, with sales of tickets and sponsorship forecast to generate revenues of US$30.9 billion in 2017, up from US$26.5 billion in 2012, a CAGR of 3.1%. This growth will more than offset the continued decline in recorded music revenues.

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Consumer magazine publishing

Sharon Horsten
Associate Director, PwC Southern Africa

Definitions

This segment consists of advertising spend in both traditional print and through online magazines – either direct through magazine websites, or magazines distributed directly to a mobile device. Magazines published under contract (customer magazines/contract or custom publishing) are included within the print advertising category.

Consumer spending includes circulation revenues and is split between spending by readers' direct purchases from retail outlets or via subscriptions in print and via downloads of individual editions or subscriptions delivered digitally direct to mobile devices.

Licensing of merchandise is not included in this segment and trade magazines are covered in the Business-to-business segment.

In brief

The South African consumer magazine market will be worth approximately R10.7 billion in 2017, up from R7.7 billion in 2012, having increased by an average compound annual rate of 6.9%.

The shift away from advertising spend is expected to slow significantly. Advertising spend accounted for 40% of total consumer magazine spending in 2012, down from 52% in 2008. By 2017, it will only fall to 38%, as advertising spend remains strong. Advertising spend will increase from R3.1 billion in 2012 to an estimated R4.2 billion in 2017, increasing at an average compound annual rate of 6.1% over the forecast period.

While South African publishers have been experimenting with new titles and closing unsuccessful titles, merger and acquisition activity remains stagnant despite significant growth in the market.

Digital magazine revenues are beginning to gain traction and will grow substantially as fixed and mobile broadband penetration increases along with tablet ownership. Digital circulation revenues will increase more than tenfold from R34 million in 2012 to R370 million in 2017. Digital advertising spend will increase at a slightly slower rate from R31 million in 2012 to approximately R236 million in 2017.

While overall circulation in South Africa is increasing, readership is decreasing. In 2011, 50.5% of South Africans read at least one magazine in the year, but in 2012 this fell to 46.9%. Readership of individual magazines also fell, with fewer magazines reaching the threshold of 1 million readers per issue than in 2011. This is due to the changing demographics in South Africa, with a growing middle class resulting in an increase in magazine purchases by young professional couples or singletons. With more magazines being read in smaller family units, overall readership has declined at the same time as circulation has increased.

Growth in the middle class has also led to increased advertising revenues, as brands seek to target households with growing disposable incomes. Digital advertising in particular will grow by a forecast CAGR of 50.4% as advertisers look to target more affluent households.

The Nigerian consumer magazine market will see a CAGR of 9.2% over the next five years as the country's economy experiences robust growth, bringing with it increased consumer spending on entertainment. However, poor infrastructure in the country will limit the distribution of physical magazines and therefore growth.

Consumer magazine revenues in Kenya will grow at a CAGR of 9.0% in the next five years as an emerging middle class purchase magazines. Print will dominate, however, and digital will comprise just 3% of the total circulation revenues, in 2017.

Today's so-called digital natives still interact with a mix of paper magazines and books, as well as tablets, smartphones and e-readers; using one kind of technology does not preclude them from understanding another.[1]

[1] Ferris Jabr, "The Reading Brain in the Digital Age: The Science of Paper versus screen", *Scientific American, April 2013,* http://www.scientificamerican.com/article.cfm?id=reading-paper-screens (accessed 31 May 2013)

South Africa

Revenues from South Africa's consumer magazine market will increase to over R10 billion in 2017.

Consumer magazine publishing market, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Circulation	**2 551**	**2 772**	**3 458**	**3 996**	**4 555**	**4 870**	**5 200**	**5 598**	**6 031**	**6 535**	**7.5%**
Print	2 551	2 772	3 456	3 982	4 521	4 810	5 105	5 447	5 794	6 165	6.4%
Digital	–	0*	2	14	34	60	95	151	237	370	61.3%
Advertising	**2 815**	**2 595**	**2 675**	**2 895**	**3 095**	**3 296**	**3 483**	**3 686**	**3 911**	**4 167**	**6.1%**
Print	2 815	2 595	2 675	2 881	3 064	3 247	3 410	3 578	3 751	3 931	5.1%
Digital	0*	0*	0*	14	31	49	73	108	160	236	50.4%
Total	**5 366**	**5 367**	**6 133**	**6 891**	**7 650**	**8 166**	**8 683**	**9 284**	**9 942**	**10 702**	
YOY growth (%)		***0.0%***	***14.3%***	***12.4%***	***11.0%***	***6.7%***	***6.3%***	***6.9%***	***7.1%***	***7.6%***	***6.9%***

* Less than R1 million
2008-2012 South Africa figures have been updated to reflect most recently available information.
Source: PwC, Informa Telecoms & Media

Continuing expansion in the South African consumer magazine market

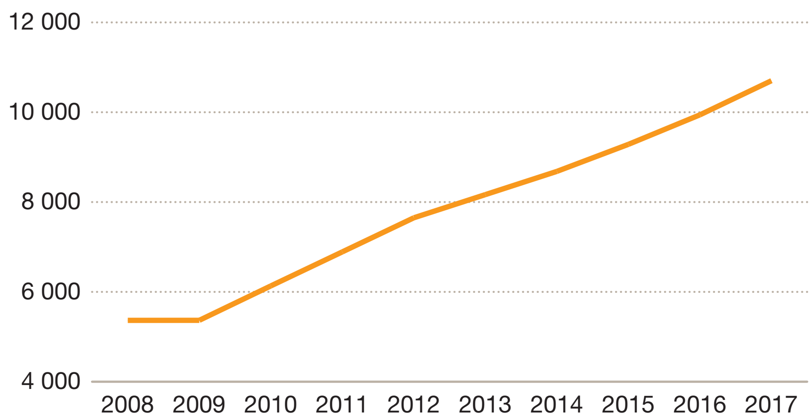
The South African consumer magazine market will see significant gains in the next few years, reaching an estimated R10.7 billion in 2017, up from R7.7 billion in 2012. This represents a CAGR of 6.9% over the forecast period.

The consumer magazine market in South Africa has remained resilient despite the global financial crisis, which saw South African GDP contract by 1.5% in 2009. While advertising revenues declined by 7% in 2009, circulation revenues rose by 8% and then by a further 24% in 2010.

Growth has been slowing over the past few years, but South Africa will remain one of the strongest growth markets for consumer magazines with growth supported by strong economic performance. It should be noted that growth in 2010 was primarily due to the 2010 FIFA World Cup and such large increases are unlikely to be seen again.

Revenues continue to rise in South Africa's consumer magazine market.

Total consumer magazine spending, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Consumer magazine print circulation (millions) and circulation spend (R millions), 2008-2017

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Total circulation (millions)	19	18	23	24	27	29	33	35	38	40	8.1%
YOY growth (%)		*-1.3%*	*25.0%*	*3.8%*	*13.7%*	*8.9%*	*10.4%*	*8.7%*	*6.0%*	*6.4%*	
Circulation spending (R millions)	2 551	2 772	3 456	3 982	4 521	4 810	5 105	5 447	5 794	6 165	6.4%
YOY growth (%)		*8.7%*	*24.7%*	*15.2%*	*13.5%*	*6.4%*	*6.1%*	*6.7%*	*6.4%*	*6.4%*	

Source: PwC, Informa Telecoms & Media

Print will continue to see strong growth in circulation and spend.

Print circulation is still increasing in South Africa, but readership is declining. In December 2011, 50.5% of South Africans read at least one magazine during the year, but by December 2012 this had fallen to 46.9%, according to the South Africa Audience and Research Foundation's (SAARF), All Media and Products Study (AMPS). This should recover over the next few years as circulation continues to increase.

The first digital magazines were launched in 2010, but have so far seen minimal sales.

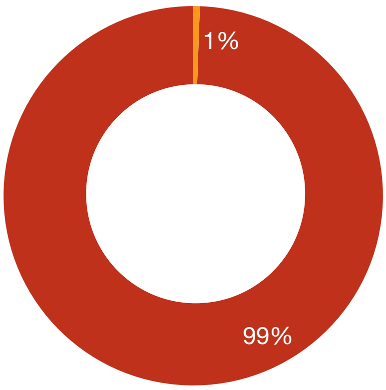
Despite the decline in readership, advertising spend is increasing, with R3.1 billion being spent on consumer magazine advertising in 2012. This figure is expected to rise to R4.2 billion by 2017 as circulation continues to rise.

South African publishers have been looking to strengthen their portfolios by closing titles that are unprofitable and launching new titles. *Sports Illustrated* published its final issue in February 2013 and *Soul* closed in June 2013. It is likely that other titles will follow by the end of the year.

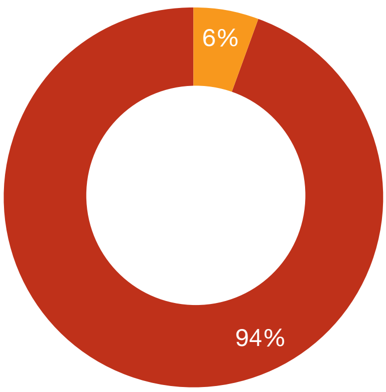
Although subscriptions have declined in recent years, there are signs that numbers are recovering: currently only around 10% of sales (by volume) are by subscription. A reliance on retail sales makes the consumer magazine market in South Africa vulnerable to downturns in the economy and cuts in discretionary spending. Subscriptions generate predictable regular income and countries with higher subscription rates see their consumer magazine market weather poor economic climates more successfully than those with low subscription rates.

Print vs digital circulation, 2012 and 2017

2012



2017



- Print circulation spending
- Digital circulation spending

Source: PwC, Informa Telecoms & Media

Digital circulation spending will increase, but will remain a small proportion of total spending.

Digital beginning to gain traction

While sales of digital editions have been low compared with print sales, they are rising rapidly and many publishers have launched digital editions and digital titles. Digital sales will increase from R34 million in 2012 to an estimated R370 million in 2017. However, the segment is still embryonic and low Internet penetration and tablet ownership are limiting the market.

Tablets are one of the most important devices for reading digital magazines, as they offer the closest experience to a print magazine – images can be reproduced in high resolution and tablets are portable.

Digital editions of magazines are often sold in South Africa as simple PDFs or apps with limited amounts of interactive content. Often they are international titles that have already been digitised for other markets, as many local publishers have been put off releasing digital editions by the investment costs involved.

Consumer sales of digital magazines are expected to increase by a CAGR of 61.3% over the 2012 to 2017 period, primarily as Internet connectivity and tablet penetration increases. Smartphone ownership will also have an impact, particularly as screen sizes increase.

Bundle arrangements have proved popular in South Africa with Media24's 'Kaboedel' offering a bundle of 15 digital magazines, including *Sarie*, *SA Hunter* and *tvplus* at R99 a month. They also offer a bundle of 5 digital sports magazines including *Kick Off* and *Runner's World* for R70 a month and a motoring bundle consisting of *topCar*, *Top Gear* and *Drive Out* at R50 a month.

Digital circulation revenues are set to rise by a CAGR of 61%.

Consumer magazine digital circulation revenues, 2008-2012 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Circulation spending	-	0*	2	14	34	60	95	151	237	370	61.3%
YOY growth (%)		-	*523.4%*	*706.5%*	*143.3%*	*77.3%*	*58.0%*	*58.4%*	*57.2%*	*56.3%*	

* Less than R1 million
Source: PwC, Informa Telecoms & Media

Digital advertising will also grow, but not at the same rate. Advertising spend on digital editions was R31 million in 2012 and will increase to an estimated R236 million in 2017, an average annual increase of 50.4% over the forecast period. Advertising in digital magazines is appealing for brands, particularly if the magazine is distributed as a tablet app, since those viewing on tablets are likely to be more affluent and are likely to have more disposable income than the average reader of a print magazine. As the digital audience grows, so will digital advertising spend.

Other forms of digital interaction also have a part to play, with social media and websites also increasing digital presence. *Heat* has more than 67 000 Twitter followers and is the most followed magazine in South Africa. Social media is particularly complementary for celebrity magazines, since celebrity news is constant and allows the magazine to release small commentary pieces as stories break with in-depth pieces being published in the magazine itself.

Advertising revenues to lose ground to circulation revenues

Consumer magazine advertising saw a 7.8% fall in 2009 as the global economic crisis hit advertising budgets. It recovered in 2010 and print advertising spend will continue to rise over the forecast period as circulation rises. In 2012, R3.1 billion was spent on print advertising and this will rise to a forecast R3.9 billion in 2017, a CAGR increase of 5.1% over the forecast period.

Print advertising revenues will see steady growth.

Print consumer magazine advertising revenue, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Print advertising	2 815	2 595	2 675	2 881	3 064	3 247	3 410	3 578	3 751	3 931	5.1%
YOY growth (%)		-7.8%	3.1%	7.7%	6.4%	6.0%	5.0%	4.9%	4.8%	4.8%	

Source: PwC, Informa Telecoms & Media

Digital advertising will account for an increasing share of total consumer magazine advertising spend over the forecast period. In 2012, it accounted for just 1% of total advertising spend, but by 2017 will account for approximately 6%. While the digital split is higher across the Middle East and Africa (MEA) region as a whole, it should be noted that growth in print advertising is particularly strong in South Africa and this has caused the country's digital split to be smaller. South Africa accounts for 48% of total digital consumer magazine advertising spend in the MEA region and is growing at a much faster rate than digital advertising spend in the rest of the region.

Digital consumer magazine advertising revenues will increase more than sevenfold between 2012 and 2017.

Digital consumer magazine advertising, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Digital advertising	0*	0*	0*	14	31	49	73	108	160	236	50.4%
YOY growth (%)		-	-	-	112.7%	58.9%	49.3%	48.8%	48.1%	47.2%	

* Less than R1 million
Source: PwC, Informa Telecoms & Media

Advertising in digital magazines gives opportunity for personalisation, targeted advertising and interaction, but many of these features cannot be used in the simple PDF editions that are the cheapest for publishers to produce and are widely enjoyed by consumers. As tablet penetration increases in South Africa, so too will the sophistication of the adverts presented to digital magazine readers.

Advertising revenues have become less important to the South African magazine industry as circulation revenues have grown. In 2008, advertising accounted for 52% of consumer magazine revenues, but by 2012 this had fallen to 40%. By 2017, it will have fallen slightly further to 38%.

For consumer magazine markets with a high number of subscriptions, their lower dependence on advertising revenues as a source of income can offer some degree of security in poor economic climates. However, as South Africa's economy is showing some growth, and as an emerging middle class looks to spend its discretionary income, so advertising budgets are likely to continue increasing.

Which brands are best suited to magazine advertising depends entirely on the magazine in question. Mary Berner, president and chief executive officer of The Association of Magazine Media, summed it up in a recent interview with *Media Life*, saying 'People don't go to TV to watch the ads. They don't go online for the ads. Magazines are built around passions, so advertising fits"[2].

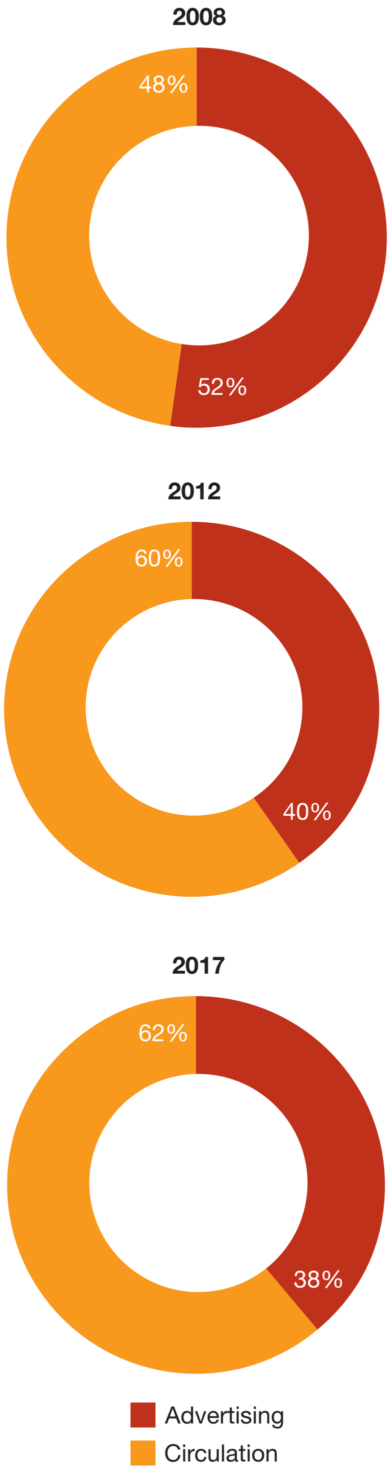
When reading niche magazines covering topics such as diving or golf, readers are actively looking for further information and are highly receptive to advertising relevant to the subject. Lifestyle magazines, particularly high-end magazines, suit luxury goods advertisers, as readers are often looking for items that will improve their appearance or homes.

However, publishers in general have to ensure they are not overdependent on advertising revenues. Advertising spend in consumer magazines is directly linked to the level of economic activity in the country and is driven as much by the rise and fall of the business cycle as circulation.

Due to the volatility of advertising, many publishers have a strategic intent to reduce their dependence on this revenue stream by growing their content and circulation revenues as well as exploring other revenues such as e-commerce. However, this has so far been difficult to achieve in practice.

Although advertising revenue share is giving way to circulation, it will remain important to the South African magazine industry.

South Africa, advertising and circulation spending, 2008 vs 2012 vs 2017



Source: PwC, Informa Telecoms & Media

[2] "The argument for magazines in the digital age", http://www.medialifemagazine.com/the-argument-for-magazines-in-the-digital-age/ (accessed 31 May 2013)

The South African magazine market will benefit from changing population demographics and rising mobile connectivity.

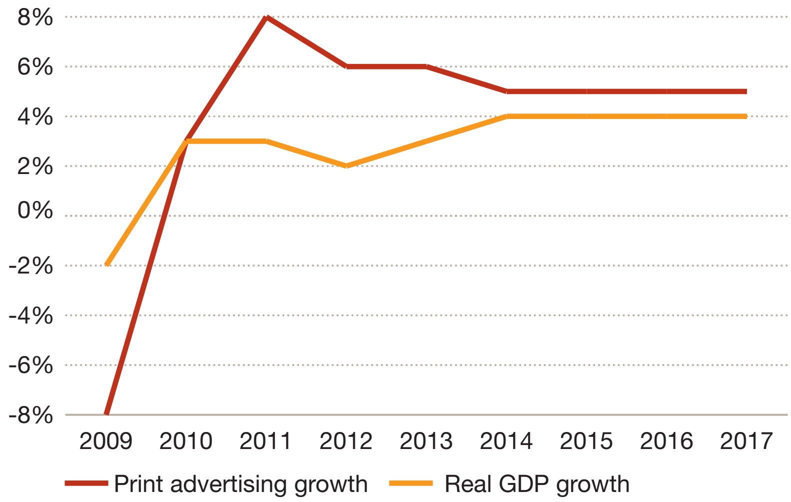
Advertisers targeting the emerging middle class

Although South Africa's economy which is growing steadily, albeit slowly, has helped the growth of the consumer magazine market, there are other factors contributing to this growth. This can be seen by comparing growth in print advertising with real GDP growth. Since 2010, growth in print advertising has consistently outpaced growth in real GDP.

One of the most significant factors in the growth of the consumer magazine market, particularly advertising spend, is the emerging middle class. A May 2013 report by the University of Cape Town's Unilever Institute of Strategic Marketing (UISM), found that growth in the black middle class has been an especially notable trend. Since 2004 the black middle class market has more than doubled in size, growing by 250% from 1.7 million in to 4.2 million in 2012, while the white middle class has remained at around 3 million.

Increasing disposable incomes make the emerging middle class in South Africa particularly appealing to advertisers. The Magazine Publishers Association of South Africa (MPASA) has reported that titles aimed at the emerging middle class have seen more growth than established titles, although this may be because this growth is being measured off a smaller base. However, the MPASA also reports that titles aimed at the emerging middle classes are offering sizable audiences to advertisers looking to target this market.

Real GDP growth vs print advertising growth, 2009-2017 (%)



Source: PwC, Informa Telecoms & Media

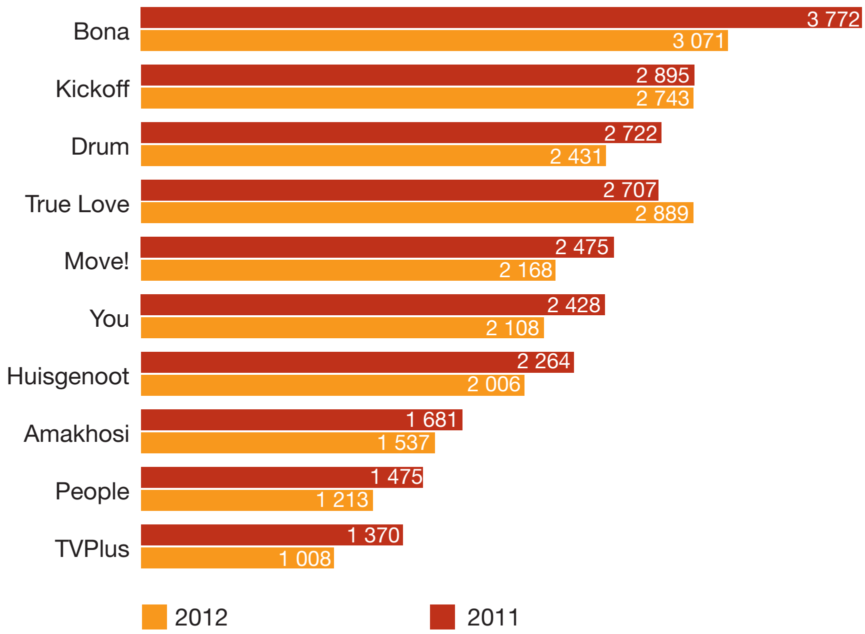
The emerging middle class in South Africa has been a driver of growth in other industries and promises a significant audience for magazine advertising. Subscription data can give advertisers an accurate picture of the types of people who purchase a particular magazine. Over 16.4 million people in South Africa read a magazine during 2012, according to the SAARF's December 2012 AMPS Readership Summary. With circulation on the rise, it is highly likely that this trend will continue in the near future.

Growth in print advertising has outpaced growth in real GDP.

It is important to note, however, that many of the magazines targeted at the emerging middle class have smaller readerships than established titles. Readership of most of the major titles decreased in 2012 compared with 2011. *Bona*, the largest magazine in South Africa by readership, saw a decline of 18% in readership compared to 2011. However, each issue is still read by three million South Africans. Only *True Love* magazine bucked the trend among the top-selling magazines and added 182 000 readers in 2012 to reach 2.9 million readers. While 13 magazines had a readership of over one million in 2011, this number has now declined to 10, the same as in 2010. While some smaller magazines are increasing in readership, the effect will not be seen immediately in overall readership numbers.

Readership of most of South Africa's major magazine titles decreased in 2012 compared with 2011.

Average issue readership of top-selling magazines, 2012 vs 2011 (thousands)



Source: PwC, Informa Telecoms & Media, SAARF AMPS

Publishers should consider targetting South Africa's ageing population.

While declining readership and increasing circulations may seem at odds with each other, this is a sign of the changing South African population. With the rise of the middle class, the average number of people living in a household has declined. This results in declining readership numbers but, since magazines are being read by more affluent readers, this is not necessarily a problem for advertisers. There is also a growing number of older people in South Africa as the demographics shift, so catering to their needs will be another opportunity for publishers.

Population by age group, 2007-2017 (thousands)

South Africa	Historical data		Forecast data
	2007	2012	2017
15-34	4 051	3 985	4 047
35-49	3 847	3 698	3 336
50+	5 555	6 143	6 736

Source: PwC, Informa Telecoms & Media

Growing connectivity will drive digital sales

Digital advertising also shows promise with digital advertising spend increasing at a CAGR of over 50% during the forecast period. Advertising in digital magazines also gives advertisers the chance to target South Africa's more affluent demographics.

Digital presence does not have to be confined to digital issues of magazines and most South African publishers have a web presence to capitalise on their readership. Publishers can develop online communities using social networks or forums, which give them an opportunity to strengthen their brands by having deeper interaction with their readers.

Online offers more advertising opportunities, especially where magazine websites use social interactions to encourage repeat visits. These revenues are accounted for in the online advertising segment rather than in the consumer magazine segment, but nevertheless generate income for publishers.

Advertising on websites has an advantage over print advertising since the reader can link directly to the advertiser's website. Online advertising is often more targeted than print since tracking cookies can give the advertiser more information about a particular user. An advert in a print magazine can only be aimed at the average reader of a magazine.

Websites can also be a mechanism for increasing readership. Social features encourage website users to share content with their friends and encourage them to read the magazine too. Re-using material from printed editions means that magazine websites can have a wealth of content that appears in search engines, driving traffic without the publisher having to promote the title further.

Publishers are continuing to experiment with titles and pricing strategies

Publishers have experimented with launches and closures over the past few years in order to increase market share and stimulate growth. Launches include South African versions of major international titles such as *Grazia*, which was launched by Media24 in May 2012. However, not all international titles succeed.

Media24 closed two magazines in South Africa in 2012: *NewsNow*, which it launched in September 2011 was closed in August, and *Sports Illustrated* closed in December. The number of titles audited by the Audit Bureau of Circulations (ABC) dropped significantly in 2010, but has recovered since, demonstrating that publishers are still willing to experiment with new titles. Other titles that have closed include *SA Garden* and *Avocado,* while magazines such as *SA Sports & Health Monthly* and *Bella* launched in 2013.

While the fixed-broadband Internet base remains fairly static, mobile broadband will more than double in size between 2012 and 2017.

Internet subscriptions, 2008-2017 (millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Fixed broadband	6.0	6.4	6.7	6.9	7.1	7.2	7.3	7.4	7.5	7.5	1.3%
YOY growth (%)		*5.9%*	*4.7%*	*2.4%*	*2.9%*	*2.2%*	*1.5%*	*1.2%*	*1.0%*	*0.8%*	
Mobile	17.7	25.0	34.1	44.3	58.5	73.6	86.4	96.7	105.0	116.8	14.8%
YOY growth (%)		*41.0%*	*36.4%*	*30.1%*	*32.0%*	*25.7%*	*17.5%*	*11.9%*	*8.6%*	*11.2%*	

Source: PwC, Informa Telecoms & Media

Media24 is known to be an innovator and is the largest magazine publisher in South Africa both in terms of revenue and number of titles, giving it a strong position from which to test new titles. Media24's weekly general-interest magazine *Huisgenoot* has the highest circulation in the South African market at about 306 000, while its women's titles *Sarie* and *Move!* remain very popular.

Publishers are also entering into online retailing directly to complement the focus of their magazines and provide new revenue streams. In March 2012, *Sarie* launched an online shop at *Sarie.com* to sell clothing, shoes and accessories that have featured in the magazine.

The platform is now operated through the *Spree* online fashion hub, which also sells items featured in other Media24 publications such as *Drum*, *Huisgenoot* and *Fairlady*. For these magazines there is added value for the buyer, in the fact that the stock on sale is curated by the magazine's fashion editors.

As well as new content, publishers are having to develop effective pricing strategies for their digital editions. The initial phase in many markets has been to price digital magazines at 20-30% below print magazine prices or to offer digital access free to print subscribers – a transitional stage when publishers are trying to build digital volumes quickly.

Publishers are now trying to charge for a range of packages (print only, digital only or premium print + digital bundles) and to firm up on their digital prices. Strategies range from the aggressive channel-neutral strategy currently being used by *The Economist*, where digital and print cost the same (the value is in the content not the delivery mechanism) through to softer 10-15% discounts below print prices. In addition, the increasing use of free copies as a sampling exercise to draw consumers in has made the price landscape immensely complicated.

Nigeria

Nigeria's consumer magazine market will grow at a CAGR of 9.2%.

Consumer magazine revenues, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Circulation	**140**	**131**	**196**	**208**	**224**	**244**	**271**	**295**	**323**	**354**	**9.6%**
Print	140	131	196	208	224	244	270	293	319	344	9.0%
Digital	-	-	-	0*	0*	0*	1	2	4	10	152.7%
Advertising	**21**	**21**	**21**	**22**	**25**	**27**	**28**	**30**	**31**	**32**	**5.2%**
Print	21	21	21	21	23	24	25	26	26	27	3.4%
Digital	-	0*	0*	1	2	3	3	4	5	5	20.4%
Total	**161**	**152**	**217**	**230**	**249**	**271**	**299**	**325**	**354**	**386**	
YOY growth(%)		***-4.6%***	***42.2%***	***6.3%***	***7.6%***	***8.7%***	***10.5%***	***8.5%***	***9.2%***	***9.1%***	***9.2%***

* Less than US$1 million
Source: PwC, Informa Telecoms & Media

The Nigerian consumer magazine market will be worth US$386 million in 2017, having increased from US$249 million in 2012, a CAGR of 9.2%. The growth of the magazine market reflects the robust growth expected in Nigeria's economy in the next five years. With the growth in the economy will come greater consumer spending and increased spending on consumer magazines. However, poor infrastructure will remain an impediment to growth.

Circulation spending accounted for 89% of the total consumer magazine market in 2012 and this is expected to increase to 91% by 2017. Circulation spending stood at US$224 million in 2012 and this will increase to an estimated US$354 million by 2017, a CAGR of 9.6%. Both circulation and average cover prices are increasing in Nigeria as publishers look to increase market penetration by printing in more locations and investing in digital technologies.

Marketing budgets in Nigeria are expected to remain relatively low over the forecast period and so advertising will grow at a much slower rate than circulation spending. Indeed, in late 2012 there were calls for an Audit Bureau of Circulations to be set up in Nigeria in order to facilitate accurate measurement of publications' reach and increase transparency in advertising rates. Rate card prices have increased over the last few years as publishers have sought to increase advertising revenues to help fund investments in their businesses.

Total advertising spending in consumer magazines will reach approximately US$32 million in 2017, rising by a CAGR of 5.2% from the 2012 consumer magazine advertising spend of US$25 million. Print advertising will grow at a much slower rate as media firms look to reduce advertising prices. Print magazines attracted US$23 million of advertising spend in 2012 and this will increase to US$27 million in 2017, a CAGR of 3.4%, as print circulations and readerships rise.

Online magazine circulation is increasing in Nigeria but will remain a very small part of the consumer magazine market over the forecast period. In 2012, online circulation accounted for less than 1% of total consumer magazine circulation spend and will only account for 2% of circulation in 2017, when digital circulation spend will be worth US$10 million.

Nigerian publishers are investing in online content, but low broadband and mobile Internet penetration means that only a small percentage of the Nigerian population will be able to access this content.

Online magazine advertising spend is also on the increase and will account for a much larger proportion of magazine advertising spend than it does for circulation spend. In 2012, digital advertising stood at US$2 million and accounted for 8% of total consumer magazine advertising spend; by 2017, it will have reached US$5 million, 16% of advertising spend. This trend can be accounted for by the fact that many people are reluctant to pay for items on digital platforms, preferring instead to view free content. Readers of digital editions of magazines in Nigeria are likely to be in the most affluent demographic group and are extremely attractive to high-end and luxury brands.

Kenya

Circulation spend in Kenya's consumer magazine market will see strong growth.

Consumer magazine revenues, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Circulation	**36**	**34**	**50**	**54**	**58**	**64**	**71**	**78**	**84**	**92**	**9.6%**
Print	36	34	50	54	58	64	71	78	83	89	8.9%
Digital	0*	0*	0*	0*	0*	0*	0*	0*	1	3	147.1%
Advertising	**7**	**8**	**6**	**8**	**9**	**9**	**10**	**10**	**11**	**12**	**4.8%**
Print	7	8	6	8	9	9	10	10	11	11	3.8%
Digital	-	-	-	0*	0*	0*	0*	0*	0*	1	48.5%
Total	**43**	**42**	**56**	**62**	**67**	**73**	**81**	**88**	**95**	**104**	
YOY growth (%)		***-2.5%***	***35.3%***	***9.1%***	***7.8%***	***9.1%***	***10.5%***	***9.3%***	***7.3%***	***8.6%***	***9.0%***

* Less than US$1 million
Source: PwC, Informa Telecoms & Media

The consumer magazine market in Kenya is showing strong growth, particularly in circulation spending. From being worth only US$43 million in 2008, the market has seen significant expansion in recent years. Following a decline of 2% in 2009 due to wider economic problems, it rebounded and increased by 35.3% in 2010; it then saw growth of 9.1% and 7.8% in 2011 and 2012, respectively.

Kenya's total consumer magazine revenue stood at US$67 million in 2012 and will increase at an average annual rate of 9.0% to reach US$104 million in 2017.

Circulation will continue to increase but low broadband and mobile penetration will form a significant barrier to the growth of magazines online. Print is essential to the dissemination of news and other information in Kenya and it is unlikely that digital channels will have a significant impact on the consumer magazine market in the near future.

Total circulation spend in 2012 was US$58 million, an increase of 61% over the 2008 circulation spend of US$36 million. Circulation spend will increase by an annual average of 9.6% over the forecast period to reach US$92 million in 2017, as both circulations and average cover prices increase.

Print circulation will account for the vast majority of consumer magazine circulation spend in Kenya, where circulation totalled US$58 million in 2012. It will rise by a CAGR of 8.9% over the forecast period to US$89 million in 2017.

Growth in print advertising will be smaller; the average annual increase being 3.8% over the forecast period with print advertising spend increasing from US$9 million in 2012 to US$11 million in 2017.

While growth in print advertising is smaller than that in print circulation spend, this is due to the fact that the rise in print circulation spend is due to an increase in both overall circulation and in the average cover price. The strong economic growth will enable greater spending on advertising.

PCs and tablets have low rates of ownership in Kenya, which will restrict the growth of digital editions since mobile phones, which enjoy a greater level of ownership, do not provide an adequate interface for the reading magazines. Generally their screens are too small to display high-quality photography or large amounts of text. As a result, take-up of digital editions will be minimal. Digital circulation revenues will nevertheless reach US$3 million in 2017, up from a negligible amount in 2012.

Digital advertising revenues will still be very low at the end of the forecast period. While the demographic profile of the online audience is attractive to brands, with the growth of circulation spending outpacing growth in advertising spend, digital advertising growth will also be smaller than digital circulation growth.

Advertising spend on online editions will grow from a negligible amount in 2012 to US$1 million in 2017 when digital advertising will account for 8% of total consumer magazine advertising spend. In contrast, digital circulation will account for only 3% of total circulation spend.

Global consumer magazine trends

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

The global magazine market is stabilising after a period of decline.

Global consumer magazine publishing market, 2008-2017 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Circulation	**46 910**	**46 370**	**45 602**	**44 563**	**43 613**	**43 410**	**43 247**	**43 310**	**43 632**	**44 315**	**0.3%**
Print	46 907	46 357	45 419	44 307	42 778	41 920	41 173	40 445	39 729	39 067	-1.8%
Digital	3	13	183	256	835	1 490	2 074	2 865	3 903	5 248	44.4%
Advertising	**44 772**	**35 756**	**37 011**	**37 820**	**38 273**	**38 686**	**38 892**	**39 024**	**39 117**	**38 972**	**0.4%**
Print	44 096	34 608	35 091	34 593	33 786	32 987	32 320	31 752	31 298	30 914	-1.8%
Digital	676	1 148	1 920	3 227	4 487	5 699	6 572	7 272	7 819	8 058	12.4%
Total	**91 682**	**82 126**	**82 613**	**82 383**	**81 886**	**82 096**	**82 139**	**82 334**	**82 749**	**83 287**	
YOY growth (%)		***-10.4%***	***0.6%***	***-0.3%***	***-0.6%***	***0.3%***	***0.1%***	***0.2%***	***0.5%***	***0.6%***	***0.3%***

Source: PwC, Informa Telecoms & Media

- The global consumer magazine market is proving resilient and at a global level will even see a slight recovery, rising in value from US$81.9 billion in 2012 to reach US$83.3 billion in 2017, a CAGR of less than 1%. It has declined over the past few years but publishers are now responding to changing consumer demands, especially around digital content.
- Digital revenue – from both circulation and advertising – will account for 15% of total magazine industry revenues by 2017, up from less than 8% in 2013. Digital advertising revenue will reach US$8.1 billion in 2017, having increased by a CAGR of 12% from US$4.5 billion in 2012.
- In 2012, digital circulation revenue accounted for just 1% of total magazine circulation revenue, but this will reach 11% by 2017, as digital revenues rise on the back of increased smartphone and tablet adoption. Creating effective pricing strategies for digital content will be a major challenge for magazine publishers.
- The US will continue to dominate global magazine revenues, while China, Brazil and South Africa (all 7% CAGR) are the world's most notable growth markets. Although starting from a lower base, the fastest-growing markets are Nigeria and Kenya (each at 9% CAGR).

Access additional individual country (South Africa, Nigeria and Kenya) commentary.

Visit the online Outlook at www.pwc.co.za/outlook

Newspaper publishing

Nico Oosthuizen
Associate Director, PwC Southern Africa

Definitions

The newspaper publishing market consists of spending on daily print newspapers by advertisers and readers and of advertising on newspaper websites, tablet and mobile phone apps.

Spending by readers includes newsstand purchases and subscriptions as well as payments for newspapers delivered to mobile devices and fees to access online content.

Circulation represents the number of copies sold. This data is sourced from Audit Bureau of Circulations of South Africa (ABC) reports.

Readership reflects the estimated number of people who read the newspaper. This data is sourced by the South African Advertising Research Foundation's All Media and Products Study (AMPS).

In brief

Real GDP in South Africa is forecast to grow by an average of 3.8% per annum over the next five years, boosting consumer spend and job creation in the country and providing encouragement for investments in new advertising campaigns. Urbanisation in South Africa continues to rise by over a million people per year and this will boost the newspaper market.

South Africa's newspaper industry is buoyant and diverse. Advertising revenue will grow from R7.5 billion in 2012 to an estimated R10.1 billion in 2017, a CAGR of 6.2%. Circulation revenues are forecast to grow modestly, at a CAGR of 2.2%, but the whole market will be boosted by spend on advertising, as newspapers attract new untapped audiences.

Readership of daily newspapers remains constant with 31% of the population aged above 15 reading a daily newspaper in December 2012. Print circulation revenues are forecast to recover from a 2% drop in 2011 to reach R2.7 billion in 2017.

Total circulation spending is expected to recover fully from the effects of the recession in 2009 reaching R2.7 billion in 2014, which is approximately the same level of revenue achieved in 2008.

Digital circulation revenues are forecast to grow from R13 million to reach R215 million in 2017. But contrary to markets with higher broadband penetration, the majority of South Africa's newspaper readers still prefer print over digital news content.

Print advertising revenues in South Africa will reach approximately R9.6 billion in 2017, while digital advertising is forecast to grow by a 27% CAGR to reach R506 million in 2017. In due course publishers will need to adjust their business models towards digital subscriptions, but digital's share of circulation revenues will remain small, reaching only 7% in 2017.

After declining revenues from 2008 until 2012, the Nigerian newspaper market is forecast to stabilise at R1.9 billion (US$236 million). Revenues for circulation and advertising are moving in opposite directions with circulation forecast to see average annual growth of 2.5% while advertising revenues will decline by an average of 4.3% per annum.

Kenya's newspaper sector is resilient and set to expand. Its advertising revenue has grown from R336 million (US$41 million) in 2008 to R1.1 billion (US$136 million) in 2012 and will continue growing to reach R1.5 billion (US$184 million) in 2017, a CAGR of 6.2%. Circulation revenues will also grow, but at a slower rate at a CAGR of 3.6%.

South Africa

Newspaper revenues, 2008–2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	**6 658**	**6 071**	**6 449**	**6 982**	**7 495**	**8 047**	**8 549**	**9 057**	**9 578**	**10 121**	**6.2%**
Print	6 591	5 998	6 356	6 862	7 341	7 849	8 297	8 738	9 176	9 615	5.5%
Digital	67	73	93	120	154	198	252	319	402	506	26.8%
Circulation	**2 733**	**2 621**	**2 648**	**2 587**	**2 622**	**2 677**	**2 737**	**2 799**	**2 862**	**2 924**	**2.2%**
Print	2 733	2 621	2 648	2 587	2 609	2 629	2 650	2 671	2 690	2 709	0.8%
Digital	-	-	-	-	13	48	87	128	172	215	75.2%
Total	**9 391**	**8 692**	**9 097**	**9 569**	**10 117**	**10 724**	**11 286**	**11 856**	**12 440**	**13 045**	
YOY growth (%)		***-7.4%***	***4.6%***	***5.2%***	***5.7%***	***6.0%***	***5.2%***	***5.0%***	***4.9%***	***4.9%***	***5.2%***

2008-2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

The South African newspaper market will grow at a CAGR of 5.2% in the next five years.

South Africa's newspaper industry is buoyant and diverse. Advertising revenue will grow from R7.5 billion in 2012 to approximately R10.1 billion in 2017, a CAGR of 6.2%. Although the country's newspaper sector faces familiar problems – a fractured readership and an oversaturated market – it has short-term advantages that the press in many other countries lack.

The South African market bucks the trend seen in other nations; its revenues are increasing even while the market evolves to digitised formats. In contrast, newspapers in the UK and the US are struggling to devise sustainable long-term business models.

Advertising revenues are forecast to fall by 3% per annum in the UK and by 4% in the US. The UK market witnessed a 26% decline in advertising revenues between 2008 and 2012 and today it is estimated that only 56% of the adult population reads a newspaper.

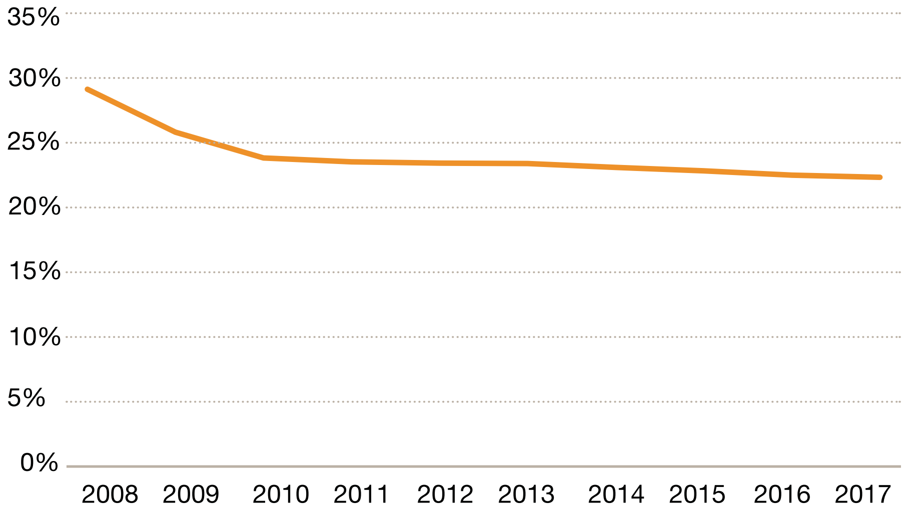
Although South Africa's circulation revenues are forecast to grow modestly, at a CAGR of 2.2%, the whole market will be boosted by spend on advertising as newspapers attract new previously untapped audiences.

Given the size of South Africa, distributing printed newspapers to rural areas is a logistical challenge and expensive for newspaper publishers. The World Bank forecasts that urbanisation levels in South Africa will increase from under 60% of the population in 2007 to over 67% by 2017. The influx of people from rural areas and neighbouring countries will provide a new untapped market for publishers, as printed news will remain the best way for most urban dwellers to access information.

The sector will also benefit from the expanding economy, which will result in a bigger audience for newspaper content. However, with levels of Internet usage remaining relatively low (in comparison with other similar markets), the switch away from print advertising is not as pronounced as in other countries.

New formats and individual titles looking to define and then serve their audiences will contribute to an upward trend in daily circulation in the next five years.

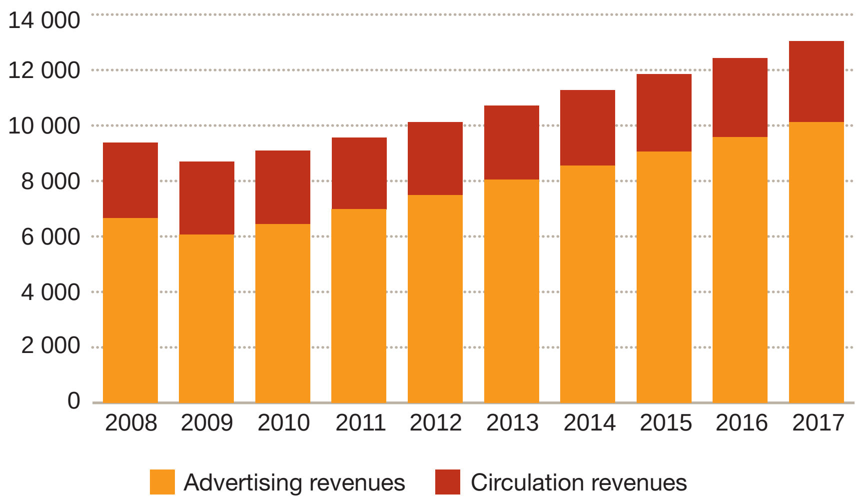
Newspaper revenues as a percentage of total advertising, 2008–2017



Source: PwC, Informa Telecoms & Media

Newspapers' share of total advertising revenues has stabilised.

Advertising and circulation revenues, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Advertising revenues outstrip static circulation revenues.

The South African newspaper market has retained an annual circulation in the region of 45 million newspapers, but the landscape is changing, especially in print.

Real GDP in South Africa is forecast to grow by an average of 3.8% per annum over the next five years, boosting consumer spend and job creation in the country, and providing encouragement for the investment in new advertising campaigns. Levels of literacy in the country are also reported to be improving.

Levels of urbanisation in South Africa continue to rise by over a million people per year. This expansion in its potential audience will boost the newspaper market, as reaching rural audiences has always been difficult, both in terms of the distances involved in delivering newspapers and in finding outlets to sell the newspapers.

Acknowledging these logistical challenges, *The Sunday Times* launched a rural edition, called *The Sunday Times Express*, with less content and sold at a reduced price.

Even in urban areas, however, digital technology is still out of reach for the majority of the population and newspapers also fill the time for commuters on public transport. This has boosted circulations of tabloid newspapers, focussing on issues or events that affect specific geographical areas.

The market is dominated by the four large newspaper groups in terms of the number of titles and readership:

- Naspers Limited (Media 24)
- Independent News & Media SA (recently acquired by Sekunjalo Independent Media)
- Caxton & CTP Publishers and Printers Ltd
- Times Media Group Limited

Naspers publishes approximately 72 newspaper titles through its print media subsidiary, Media24. These include the *Daily Sun*, which draws the biggest readership per day in South Africa. It also publishes *Die Burger*, *Beeld*, *Volksblad*, *Son* and *The Witness*, as well as these Sunday papers: *Rapport*, *City Press*, *Sunday Sun* and *Sondag Son*.

The Independent News & Media Group was recently acquired by Sekunjalo Independent Media, with 25% owned by the Government Employees Pension Fund and the remainder by a consortium of various business people, trade unions, employees and various broad-based partners, including the Black Business Chamber of the Western Cape, various independent women's business community organisations, Sekunjalo Digital Media and the Mvezo Development Trust.

The R2-billion bid was approved by the shareholders in June 2013 and by the Competition Commission in July 2013. The Independent Group publishes daily, weekly and weekend titles, such as *The Star* (the largest title), *Isolezwe*, *Cape Times* and *Saturday Star*, as well as Sunday titles such as the *Weekend Argus*, *Sunday Tribune*, *Sunday Independent* and *Isolezwe NgeSonto*.

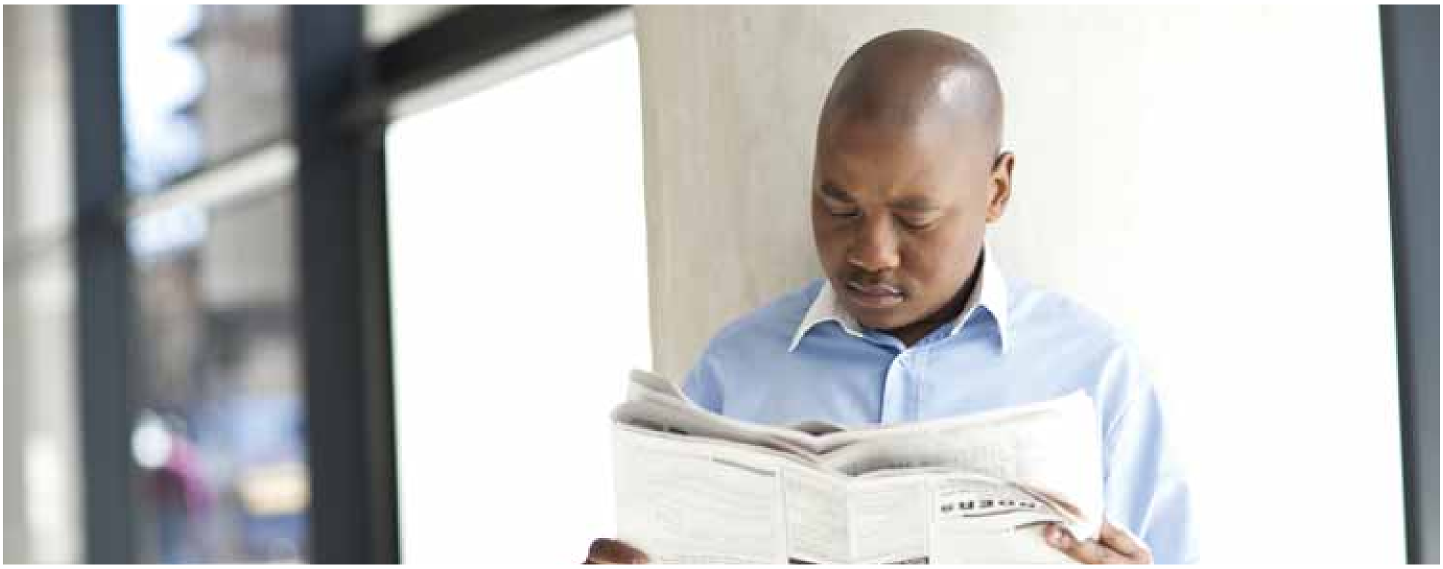
Caxton & CTP Publishers and Printers Ltd, with 103 titles, has the largest number of newspaper titles (either company-owned or co-owned through a major partnership) including *The Citizen*, its most prominent publication.

The Times Media Group operates as a newspaper, magazine and digital publisher, as well as a distributor. It publishes more than 20 national, regional and community newspapers, the largest title being *The Sunday Times*. Its stable includes *Sunday World*, *The Times*, *The Sowetan*, *Business Day*, *The Herald* and *Daily Dispatch*.

The New Age is a South African national daily newspaper owned and operated by TNA Media, which was established in June 2010. For the 12 months ended in December 2012 *The New Age* reached an estimated 107 000 readers, according to AMPS.

Supplementing national, international and local news content, newspapers continue to offer readers sports, finance, travel, cartoons, puzzles, promotional inserts and classifieds. Having made all the different types of content available online, newspapers have transitioned towards new distribution platforms in South Africa. However, as in nearly every market, challenges remain in terms of establishing profitable business models.

Journalists in South Africa are concerned about the potential consequences of the passing of the Protection of State Information Bill (POSIB), which is intended to protect state secrets. Although POSIB no longer allows government agencies to arbitrarily classify information, its opponents are concerned that if enacted, it will be used as a vehicle to reduce transparency. If journalists or whistle-blowers publish information deemed to be subject to the provisions of the proposed legislation, they can be imprisoned for up to 25 years. Fears remain that the proposed legislation would inhibit legitimate and potentially important investigative journalism.

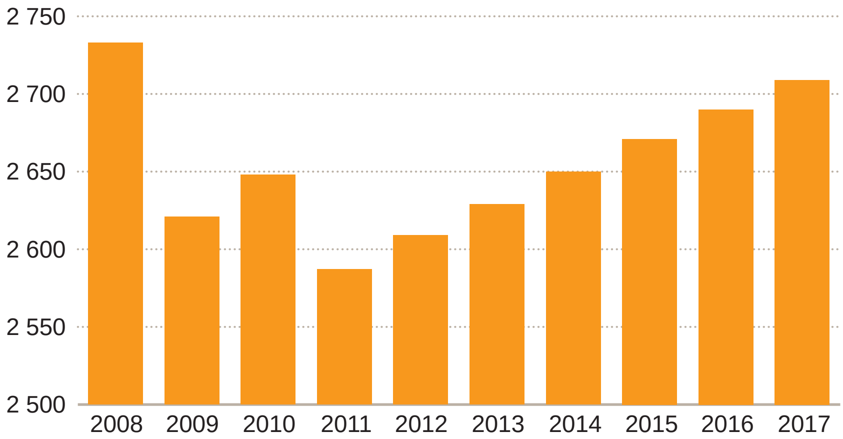


Print circulation offers a mixed picture

Printed newspapers have retained their overall readership with approximately 50% of the population aged over 15 regularly reading a newspaper (according to the February 2013 report from South Africa's Audit Bureau of Circulation). The readership of daily newspapers remains constant, with an estimated 31% of the population aged above 15 reading a daily newspaper in June 2012.

Print circulation revenues are forecast to continue recovering from a 2% decline in 2011 to reach R2.7 billion in 2017.

Newspaper print circulation revenues, 2008-2017 (R millions)



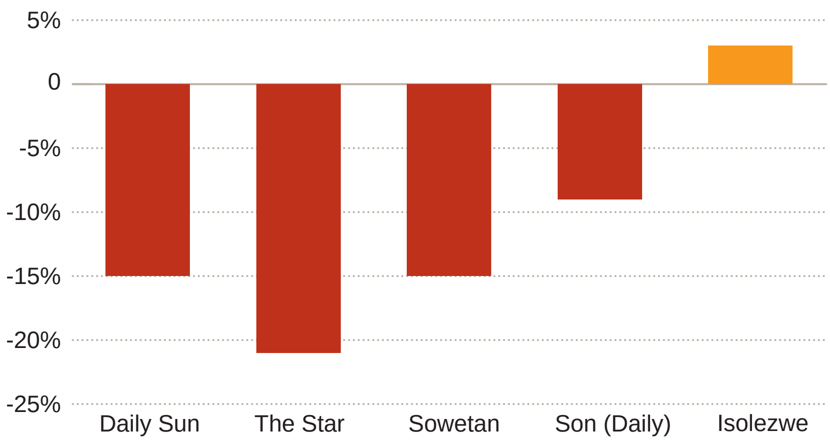
Source: PwC, Informa Telecoms & Media

In 2017, print circulation revenues will approach 2008 levels.

Circulation is falling, with ABC figures showing total circulation falling by 143 000 copies in the fourth quarter of 2012 compared with the previous quarter and by over 400 000 copies annually since 2008.

The biggest declines have been of English-language titles, which are falling by 6.5% annually, while circulation for Afrikaans titles is down by 4.9% annually, or 15 000 copies between the fourth quarter in 2011 and the fourth quarter in 2012.

Selected newspaper titles, percentage (%) change in copy sales, 2012



Source: Audit Bureau of Circulations of South Africa (ABC), Q4 2012 report

Circulation of a number of the leading dailies fell in 2012.

The Zulu-language daily newspaper, *Isolezwe*, is the biggest success story of the South African newspaper market in 2012. In 2012, its sales were up 3% year-on-year and by the end of 2012 it had a daily readership of 912 000.

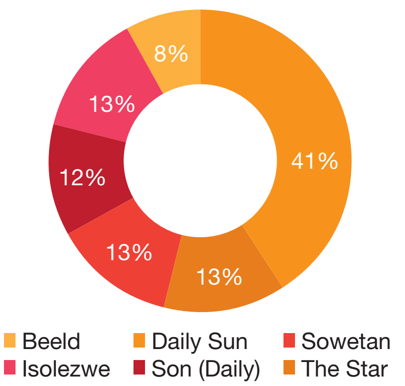
Editorially, the *Isolezwe* occupies the mid-market with staff constantly researching reader preferences and engaging with them via phone, email, Facebook and Twitter. This engagement results in advertising revenue from a wide range of market sectors, such as tourism, automotive, property and telecoms providers.

Further reflecting its innovative approach, *Isolezwe* recently concluded an exclusive advertising deal with cell phone operator MTN, which saw it being the sole advertiser in the 3 June 2013 edition of the paper, with advertising on half pages, full pages and a centrespread. The edition incorporated MTN's distinctive yellow brand colours throughout.

Isolezwe is sold via sales agents such as hyperstores, spazas (informal convenience stores), street sellers and roving vendors on bicycles.

The Daily Sun is still the leading daily newspaper in terms of circulation.

Share of circulation among top six titles, 2012

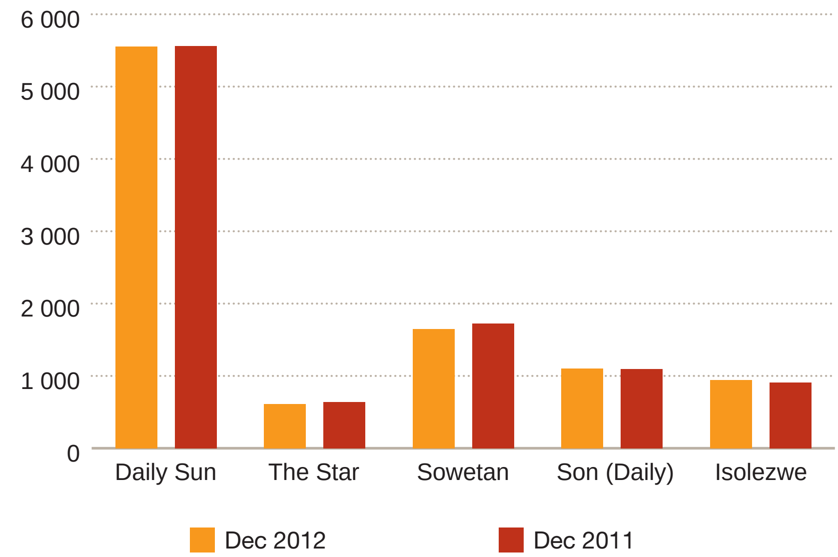


Source: Audit Bureau of Circulations of South Africa, Q4 2012 report

In contrast to the readership of some daily newspapers, readership of weekly newspapers is falling, with 31.8% of the population reading a weekly newspaper in December 2012, down from 34.1% in December 2011. Readership of local newspapers also declined in the 2012, with 49 000 fewer copies sold.

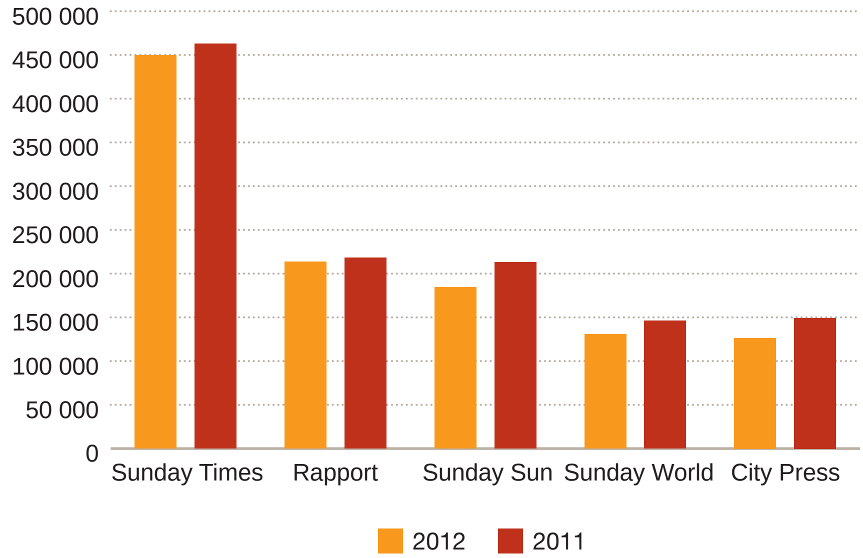
However, there is growth not only in Zulu newspapers, but in free newspapers too. The circulation of free newspapers has risen by 7.4% annually to 1.5 million copies with *Eshowe Watch,* for example, up from 6 000 copies to 20 500 in a year.

Top five daily newspapers by readership, 2012 vs 2011 (thousands)



Source: South African Advertising Research Foundation (SAARF) and AMPS

Top five Sunday newspapers by circulation (number of copies), 2012 vs 2011

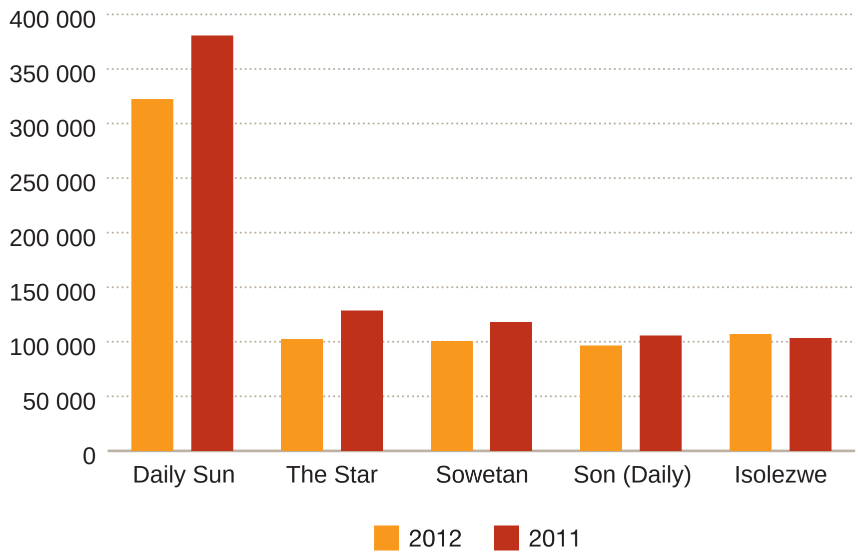


Source: South African Advertising Research Foundation (SAARF) and AMPS

Circulation of weekend papers declined by 3.5% between the first quarter of 2008 and the fourth quarter of 2012. English-language titles are down by 5.6% per annum, with some Afrikaans titles declining even more. Meanwhile, the circulation of *Isolezwe ngoMgqibelo,* the Saturday version of the successful Zulu paper continues to rise.

English and some Afrikaans titles are declining, while the circulation of Isolezwe ngoMgqibelo continues to rise.

Top five daily newspapers by circulation (number of copies), 2012 vs 2011



Source: Audit Bureau of Circulations of South Africa

Digital remains a threat, although readers remain loyal to print

The Sunday Times has now followed the lead of the *New York Times* and has put some of its online content behind a paywall, accessible only to paying subscribers. *The Sunday Times* and *The Times* e-editions provide a digital equivalent of the printed newspaper, but enable readers to share items of interest via email, Twitter and Facebook. Access to the Sunday paper's 'Editor's Choice' is via an app designed for the iPad, with subscribers also getting news updates from *The Times* during the week.

The initial disruption caused by the digitisation of content and then by the rapid growth in both Internet usage and smartphone adoption, has led to massive challenges for the newspaper industry. As users seek news content across multiple platforms, the fear is that a printed newspaper seems like a remnant from a bygone era.

But, as we have seen in South Africa, this is not the case. Newspapers are still eagerly embraced by many readers who still value the experience of reading a physical newspaper. However, digitisation has fundamentally altered the notion of what a newspaper is. No longer simply printed paper products, newspapers are increasingly becoming a consumer brand that is available on multiple digital platforms and in different guises.

As readers increasingly access newspapers digitally via connected devices, including laptops, tablets and smartphones, publishers have been looking at ways of monetising the traffic online and mobile services can generate.

Following the lead of newspapers such as the *New York Times* and the *Financial Times*, a growing number of newspaper publishers in many markets, including South Africa, are focusing on paywalls that charge readers for access to digital content. Although the industry is still experimenting to find the best model in 2013, the most common implementation gives casual readers access to a limited number of stories for free while only paying readers are allowed to access more.

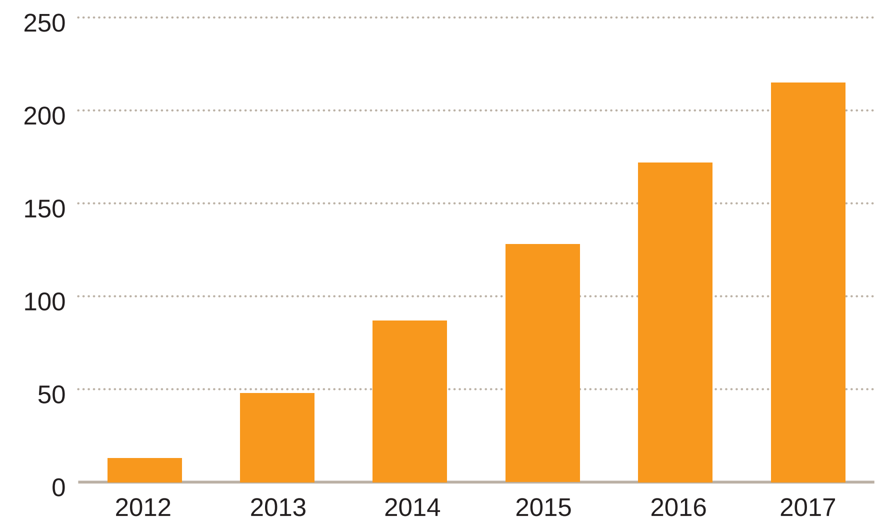
With such a model, publishers hope to appeal to advertisers by providing both a large audience of casual readers and a targeted group of committed paying readers. By building a relationship with the latter, publishers can also provide advertisers with information about readers' preferences, which is extremely difficult for publishers who primarily sell single copy printed papers to achieve.

Building a community of readers is a key challenge for publishers, but so is creating new revenue from that community. With general news being freely available online, newspapers must deliver distinctive and unique content to justify charging. Finding the right pricing strategy is also critical, but the content proposition must also evolve. Publishers must also look beyond traditional newspaper content. Many are looking to create new revenue streams from their readers, selling things like holidays, books, wine and financial products.

However, unlike markets with higher broadband penetration, South Africa's newspaper readers still prefer print over digital news content. SAARF's AMPS report found that just 4% of the South African population aged over 15 reads newspaper content online, while 6% of print readers also read newspaper content online and only 2% read newspaper content on a mobile phone.

This means that South African newspapers are a little more protected from the digital switchover taking place in Western Europe and North American markets. For the time being, readers will still buy printed newspapers and advertisers will follow suit. But digital circulation revenues will grow rapidly (albeit from a small base) in the next five years.

Newspaper digital circulation revenues, 2012–2017 (R millions)



Source: PwC, Informa Telecoms & Media

The lack of availability and affordability of broadband connections in South Africa will hinder the switchover to digital formats. In 2012, only 13% of households were connected to the Internet via fixed broadband.

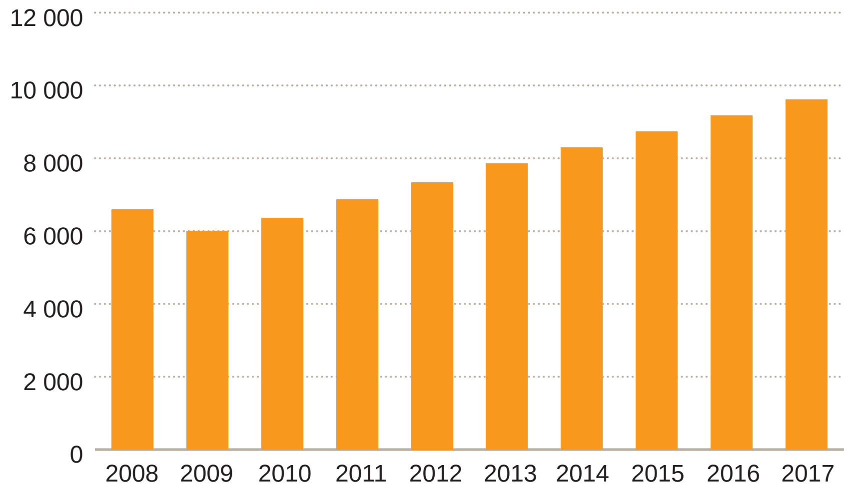
Although the number of fixed-broadband connections will continue to rise, even by 2017, only 18% of households will have access to it. The real driver in the South African market will be the growth of the mobile Internet, with 21% of the population having access in 2012, rising to 62% by 2017.

Publishers in South Africa face a challenge common to their peers in other markets – knowing when and how to invest in new digital formats when the market for them is still small. Unlike in other markets (such as those in Western Europe), where the shift to digital is more advanced, South Africa has a window of opportunity to experiment with different models before increased Internet access forces them to alter their businesses.

Advertisers will remain loyal to newspapers

Newspapers' reach and focus on their target readership is forecast to result in print advertising growing by an average of 5.5% annually.

Newspaper print advertising revenues, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Print advertising revenues will reach R9.6 billion in 2017.

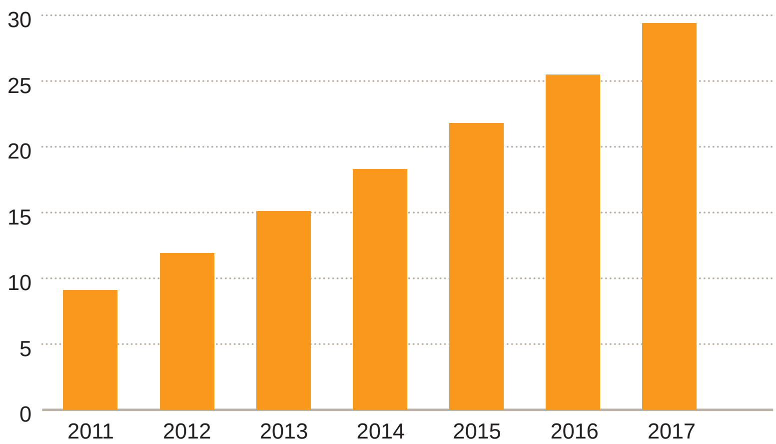
Print advertisements are evolving, with advertisers incorporating new digital elements in their advertising campaigns. Media24 was one of the first newspaper groups in South Africa to incorporate augmented reality (AR) advertisements, which enable advertisers to include sensory information sound, video, graphics and GPS data in their promotions.

Augmented reality can change the way readers interact with newspapers by encouraging them to engage with advertisements by loading a QR code via their smartphones or logging on to access exclusive online content.

For example, in November 2012, Pam Golding Properties (PGP) introduced the 'PGP Reality' AR application. The app provides newspaper readers with additional information on the company's advertised property portfolio in selected weekend newspapers. With the entire newspaper page positioned within the phone's camera view, enhanced content is displayed via the Internet.

Communications research firm, Informa Telecoms & Media forecasts that smartphone connections in South Africa will grow at an average annual rate of 21% over the forecast period. By 2017, there will be 29 million smartphone connections in South Africa, accounting for 17% of all the mobile devices in the country.

Smartphone connections, 2011-2017 (millions)



Source: Informa Telecoms & Media

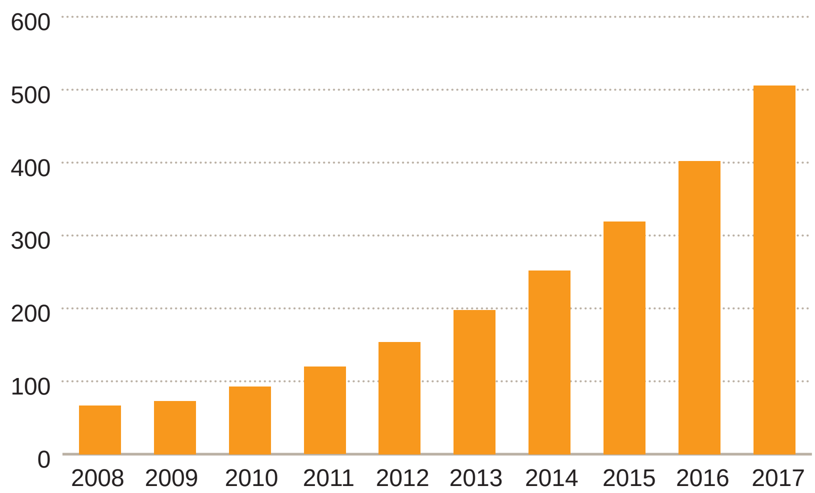
There will be 29 million smartphone connections in South Africa by 2017.

While smartphone adoption is growing, newspapers will need to design their online content to be optimised for smartphones, with a balance between content and advertisements. Although the potential for mobile advertising remains high, while connections are slow and data is expensive, there is resistance among both consumers and advertisers to this form of advertising. Even companies with a digital heritage – such as Google and Facebook – are facing a major challenge in monetising their huge mobile audience through advertising. Another challenge to printed newspapers is the consumer adoption of tablet devices, with publishers creating applications with additional content-supporting stories.

Digital advertising is forecast to grow by a CAGR of 27% and reach R506 million in 2017.

Digital advertising is forecast to reach R506 million in 2017.

Digital advertising revenues, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Printing presses will continue to roll

The South African newspaper market will continue to derive most of its revenues from the print format despite predictions by global commentators about its imminent demise. The shift to digital advertising will not be as pronounced as in other markets, but digital will nevertheless double its share of total newspaper revenues from 2% to 5% in 2017.

Newspaper readers will begin to switch to reading copy in digital formats and, in due course, publishers will need to adjust their business models towards digital subscriptions. However, digital's share of circulation revenues will reach only 7% in 2017.

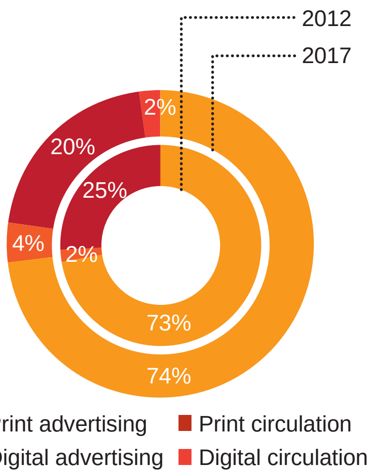
Educating advertisers and improving both targeting and measurement technologies will be essential in the near term to boost revenues. Since untargeted web advertising is currently inexpensive, advertisers have taken a scattergun approach, but better, more-focussed campaigns (sold at a premium) will be important as the market continues to evolve.

Another concern is that as advertisers migrate their spending to online channels, it will be at the expense of newspapers, which remain vulnerable to this shift. The threat from digital is now correctly seen as an opportunity for existing providers, which have the content and distribution channels to engage large audiences. The immediate challenge, therefore, is not so much to try and find an audience for the content that newspaper brands produce, but to extract sufficient revenues from readers and advertisers to pay for producing and distributing that content across an increasing number of distribution channels.

Essential to the monetisation of digital readership will be the continued development of audience measurement metrics that can effectively quantify cross-platform reach and engagement. But cross-platform metrics that test the impact of audience reach and engagement on the effectiveness of advertising campaigns are just the start. The most significant opportunities lie in capturing audience engagement and demonstrating that an engaged audience delivers better value to advertisers.

The print format will still dominate newspaper revenues in 2017.

Distribution of the newspaper market 2012 vs 2017 (%)



Source: PwC, Informa Telecoms & Media

Newspapers are changing their business models to remain relevant

Newspaper publishers in South Africa have a window of opportunity to devise sustainable strategies for their publications before being overtaken by changes in consumer habits witnessed in other parts of the world. Although print will dominate revenues in the near term, in the longer term, the shift to digital will have a greater impact.

Rather than seeing digital being in competition with printed newspapers, publishers will need to reinvent themselves as digital publishers in order to be relevant in the next decade.

With general news freely available via digital channels, publishers must focus on developing the kind of content online and mobile users are willing to pay for. This may come in a range of guises: the success of publications like the *Economist* indicates that consumers are willing to pay for high-quality analytical content.

However, content that is delivered in real time, especially around a breaking news story, is also valuable to readers, and will help differentiate multi-platform news brands from those constrained by the limitations of a print-only strategy. Other examples of valued content include 'useful' content, for example recipes, or guides that help readers make purchasing decisions.

In this context, newspaper brands still have immense value and developing those brands will be important. Distinctiveness will be valued by readers and advertisers, but newspapers with aspirations to move away from just reporting the news cycle will need to ensure they sufficiently resource their editorial departments in order to deliver a premium product.

A shift away from legacy print models is starting to happen in South Africa. In 2012, for example, *Business Day* announced that it was changing its strategy to become a 'digital-first' publication with a new subscription website *BDlive*. This strategy puts the title in a better position as a source of real-time news than a print title that is reliant on traditional print deadlines.

Newspapers adopting this strategy can drive traffic to their sites as they become a location to retrieve breaking news, retaining their competitive position in a market where consumers are able to follow live stories from television outlets or via social media such as Twitter.

There will still be a printed newspaper, but content will be published first on the website and mobile applications. The changeover will require the publishers' sales force to change its mindset too in order to meet the needs of online as opposed to print advertisers.

Following *Business Day*, Media24 announced in April 2013 that its three Afrikaans language daily newspapers (*Die Burger*, *Beeld* and *Volksblad*) will also adopt a 'digital-first' strategy, which will see them breaking news on their sites. This content will also sit behind a paywall.

These sites will be available on a subscription basis, with print subscribers able to access the printed paper, the mobile app and the website. Online-only subscriptions will enable readers to access a digital bundle including the website and app. Non-subscribers will be able to view up to 20 stories a month free, either from the papers' websites or via social media, but would have to pay to access any more.

Newspapers are learning to harness the power of social media

In some people's opinions, social media will be another factor in the demise of newspapers, with news being broken on Twitter or shared on Facebook. But newspaper publishers are responding to this trend.

Ilanga is an example of a newspaper that has achieved growth by incorporating social media into its editorial strategy, not least by using social media channels as an effective way for staff to communicate with individual readers. Newspapers are also using social media sites to showcase individual stories and promote their titles.

The Daily Sun is now the ninth-largest media site in South Africa and has nearly 150 000 Facebook 'likes'. The newspaper has looked to establish a large and loyal online following and has optimised its content to be accessible via mobile phone.

The newspaper's print edition still has a readership of over five million, but the publication is primed to attract online advertisers looking to engage with its online audience.

Understanding your audience will be key

Afrikaans tabloid *Son* began life as a weekly newspaper before going daily in 2005. Today it has over a million readers and is the biggest Afrikaans daily in South Africa.

The biggest factor contributing to its success was a decision to focus on catering to the interests of its core readership in the Eastern and Western Cape. Despite publishing on a regional basis, the newspaper looks to be 'hyper relevant' in terms of the content, layout, tone and manner, humour and length of stories.

Son conducts regular research with its audience, which informs the content. The local focus continues in the advertising, with advertisers offered the opportunity to hone in on a particular area in the distribution network.

Some publishers are going even further to understand and engage the specific communities they serve. Some are scaling down to the local level: Caxton, for example, is launching websites under the banner of 'Look Local' and is aiming to create communities of interest around specific locations. This strategy requires employing localised teams to deliver content relevant to communities and to sell a local audience to local advertisers.

Nigeria

Newspaper revenues, 2008–2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	**117**	**110**	**103**	**96**	**89**	**84**	**80**	**77**	**74**	**71**	**-4.3%**
Print	116	109	102	94	87	82	78	74	71	67	-4.9%
Digital	1	1	1	2	2	2	2	3	3	4	14.2%
Circulation	**155**	**147**	**144**	**141**	**146**	**151**	**155**	**158**	**162**	**165**	**2.5%**
Print	155	147	144	141	146	150	153	154	156	157	1.5%
Digital	-	-	-	-	-	1	2	4	6	8	-
Total	**272**	**257**	**247**	**237**	**235**	**235**	**235**	**235**	**236**	**236**	
YOY growth (%)		***-5.6%***	***-3.9%***	***-4.0%***	***-0.9%***	***-0.1%***	***0.1%***	***0.1%***	***0.1%***	***0.3%***	***0.1%***

Source: PwC, Informa Telecoms & Media

Nigeria's newspaper market is stable at US$235 million per year.

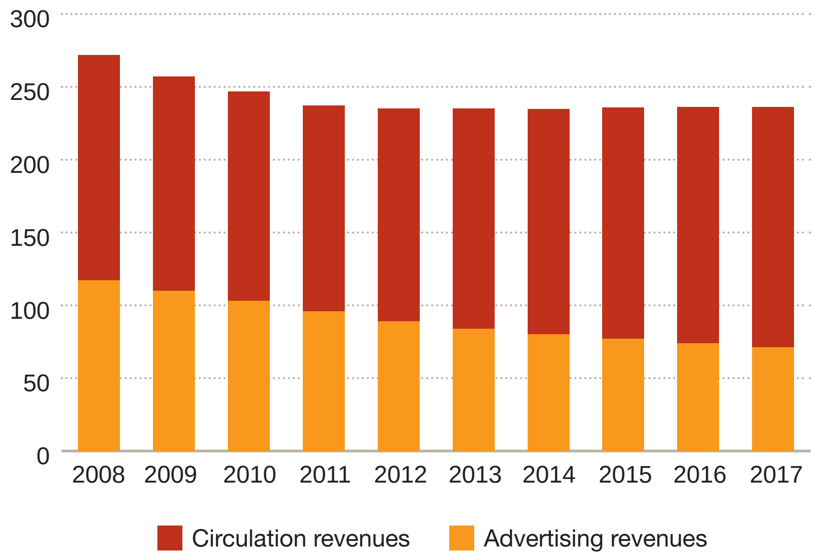
After declining revenues between 2008 and 2012, the Nigerian newspaper market is forecast to stabilise at US$236 million. Revenues for circulation and advertising are moving in opposite directions with circulation revenues forecast to grow at an average 2.5% per annum, while advertising revenues will decline by an average of over 4% per annum.

Advertisers are shifting their budgets away from newspapers towards other media formats, which has led to newspaper titles competing aggressively for readers.

There are more than 50 tabloid and broadsheet titles with the Lagos region home to privately-owned newspapers and magazines.

In a country with a population of over 160 million people, the newspaper format does not resonate with consumers, with only half a million copies sold daily. It is an ongoing challenge for publishers to maintain a 24-hour newsroom and to distribute copies nationwide. Journalists at some Nigerian newspapers are not paid regularly, prompting the threat of industrial action.

Newspaper revenues, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Nigeria's newspaper market is reliant on growth in circulation revenues.

The future is moving towards online and mobile platforms

NEXT newspaper began publishing its print edition in January 2009. Its initial launch prompted an aggressive response from incumbents such as the *Guardian*, *This Day* and *The Punch*, while the financial outlay required to continue the operation proved prohibitive. As a result, it is now only available online. However, *NEXT*'s online version has an influential audience of Nigerians, both in the country and abroad, and it is becoming an established provider of news and information on mobile devices and other digital platforms.

Mobile data subscriptions in Nigeria are forecast to rise dramatically with a penetration of 22% expected by 2017, up from just 0.2% of the population in 2008. Smartphones will also play an important role in the evolution of the Nigerian newspaper market, with connections forecast to grow by over 50% per annum to reach 35 million in 2017.

The Nigerian Government is anticipating broadband growth with the Nigerian Communications Commission (NCC) and the Ministry of Technology looking to expand coverage.

However, the challenge for the newspaper market remains how to generate revenues if free news content continues to be available online, especially in light of declining advertising revenues.

Newspapers need to tap into Nigerians' growing use of social media

Over six million Nigerians use Facebook and social media platforms which have become many individuals' primary source of news information.

Nigerian newspapers will need to integrate social media into their news gathering, while also looking to engage online communities as a way to generate advertising revenues.

Much like their counterparts across the globe, newspaper owners in Nigeria will need to find a way to retain their role in a world where individuals get their news and information from numerous other sources.

New services can improve the quality of newspaper content

Launched in 2012 as an annual event, the African News Innovation Challenge (ANIC) is the continent's largest fund for supporting new media experimentation and digital news start-ups. Part of the Africa Media Initiative's wider digital innovation programme, ANIC is designed to help African media companies adapt to the challenges of digital media. A number of Nigerian projects have been recognised as part of ANIC:

- Africa Check is a crowd-sourced fact-checking service that aims to highlight inaccuracies and incorrect assertions by sources quoted in the media;
- NewsStack aims to provide journalists with forensic data analysis tools; and
- DataWrapper is an initiative to establish a network of data visualisation desks across Africa with the aim of improving the visualisation of data-driven news stories.

Kenya

Newspaper revenues, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	**41**	**44**	**76**	**100**	**136**	**151**	**161**	**169**	**177**	**184**	**6.2%**
Print	41	43	75	98	134	147	156	163	170	175	5.5%
Digital	-	1	1	2	2	4	5	6	7	9	26.8%
Circulation	**57**	**55**	**54**	**52**	**54**	**55**	**58**	**60**	**62**	**64**	**3.6%**
Print	57	55	54	52	54	55	56	57	57	57	1.4%
Digital	-	-	-	-	-	-	2	3	5	7	-
Total	**98**	**99**	**130**	**152**	**190**	**206**	**219**	**229**	**239**	**248**	**-**
YOY growth (%)		***0.4%***	***31.1%***	***17.0%***	***25.3%***	***8.5%***	***6.0%***	***5.2%***	***4.2%***	***3.6%***	***5.5%***

Source: PwC, Informa Telecoms & Media

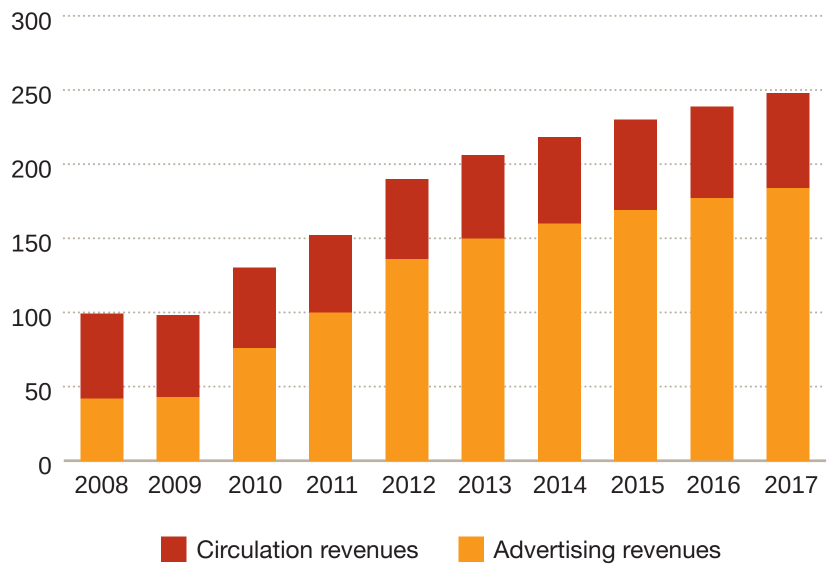
Kenya's newspaper market continues to go from strength to strength with a CAGR of 5.5% over the next five years.

Kenya's newspaper sector is resilient and set to expand. Advertising revenue has grown from US$41 million in 2008 to US$136 million in 2012 and will continue growing to reach US$184 million in 2017, a CAGR of 6.2%.

Growth in newspaper revenues will be fuelled primarily by the continued popularity of newspaper advertising in Kenya. Circulation revenues will also grow, but at a slower CAGR of 3.6%.

Advertising revenues will continue to outstrip circulation revenues.

Newspaper revenues, advertising vs. circulation, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

The Kenyan market offers a wide choice of content

The Kenyan newspaper market has four daily national newspapers published in English and one in Swahili, which were reported to have a combined daily circulation of almost 400 000 in May 2012. The most popular newspaper is *The Nation,* published by Nation Media Group (NMG). Its popularity stems from its reputation for impartial, unbiased and independent content.

NMG's other titles include *Business Daily*, *The East African* and *Taifa Leo*. *Business Daily* covers business and investment news affecting Kenya and the African continent. *The East African* is a weekly newspaper covering the news in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Burundi. *Taifa Leo* is the only Swahili newspaper in Kenya and targets Swahili-speaking people in Kenya and the East African region.

The Star newspaper was launched in 2007. In addition to news, sports and business in Kenya, it includes gossip and opinion columns. Since its launch, it has taken share from other newspapers.

Coastweek focusses on the coastal region of Kenya, including the counties of Mombasa, Lamu, Kwale and Malindi, with content concerning tourism and entertainment.

Growth in GDP and smartphone ownership will fuel growth in newspaper advertising

Real GDP in Kenya is forecast to grow by an average of 6.1% per annum over the forecast period with significant benefits accruing to the retail sector and advertising industries.

Smartphone connections are set to rise by an average of 40% per annum over the forecast period to reach 15 million in 2017 and their adoption has already led to advertisers incorporating QR codes in their print advertisements.

Digital access via fixed broadband will remain relatively low. Just 2% of Kenyan households had fixed broadband in 2012. This will grow as an increasing number of Kenyans move to urban areas, where incomes and access to the Internet (as well as to printed newspapers) remain higher, but even by 2017 only 4% of all Kenyan households will have access to fixed broadband.

However, the percentage of the population having access to the mobile Internet is forecast to grow from 2% in 2012 to 24% in 2017. Delivering content to mobile devices will be a priority for publishers.

Growth in the Kenyan newspaper sector will be constrained in the near term by the high proportion of the population living in rural areas, where distribution of both physical and digital content will remain more of a challenge. According to the World Bank, 70% of Kenya's population will still live in rural areas by 2017.

Local news is set to thrive

Code4Kenya and FlashCast are examples of Kenyan initiatives to promote the publication of local news. By definition, 'hyperlocal' content is oriented around a well-defined community with its primary focus directed toward the concerns of its residents. Code4Kenya helps publishers create hyperlocal versions of newspapers by enabling newsrooms to mine their archives for localised content and provide the content to third-party apps or other new media outlets.

FlashCast transmits hyperlocal news and information to location-aware LED displays in buses and taxis. The platform is targeting commuters and is encouraging readers to submit comments via mobile devices.

Global trends in newspapers

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Newspaper revenues, 2008–2017 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Advertising	**108 772**	**89 570**	**89 024**	**87 541**	**86 048**	**84 790**	**83 727**	**83 099**	**82 826**	**82 803**	**-0.8%**
Print	102 181	83 848	82 617	80 524	78 411	76 338	74 390	72 772	71 358	70 073	-2.2%
Digital	6 591	5 722	6 407	7 017	7 637	8 452	9 337	10 327	11 468	12 730	10.8%
Circulation	**78 707**	**77 825**	**77 637**	**77 237**	**77 475**	**78 106**	**78 729**	**79 361**	**80 051**	**80 823**	**0.8%**
Print	78 647	77 745	77 459	76 694	76 382	76 353	76 255	76 132	75 985	75 898	-0.1%
Digital	60	80	178	543	1 093	1 753	2 474	3 229	4 066	4 925	35.1%
Total	**187 479**	**167 395**	**166 661**	**164 778**	**163 523**	**162 896**	**162 456**	**162 460**	**162 877**	**163 626**	
YOY growth (%)		***-10.7%***	***-0.4%***	***-1.1%***	***-0.8%***	***-0.4%***	***-0.3%***	***0.0%***	***0.3%***	***0.5%***	***0.0%***

Source: PwC, Informa Telecoms & Media

- Global newspaper publishing revenues from sales and advertising reached US$164 billion in 2012, down from US$187 billion in 2008. But the decline will not continue at this rate. Revenues will stabilise and even start to increase a little to reach US$164 billion in 2017. Globally, continued expansion in growth markets will offset the longer-term declines in mature markets.
- The Indian newspaper market will be the only one to grow at a double-digit CAGR (10%) to 2017 and will emerge as the world's sixth-largest newspaper market by the end of the forecast period. A new middle-class readership in growth markets generally will boost the newspaper industry.
- Monetisation will remain the most urgent priority for newspaper brands in mature markets. While readers have embraced digital platforms to access newspaper content, new measurement tools will be needed to grow ad revenues as newspapers deliver content across multiple platforms.
- A long-term decline in newspaper advertising revenues means that circulation will represent an increasingly significant proportion of overall revenues. Free ad-supported newspapers will remain an important part of the landscape, though in mature markets, digital paywalls will become mainstream.
- Digital will account for 10% of global newspaper revenues by 2017, up from 5% in 2012. But digitisation's influence is greater than that share of revenues suggests it is changing the definition of what a newspaper is. With print just one among a number of distribution channels, newspapers are becoming newspaper brands.

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Consumer and educational book publishing

Rilien Nienaber
Senior Manager, PwC Southern Africa

Definitions

The consumer and educational book publishing market includes:

- Retail spending by consumers on consumer books;
- Spending by schools, government agencies and students on elementary, secondary school and tertiary education textbooks, including postgraduate and academic textbooks;
- Spending on books in electronic formats, also known as electronic books or e-books;
- Spending on library and institutional subscriptions to electronic book databases; and
- Spending on audio books, books on CDs and books on DVDs, which are included in print sales.

Educational books do not include supplemental educational spending, administrative software or testing materials.

Professional books are not included in this segment and are covered in the business-to-business publishing chapter.

In brief

The educational and consumer books market in South Africa has declined in recent years, falling from R4.1 billion in 2008 to R3.6 billion in 2012. However, with a rise in the sale of consumer books – their share of the South African books market is forecast to increase from 39% in 2012 to 43% in 2017 – revenues for the market are forecast to stabilise, rising slightly to reach R3.7 billion in 2017, at a CAGR of 0.4%.

A decline in spending on educational books, from R2.8 billion in 2008 to R2.2 billion in 2012, has affected the South African book market as a whole, but spend on consumer books has been rising since 2011 and is forecast to reach R1.6 billion in 2017, up from R1.4 billion in 2012, at a CAGR of 2.5%.

Spending on educational books remained flat at R2.2 billion in 2012 and is forecast to continue falling over the next five years to R2.1 billion in 2017, at a CAGR of -1.1%.

New players are invigorating the e-book market. Apple is entering the educational e-book market and its service is expected to launch in 2014. The Core Group, official Apple distributer in South Africa, launched the first educational e-book store in South Africa in February 2013, with 600 titles aimed at servicing the 180 schools in South Africa that are already using iPads in their classrooms.

The consumer book market in South Africa continues to face a number of limitations. South Africa's population of almost 53 million people does not have uniform access to consumer books. According to the South African Booksellers Association, there are only about 1 600 bookshops and only one-third of these are in rural areas, which, coupled with the lack of broadband connections, means that reading books is a minority pastime in the country.

Electronic books are forecast to account for 8% of the consumer market in 2017, up from 1.5% in 2012. However, the impact of e-books on the South African market overall will remain limited in the next five years and the vast majority of total book revenues, especially in the educational market, will still come from the sale of printed books in 2017.

The books market in Nigeria is forecast to stabilise after rapid growth in 2010 and 2011, seeing a small increase in revenues from R181 million (US$21.6 million) in 2012 to R182 million (US$22.2 million) in 2017.

The books market in Kenya is showing signs of maturity after rapid growth in 2010 (7.7%) and 2011 (17.1%) and is forecast to remain in the region of R304 million (US$37 million) throughout the next five years.

South Africa

Consumer and educational book revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Consumer	**1 240**	**1 165**	**1 150**	**1 394**	**1 410**	**1 446**	**1 481**	**1 521**	**1 561**	**1 599**	**2.5%**
Print	1 240	1 165	1 149	1 387	1 389	1 412	1 429	1 445	1 460	1 471	1.2%
Electronic	-	-	1	7	21	34	52	76	101	128	43.3%
Educational	**2 839**	**2 720**	**2 581**	**2 263**	**2 223**	**2 202**	**2 182**	**2 159**	**2 134**	**2 107**	**-1.1%**
Print	2 839	2 720	2 581	2 263	2 222	2 199	2 174	2 146	2 114	2 082	1.3%
Electronic	-	-	-	0*	1	3	8	13	20	25	86.8%
Total	**4 079**	**3 885**	**3 731**	**3 657**	**3 633**	**3 648**	**3 663**	**3 680**	**3 695**	**3 706**	
YOY growth (%)		***-4.8%***	***-4.0%***	***-2.0%***	***-0.7%***	***0.4%***	***0.4%***	***0.5%***	***0.4%***	***0.3%***	***0.4%***

* Less than R1 million
2008-2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

The South African books market will grow at a CAGR of just 0.4% over the next five years.

The South African Book Development Council estimates that approximately 51% of South African households do not have a single book in their homes, with only 1% of the population buying books and only 14% of the population reading books.

The books market in South Africa has experienced declines in recent years, falling from R4.1 billion in 2008 to R3.6 billion in 2012. However, with a rise in the sale of consumer books, assisted by a general rise in living standards, this decline will not continue, and we project revenues to remain in the region of R3.6 billion from 2013 to 2016 and reach R3.7 billion in 2017.

The relatively high level of illiteracy in the country (12%), coupled with the challenge of serving multiple languages, is a constraint to spending on books in South Africa. South Africa has 11 official languages and the most commonly-spoken language is Zulu, although most books are only published in English and Afrikaans.

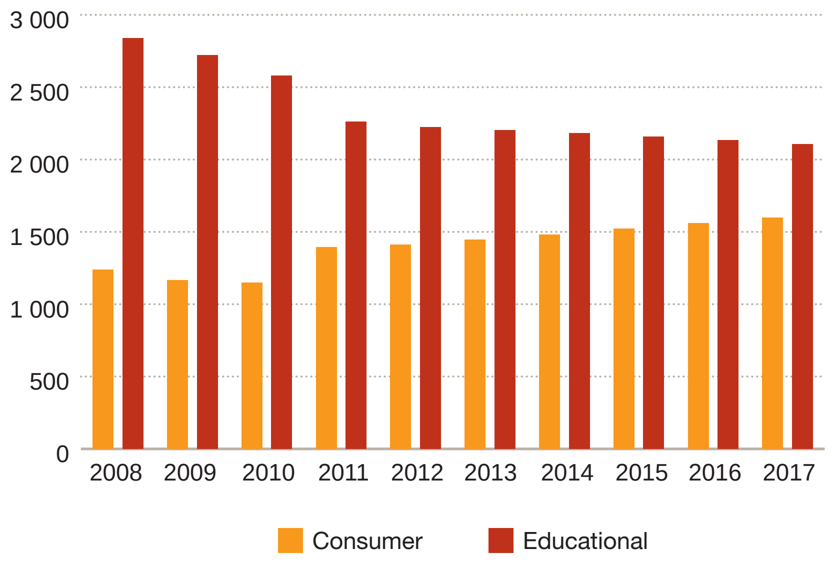
The South African Book Development Council estimates that approximately 51% of South Africa households do not have a single book in their homes, with only 1% of the population buying books and only 14% of the population reading books. Consequently, the consumer book market is smaller than the educational book market.

Books in South Africa are subject to VAT levied at 14%, which is higher than in most countries and this has contributed to the high retail prices that makes books out of the reach of the majority of consumers. As a result, South African consumers are more likely to read newspapers and magazines, but are less likely to read books.

There are many initiatives in place to encourage book reading. Tebogo Ditshego founded the *Read a Book South Africa* social media campaign to encourage South Africans to read one book a month. The FunDza Literacy Trust launched *Cover2Cover Books* with the aim of improving literacy among teenagers by publishing teen fiction. In addition, FunDza's website hosts books, short stories and non-fiction stories in English, Xhosa, Zulu and Afrikaans.

Times Media Group announced in July 2013 that the company is putting South Africa's largest trade book retailer, Exclusive Books, up for sale. Exclusive Books has 50 outlets across South Africa but has struggled to grow its business in the face of competition from electronic outlets such as the local kalahari.com and international Amazon.

Consumer and educational books revenues, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

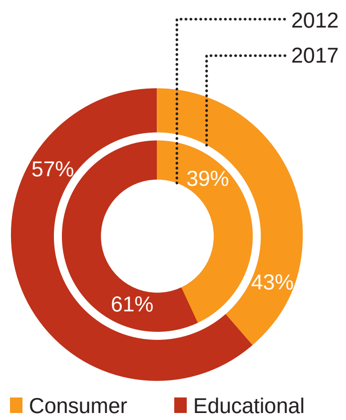
Growth in consumer books will offset declines in the educational books market.

The decline in spending on educational books, from R2.8 billion in 2008 to R2.2 billion in 2012 placed a strain on the total market. The total spend on consumer books fell slightly in both 2009 and 2010, but has been rising since 2011. This segment of the market is forecast to grow at a CAGR of 2.5% to reach R1.6 billion in 2017, up from R1.4 billion in 2012.

Consumer books are forecast to increase their share of the South African books market by four percentage points from 39% of revenues in 2012 to 43% in 2017.

Consumer books will increase their share of the books market over the forecast period.

Consumer and educational books share (%) of revenues, 2012 and 2017



Source: PwC, Informa Telecoms & Media

Spending on educational books will continue to fall, despite pressure to invest.

Decline in educational books

In 2008, spending on educational books was R2.8 billion. By 2012 spending had fallen to R2.2 billion and is forecast to fall by a negative CAGR of 1.1% over the next five years, generating revenues of R2.1 billion in 2017.

Spending on education by the South African Government equates to approximately 5% of the country's GDP, according to the World Bank. The Organisation for Economic Co-operation and Development (OECD) reports that net enrolment rates in primary education have been falling since 1995, with urban areas achieving higher educational attainment than rural areas.

The Department of Basic Education's Accelerated Schools Infrastructure Development Initiative encourages a higher proportion of schools' budgets to be spent on textbooks and basic facilities such as desks and libraries.

However, getting text books to the classroom remains a challenge.

Despite R2.2 billion being spent on educational books in 2012, challenges still occur in the market. School children in the Limpopo Province, for example, did not receive their textbooks for months, leading to large numbers of students sharing books or teachers having to photocopy whole text books. This also results in teachers spending classroom time sharing what is written in the text book rather than using the time for constructive teaching.

Publishers estimate that 30% of all course-related materials are photocopies with students copying content primarily because they have not received the books, as in the Limpopo case, or simply because they cannot afford them.

The open access movement calls for a reduction in price and relaxation of copyright licensing restrictions on teaching and learning materials. Open access is the practice of providing unrestricted access to online documents, which are free of most copyright and licensing restrictions. The focus of the global open access movement is on scholarly literature, including peer-reviewed journal articles, monographs and emerging forms of scholarly communication such as research data[1].

[1] Retrieved on 13 June 2013 from: http://poeticeconomics.blogspot.com/2013/06/the-transnational-open-access-movement.html

Consumer books will form a declining share of total consumer spend on entertainment and media in South Africa.

There are also initiatives in South Africa promoting electronic reading such as M4Lit (mobile phones for literacy) a pilot project creating a mobile novel (m-novel) and publishing it on a mobisite and on MXit in order to explore ways of supporting teen leisure reading and writing using mobile media[2].

The FunDza Literacy Trust is another non-profit organisation working to boost literacy among teens and young adults in South Africa by popularising reading[3]. Other industry players are also keen to promote the use of digital technology within South African schools.

For example, Apple is offering interactive textbooks to iPad owners through its iTunes U app. In addition to the traditional textbook format, it is incorporating multimedia electronic content.

March 2013 saw the launch of ZA Books by the Core Group, which distributes Apple products in South Africa. The offering to schools includes over 600 books from 16 publishers in six languages and available for downloading via an iPad app.

ZA Books can provide books to schools throughout the Southern African region from Grades 1 through to Grade 12. The textbooks are uploaded as PDFs and in many instances the books are cheaper than buying paperback editions. By the middle of 2013, more than 200 schools in South Africa were using iPads. Despite such developments, e-books are not likely to make a major impact on the educational book market in South Africa in the next five years.

[2] Retrieved on 13 June 2013 from: http://www.shuttleworthfoundation.org/projects/m4lit/
[3] Retrieved on 13 June 2013 from: http://www.fundza.co.za/

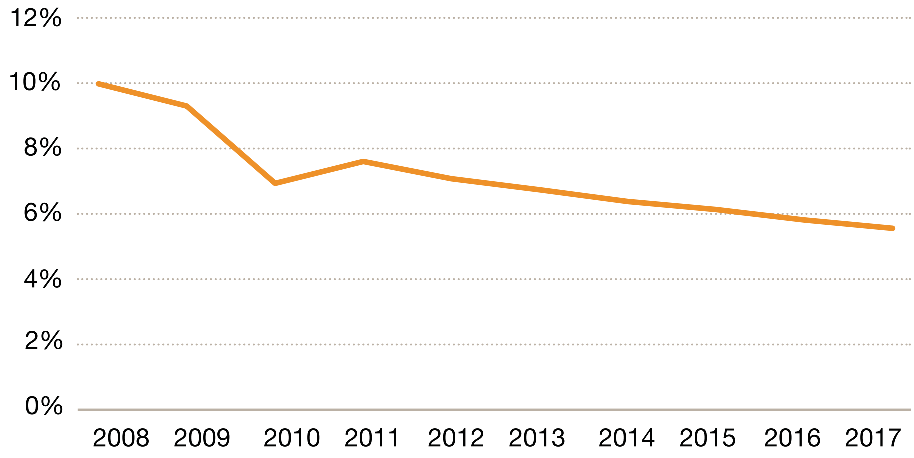
Shrinking consumer market

Millions of South Africans live in places where books are not readily available. According to the South African Booksellers' Association (SABA), there are about 1 600 bookshops in South Africa. About one-third of these are in rural areas. Most bookshops registered with the association are in Gauteng and the Western Cape, South Africa's two richest provinces per capita, and they are concentrated in the wealthy suburbs of large towns and cities.

This has made consumer books inaccessible to many South Africans living in rural areas, which, coupled with the lack of broadband connections, means that reading books is a minority pastime in the country. As a result, spending on consumer books will fall from 10% of total consumer spending on media and entertainment in 2008 to an estimated 5% in 2017.

With limited access to books, consumers spend their income on other goods and services.

Consumer books' share (%) of total consumer entertainment & media spending, 2008-2017



Source: PwC, Informa Telecoms & Media

Emerging e-book market

A number of local e-commerce services have become established in South Africa that sell both physical books and e-books online. Kalahari.com, for example, South Africa's largest online retailer, sells local and international books (both as physical books and e-books) alongside DVDs, games, cameras and consumer electronics.

The Amazon Kindle was introduced in South Africa in October 2009. Globally, the electronic consumer market had its strongest year in 2009 when the Kindle was released. It was not only the convenience of its reasonably-priced e-reader that attracted buyers, but the low price points and availability of new releases. Kalahari.com launched its own e-reader in 2011. Today other e-readers on the market include models from Sony, iRiver, Bookeen, Kobo and Bebook.

Apart from the cost of e-readers, bandwidth constraints make downloading books wirelessly difficult in some areas. This has resulted in e-book and e-reader penetration being lower in South Africa compared with many other markets in EMEA.

For publishers, there are also concerns about the lack of clear policy regarding digital copyright. Currently, South African legislation is not in line with the World Intellectual Property Organisation's Copyright Treaty (WCT), which protects investments in digital media.

South Africa is obligated to recognise and protect the copyright of all signatories to the Berne Convention as well as also being a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

In addition, the country has signed up to the World Intellectual Property Organization's (WIPO) treaties relating to the Internet (the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty). However, South Africa has not ratified them because, in order to do so, the country's copyright laws must be compliant with the treaty's provisions.

The South African Copyright Act 98 of 1978 has not been updated to include digital copyright issues such as anti-circumvention technology, but Section 86 of the Electronic Communications and Transactions Act of 2002 makes provision for a new offence covering unauthorised access to, interception of or interference with data.

The Worldreader initiative is looking to improve access to electronic books and create digital marketplaces for African reading materials for students in Africa. The organisation distributes Kindles to students and looks to synchronise the content that is available on the devices. In conjunction with worldwide publishers such as Penguin, Worldreader is working on a platform for African authors and publishers to be able to distribute their works electronically.

The National Treasury has proposed (in draft legislation published for comment) that, with effect from January 2014, non-South African suppliers of e-commerce services (e.g. electronic books, music and programmes) will be required to register as VAT vendors in South Africa and account for output tax on its supplies to South African residents. The proposal applies to any supply of services where the placing of the order and delivery of the service is made electronically.

Currently, foreign suppliers of e-commerce do not have to register as VAT vendors, but customers who purchase their services (e.g. e-books, e-music and e-movies) for final consumption must pay VAT on imported services under the reverse charge rule. However, due to a lack of compliance in respect of the reverse charge rule, local e-commerce suppliers (especially e-book providers), who must charge 14% VAT on their supplies, are in an uncompetitive position *vis-à-vis* foreign suppliers of e-books.

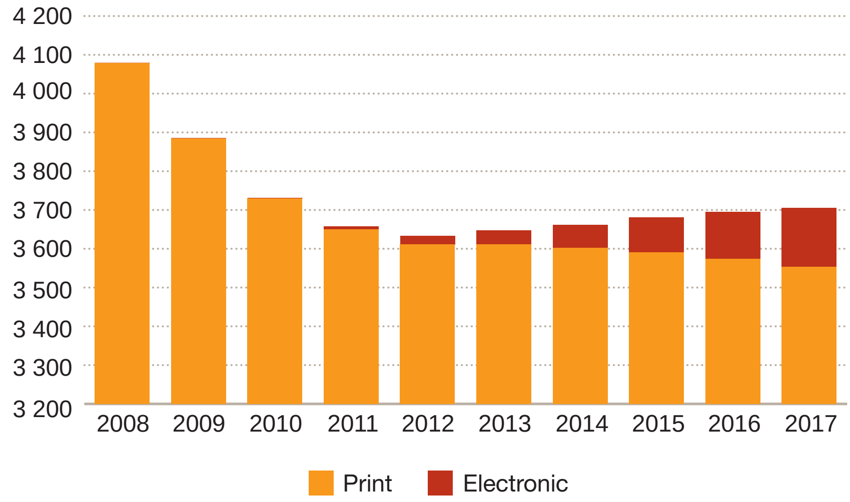
The VAT registration requirement for a non-resident supplier of e-commerce services will be triggered by either the supply of such services to a recipient resident in South Africa or where payment is affected from a South African registered bank. All foreign suppliers of e-commerce services to South African customers will have to register as VAT vendors, regardless of their level of supplies to South African customers, but they will be allowed to register for VAT on a payments basis.

Limited short-term impact

Printed book revenues are forecast to continue their decline (down from R4.1 billion in 2008 to R3.5 billion in 2017), but the convenience and availability of books in electronic formats will partially offset this decline. The impact will be pronounced in the consumer market where electronic books are forecast to account for 8% of the consumer market in 2017, up from 2% in 2012.

Electronic books will begin to make an impact on the market in the next five years.

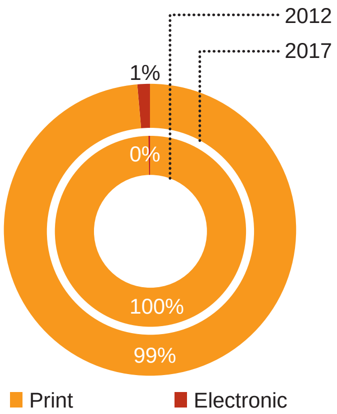
Consumer and educational books revenue split by format, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

The impact of e-books on the overall South African market will, however, remain limited in the next five years. Despite rapid growth in the adoption of e-books, the vast majority of total book revenues, especially in the educational market, will still come from the sale of physical formats in 2017.

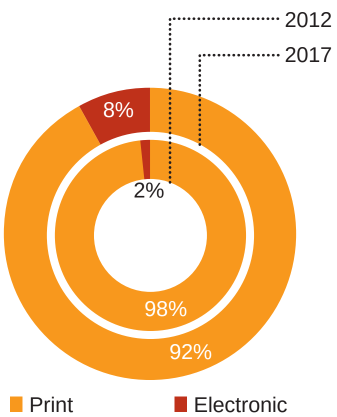
Educational books revenue split by format, 2012 and 2017



Source: PwC, Informa Telecoms & Media

Electronic books will struggle to gain traction in the educational market.

Consumer books revenue split by format, 2012 and 2017



Source: PwC, Informa Telecoms & Media

Electronic books will account for 8% of the consumer books market by 2017.

Traditional retailers investing in e-book market

Two traditional retailers, Bargain Books and Pick 'n Pay, are partnering with kalahari.com and Kobo, respectively, in order to establish a new role in the emerging e-book market.

Bargain Books is South Africa's third-largest book retailer with 58 stores nationwide while kalahari.com is the largest online retailer in the country. Bargain Books' customers will be able to purchase competitively-priced Gobii eReaders at their stores nationwide, and therefore gain access to a variety of e-books from kalahari.com.

The strategy aims to build the market for e-books in South Africa by broadening South African consumers' access to e-books through a nationwide retailer. In addition, e-reader prices are expected to become more affordable as supply increases. Kalahari has also developed a dedicated e-book reader application for PC, Mac, iPad and Android devices.

Kobo is an e-book company owned by Japanese online retailer Rakuten. It announced its South African launch in October 2012 and plans to compete head-on with Amazon's Kindle. Its launch strategy includes partnering with retail chain Pick 'n Pay, which will sell the Kobo Touch e-reader in its 847 stores across South Africa and give consumers access to a variety of e-books through Kobo's eBook store.

Kobo's eBook Store offers more than three million e-books, with one million of them free. The catalogue is synced to a suite of apps available for every smartphone and tablet. The Kobo Touch connects to the eBookstore, with content available in Afrikaans and English, via wi-fi connection, though e-books can also be transferred to and from the device via a USB connection.

Kobo's device has an open platform, which means that it accepts e-books from other e-book stores such as Exclusive Books, kalahari.com and Little White Bakkie, but not Amazon.

Print on demand creates new opportunities for publishers

The print-on-demand model is emerging in the South African market. Companies like Paperight are looking to overcome many of the hurdles to broadening reading in South Africa.

Paperight aims to put in place measures to allay the concerns of publishers, while enabling photocopy shops to become print-on-demand bookstores, rather than having customers photocopy content illegally. Publishers will then earn licence fees from legal printouts of their books.

The titles available for printing on demand include textbooks, novels, business books, children's books, healthcare books and sheet music. Customers can browse Paperight's catalogue in-store too.

For the publishers' peace of mind, each printed page is watermarked with the details of the licence transaction along with a unique short URL. The URL helps the publisher map the frequency and locations from which the publication was printed.

Popular pieces of content are study materials such as exam papers, study guides and maths and science textbooks.

The cost to the consumers are the copy shop's usual cost of printing and binding as well as a small fee for the publisher. Paperight claims that books bought using this method are often 20% cheaper than bookshop editions, depending on the copy shop's own printing charges.

Paperight argues that its proposition alleviates publishers' concerns over copyright. It makes books more accessible as consumers need only be located near a print shop, as opposed to a physical bookstore and the consumer does not need have to have an Internet connection. It can also lead to cheaper prices for the consumer than conventional outlets.

The success of such initiatives will depend on publishers seeing the benefit of the service despite the incremental revenues being lower than sales via traditional outlets.

The music industry, for one, has had to adjust to smaller incremental payment units in order to compete with free illegal alternatives. Paperight's model appears to overcome many of the hurdles to distributing books in South Africa, but whether the model will successfully scale up in the next few years remains to be seen.

Self-publishing more than a passing phase

Rather than wait to be judged by traditional publishers, authors have started selling their work direct via Amazon and other platforms such as Smashwords. Part of the attraction is financial: under a traditional publishing deal, the author receives about 15% of royalties – and only after the advance has been repaid. Amazon offers a royalty split of up to 70%, with authors earning money from day one.

Self-publishing has created a significant new marketplace. The number of self-published books in the US grew to a total of 235 625 in 2011, around three times the number published in 2006. Self-published e-books made up 37% of that total, with 87 201 released in 2011 alone. Self-published e-books have become the fastest-growing sector in US publishing.

Traditional publishers can use the self-publishing market as a test bed for new authors, looking to sign up those who manage to garner a following.

This self-publishing trend raises questions about the publisher's role in the value chain, which is being challenged by the new model. In response, some publishers have launched digital-only imprints or have bought e-publishing houses, hoping their brands will act as a stamp of quality.

Book publishers are also looking to expand their own direct-to-consumer models and increase consumer awareness of their brands to compete on their own, in either physical or online retail. Collaboration between rival publishers may even be required in order to create a scalable online solution.

Digital piracy a threat

For the book industry, unlike the music or film industries, piracy has not been a major threat historically to their core business. Although the photocopying of physical books is an issue in certain developing markets such as South Africa, in most territories, the effort required to pirate books has outweighed the benefit.

The active involvement of publishers in developing legitimate online retail outlets for e-books will be a key factor in combating piracy. In several markets, the traditional publishing industry has been notably slow in responding to the challenges and opportunities presented by the shift towards e-books. While trying to eliminate the sources of pirated content will be important, providing a credible and attractive alternative will be crucial.

Nigeria

Consumer and educational book revenue 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Consumer	**16.0**	**17.0**	**20.0**	**22.1**	**20.3**	**20.5**	**20.7**	**20.0**	**20.4**	**20.7**	**0.0%**
Print	16.0	17.0	20.0	22.0	20.0	20.0	20.0	19.0	19.0	19.0	-1.3%
Electronic	-	-	0*	0.1	0.3	0.5	0.7	1.0	1.4	1.7	39.8%
Educational	**1.9**	**1.5**	**1.4**	**1.3**	**1.3**	**1.3**	**1.4**	**1.4**	**1.4**	**1.5**	**2.4%**
Print	1.9	1.5	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.5	2.2%
Electronic	-	-	-	0*	0*	0*	0*	0*	0*	0*	0.0%
Total	**17.9**	**18.5**	**21.4**	**23.4**	**21.6**	**21.8**	**22.1**	**21.4**	**21.8**	**22.2**	
YOY growth (%)		***1.4%***	***14.4%***	***12.4%***	***-6.5%***	***-1.6%***	***0.2%***	***0.6%***	***0.7%***	***0.9%***	***0.2%***

* Less than US$1 million
Source: PwC, Informa Telecoms & Media

Electronic books will struggle to gain traction in the educational books market.

The books market in Nigeria is showing signs of maturity after rapid growth in 2010 (14.4%) and 2011 (12.4%) and a drop of 6.5% in 2012. It is forecast to stabilise, generating revenues in the region of US$22 million a year throughout the next five years.

Consumer books revenues dominate the market, which, despite the increased prosperity in the country, are forecast to remain at around US$20 million. Electronic formats are forecast to make headway in the country and will account for 7.7% of market revenues by 2017.

Authors and publishers face the challenge of piracy in the Nigerian book market. Measures have been taken to improve the situation with the Nigerian Publishers' Association (NPA) Anti-Piracy Committee coordinating surveillance operations with the Nigerian Copyright Commission (NCC). The organisations conduct impromptu raids with confiscated books burnt publicly in the hope that this acts as a deterrent.

A further challenge for the book market in Nigeria is the issue of royalty payments to authors being paid late and the authors being required to market their books themselves. The Association of Nigerian Authors (ANA) has been heavily criticised for its inability to change the status quo.

In spite of these challenges, the Nigerian book market is served by a number of different publishers, such as Macmillan Nigeria Publishers, which has been in operation since 1965, and focuses on publishing books and teaching materials in Yoruba, Igbo, Efik, Edo , Hausa, Ebira and Urhobo.

A relative newcomer, Aboki Publishers, started operations in 1996 and initially focussed on publishing academic journals, encouraging contributions from all parts of Nigeria. Today it has over 120 titles and 14 journals.

An insight into how Nigeria's book market might evolve comes from the country's past, as Nigerian literature is largely based on its oral tradition. With this in mind, audio books may have greater potential in the country than the written word.

NaijaStories.com, a social networking site for people who like Nigerian literature, publishes fiction pieces, short stories and poems and showcases up-and-coming writers. On average, the site receives over 10 000 page views a week and continues the custom of people in Nigeria sharing their views with one another, but in a digital environment.

The educational books market in Nigeria is in a poor state with more than 70% of enrolled pupils in Nigeria not having textbooks. Further government investment in education would help to boost this market.

Sales of e-books in Nigeria are hindered by the low penetration of broadband across the country with just 5% of households having fixed broadband access in 2013.

The number of smartphone connections provides a more optimistic outlook with the total predicted to grow rapidly in the next five years to reach 35 million connections in 2017.

However, adoption of devices such as smartphones, tablets and e-readers is unlikely to become mainstream in Nigeria in the near term, as large numbers of the population still live on less than US$2 a day.

Kenya

Consumer and educational book revenue 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Consumer	**3.2**	**2.5**	**2.4**	**2.3**	**2.2**	**2.2**	**2.3**	**2.4**	**2.4**	**2.4**	**1.8%**
Print	3.2	2.5	2.4	2.3	2.2	2.2	2.3	2.4	2.4	2.4	1.6%
Electronic	-	-	-	0.0*	0.0*	0.0*	0.0*	0.0*	0.0*	0.0*	92.3%
Educational	**28.0**	**29.0**	**31.0**	**37.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**-0.1%**
Print	28.0	29.0	31.0	37.0	34.0	34.0	33.0	33.0	32.0	32.0	-1.5%
Electronic	-	-	0.0*	0.0*	1.0	1.0	1.0	2.0	2.0	3.0	0.0%
Total	**31.2**	**31.5**	**33.4**	**39.9**	**37.2**	**37.2**	**37.3**	**37.4**	**37.4**	**37.4**	
YOY growth (%)		***2.5%***	***7.7%***	***17.1%***	***-6.5%***	***-0.8%***	***0.6%***	***0.5%***	***0.0%***	***-0.2%***	***0.0%***

* Less than US$1 million

Source: PwC, Informa Telecoms & Media

The books market in Kenya is showing signs of maturity after rapid revenue growth in 2010 (7.7%) and 2011 (17.1%), followed by a drop of 6.5% in 2012. Annual revenues are forecast to stabilise, remaining in the region of US$37 million throughout the next five years.

Despite increased prosperity in the country, consumer book revenues are forecast to remain at 6% of the market. But there will be subtle changes to the overall market with electronic formats in both the education and consumer markets gaining share. Electronic formats will account for 8.0% of market revenues in 2017.

A key player in the market is the Kenyan Literature Bureau, whose role is to deliver reading materials at affordable prices and to promote local authorship. The Bureau has published more than 800 titles and its educational books have been approved by the Ministry of Education.

Kenyan booksellers received a boost in November 2011 following an agreement with donors to enlarge the country's free learning programme, ensuring wider distribution of printed books. Donors included the UK Government's Department for International Development (DFID), USAID, UNESCO and UNICEF.

The donors will partner with the Kenya Booksellers and Stationers Association instead of the money being disbursed through Ministry of Education. The government had previously been blacklisted by donors due to alleged corruption in the use of funds for the programme.

The leading publishers in the Kenyan market tend to focus on educational titles. For example, Evans Brothers (Kenya) Ltd produces textbooks for primary and secondary schools, teacher training colleges and tertiary institutions, including books in English and Swahili. Dhillon Publishers produces full-colour course books, while Evangel Publishing House's titles cover marriage and family, leadership and theological education.

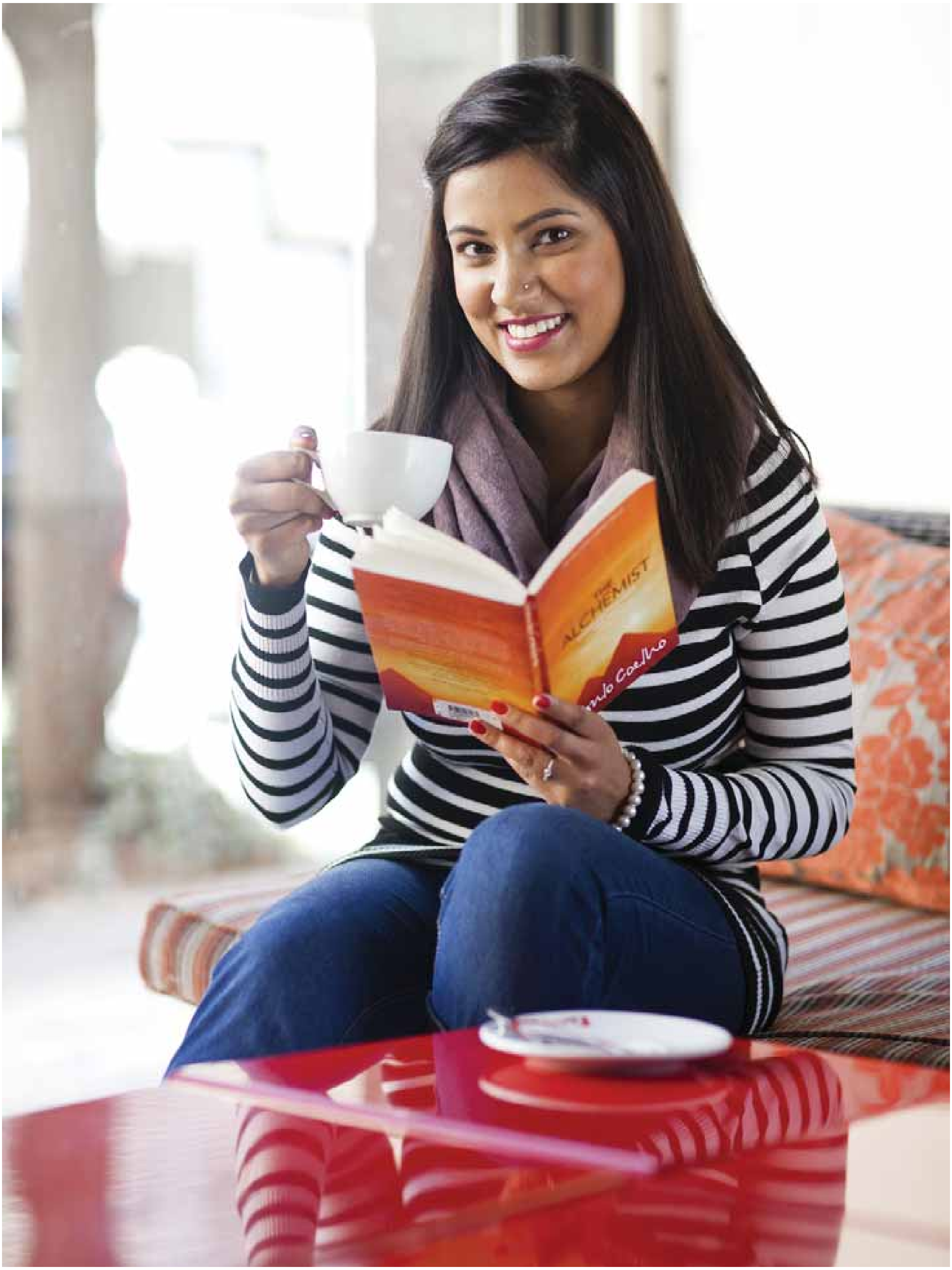
New publishers are emerging with Big Books Ltd, started in 2009, publishing novels, novellas and short stories for both teenage and adult readers. Storymoja, meanwhile, is a venture recently formed by five writers looking to publish contemporary East African writing by identifying local writers and mentoring them through the publication process with initial categories of stories including business, fiction and crime.

Despite these efforts, consumer titles still represent a fraction of the total market, with educational publishers' dominance of the market set to continue. Piracy of physical books continues to be a problem with booksellers offered titles at up to 50% lower than the official price. Kenyan publishers do have the Copyright Board at their disposal, but it is ill-equipped to deal with cases that occur outside Nairobi.

E-books could be a solution to piracy for publishers. but the cost of e-readers has hindered adoption of the format in the country. The adoption of smartphones by relatively affluent Kenyans and the increasing availability of e-books could, however, see the market grow further.

One local platform, eKitabu, offers more than 250 000 titles across a range of fiction and non-fiction categories. eBooks can be purchased with mobile money transfer service M-Pesa as well as with credit cards.

The company has partnered with Text Book Centre to introduce e-book kiosks inside retail stores. The kiosks help consumers understand how to locate books and use the interface to start reading.


ALCHEMIST

Global trends in consumer and educational book publishing

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Consumer and educational book publishing market (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Consumer	**65 290**	**64 687**	**64 516**	**64 111**	**64 065**	**64 332**	**64 649**	**64 984**	**65 260**	**65 497**	0.4%
Print	64 369	62 893	61 446	59 543	57 405	55 363	53 292	51 340	49 442	47 759	-3.6%
Electronic	921	1 794	3 070	4 568	6 660	8 969	11 357	13 644	15 818	17 738	21.6%
Educational	**36 380**	**36 167**	**35 926**	**37 518**	**37 566**	**37 903**	**38 148**	**38 390**	**38 620**	**38 833**	0.7%
Print	36 121	35 608	35 081	36 102	35 572	35 313	34 960	34 597	34 250	33 861	-1.0%
Electronic	259	559	845	1 416	1 994	2 590	3 188	3 793	4 370	4 972	20.0%
Total	**101 670**	**100 854**	**100 442**	**101 629**	**101 631**	**102 235**	**102 797**	**103 374**	**103 880**	**104 330**	
YOY growth (%)		***-0.8%***	***-0.4%***	***1.2%***	***0.0%***	***0.6%***	***0.5%***	***0.6%***	***0.5%***	***0.4%***	***0.5%***

Source: PwC, Informa Telecoms & Media

- The total combined value of the consumer and educational book sectors will grow from US$101.6 billion in 2012 to US$104.3 billion in 2017, a CAGR of 0.5%. By 2017, e-books will account for 22% of all book revenues globally, US$22.7 billion up from 9% in 2012. This will be driven by the increased adoption of e-reading devices, including tablets and will help to offset flat or declining growth for printed books.
- The fastest-growing markets for books will include both traditional markets from Europe and North America and the Asia-Pacific growth markets.
- Digitisation fuelled by the widespread adoption of tablets and other e-reading devices will prove a mixed blessing for the book industry in the near term. While e-book sales will rise, physical bookstores will continue to close. This will spur further growth for online retailers of both physical and digital books, including new entrants from adjacent industries such as supermarkets and telcos.
- The consumer book publishing market is ready for further consolidation. Most publishers are too small to negotiate successfully with retailers, so, in the near term, further mergers and acquisitions will create new, bigger entities. Traditional publishers can harness and integrate new trends such as self-publishing as they adapt their role in the value chain.
- With the growth in e-books, the industry must prioritise strategies for countering piracy, especially in emerging markets. One of these will be to ensure that they supply the right content at the right price on the right platforms to encourage readers to pay for legitimate content rather than to seek out pirated copies.

Build personalised data by segment, component, and country.

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Business-to-business publishing

Tana Viviers
Manager,
PwC Southern Africa

Definitions

The business-to-business (B2B) market comprises five segments: business information; trade shows; trade directories; trade magazines and professional books.

Business information comprises financial information such as securities, credit and economic information; marketing information which is used for selling products or services or monitoring sales such as surveys and research databases; and industry information such as data relating to market share and competitive intelligence regarding a specific industry.

Trade shows comprises spending by companies on exhibition space at trade shows.

Trade directories comprises spending on print and online directory advertising.

Trade magazines comprises circulation spending and print and digital advertising (online content and distribution to tablets or other mobile devices).

Professional books comprises publications bought by an employer to ensure that staff knowledge is up to date.

In brief

South Africa's B2B market was worth just over R8 billion in 2012, representing 10.6% year-on-year growth. The B2B market will continue to expand with a CAGR of 8.7% over the forecast period, reaching approximately R12.2 billion in 2017.

The business information and trade show segments will be the market's growth engines, increasing at a CAGR of 8.6% and 9.2%, respectively, over the forecast period. Revenues generated by South Africa's business information market will exceed R5.4 billion in 2017, when it will account for 45% of the total market, while trade show revenues will reach R4.1 billion, 33% of the market.

Growth in the business intelligence segment will be driven by a variety of new research avenues to help enhance customer insights. These include data analytics, monitoring of social media, use of mobile device research and behavioural analysis. Buyers of research will consider the do-it-yourself route for research through better use of business intelligence.

Nigeria's B2B market will grow by an estimated CAGR of 5.9% and be worth more than R1.6 billion (US$195 million) in 2017. The professional books segment will account for 44% of Nigeria's total B2B revenues.

Kenya's B2B market will be one of the fastest-growing markets in the world with a CAGR of 8.2% and is forecast to reach R722 million (US$88 million) in 2017. Business information will account for more than 45% of revenues.

South Africa

Business-to-business revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Business information	2 811	2 354	3 258	3 293	3 608	3 932	4 274	4 640	5 036	5 457	8.6%
Directory advertising	845	856	871	889	979	1 082	1 191	1 302	1 393	1 478	8.6%
Print	691	709	733	756	764	812	858	899	920	932	4.0%
Digital	154	147	138	133	215	270	333	403	473	546	20.5%
Professional books	142	148	152	162	168	175	181	188	194	201	3.6%
Print	142	147	149	156	158	161	163	165	167	169	1.3%
Electronic	-	1	3	6	10	14	18	23	27	32	26.1%
Trade magazine advertising	430	397	409	452	492	533	580	635	698	769	9.3%
Print	430	397	409	440	468	496	525	555	582	601	5.1%
Digital	-	-	-	12	24	37	55	80	116	168	47.6%
Trade magazine circulation	130	131	151	161	169	167	164	175	189	211	4.5%
Print	130	131	151	161	169	167	164	161	159	157	-1.5%
Digital	-	-	-	-	-	-	-	14	30	54	-
Trade shows	2 384	1 813	2 385	2 303	2 611	2 839	3 105	3 398	3 713	4 055	9.2%
Consumer spend	5 467	4 446	5 946	5 919	6 556	7 113	7 724	8 401	9 132	9 924	
YOY growth (%)		*-18.7%*	*33.7%*	*-0.5%*	*10.8%*	*8.5%*	*8.6%*	*8.8%*	*8.7%*	*8.7%*	*8.6%*
Advertising spend	1 275	1 253	1 280	1 341	1 471	1 615	1 771	1 937	2 091	2 247	
YOY growth (%)		*-1.8%*	*2.3%*	*4.7%*	*9.7%*	*9.8%*	*9.6%*	*9.4%*	*8.0%*	*7.4%*	*8.8%*
Total	**6 742**	**5 699**	**7 226**	**7 260**	**8 027**	**8 728**	**9 495**	**10 338**	**11 223**	**12 171**	
YOY growth (%)		***-15.5%***	***26.8%***	***0.4%***	***10.6%***	***8.7%***	***8.8%***	***8.9%***	***8.6%***	***8.4%***	***8.7%***

2008-2012 South Africa figures have been updated to reflect most recently available information

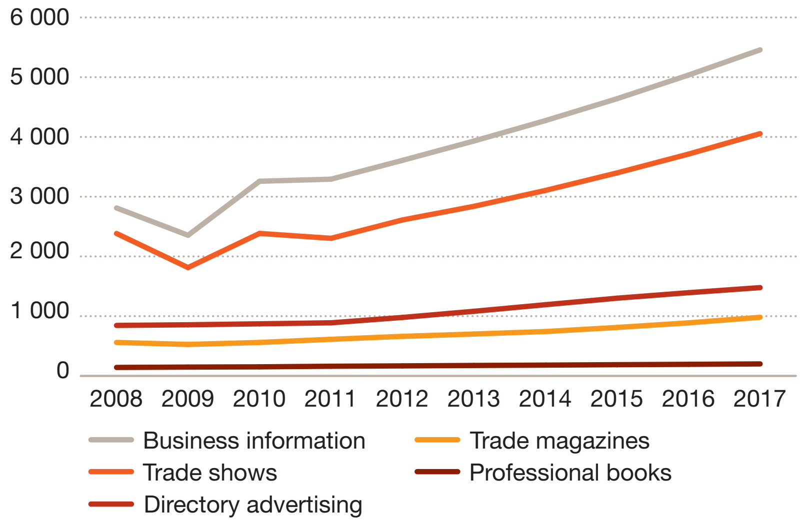
Source: PwC, Informa Telecoms & Media

South Africa's B2B market will grow at a CAGR of 8.7% in the next five years.

Since its B2B revenues fell by 15.5% in 2009, the result of low business confidence and advertising budgets falling amid the global economic crisis, the South African B2B market recovered to reach R8 billion in 2012, representing 10.6% growth in that year.

The 2010 FIFA World Cup did help to revive the market, spurring 27% year-on-year growth in a single year (helped largely by 38% growth in business information and 32% growth in trade shows). There was a brief slowdown in the B2B market after the World Cup, but double-digit growth was restored in 2012.

Business-to-business revenues by segment, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

South Africa's B2B market will be boosted by growth in business information and trade shows.

The B2B market will continue to expand by an estimated CAGR of 8.7% over the forecast period, reaching R12.2 billion in 2017. The business information and trade show segments will be the market's growth engines, increasing at an estimated CAGR of 8.6% and 9.2%, respectively, over the forecast period. Advertising for trade directories and trade magazines will benefit from some advertisers staying loyal to these segments, but there will be a switch in their spending to digital formats.

Business information

Innovation will bolster revenues

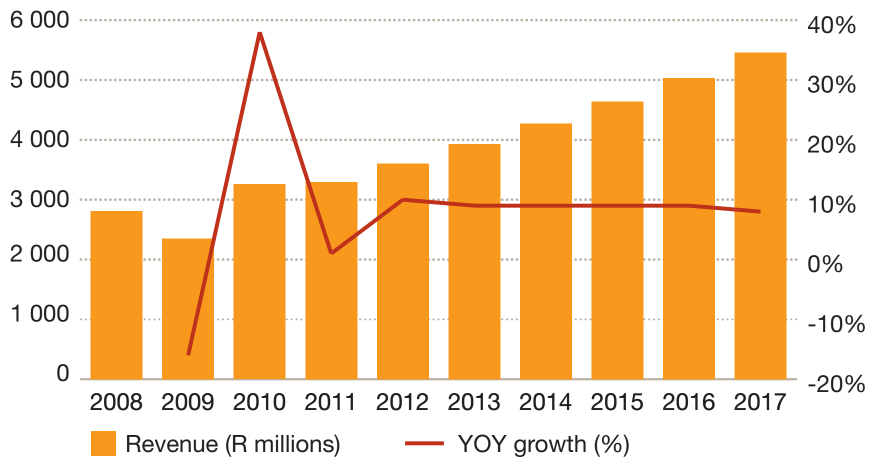
The provision of business information is changing and is benefiting from new research methodologies, including analytics models, on the back of social media analysis and market research via Internet or mobile devices.

These models can be cheaper and result in a faster turnaround than more traditional research methodologies and are becoming very prominent in the field of market research. There is a battle by brands to understand the evolving habits of consumers and this battle is particularly keen in South Africa and across sub-Saharan Africa, as a new higher-spending middle class emerges in cities across the continent.

An example of an established player embracing new business models can be seen in GfK's recent acquisition of GlobalEDGE Marketing Consultants. Gfk is one of the world's largest market research companies, while GlobalEDGE conducts qualitative and quantitative research of consumer habits and behaviour in Africa using consumer panels.

Revenues for business information will grow at a CAGR of 8.6% over the next five years.

Business information revenues (R millions) and annual growth (%), 2008-2017



Source: PwC, Informa Telecoms & Media

Often referred to as 'big data', the idea that the large and complex data sets that reside within an organisation can contribute to market planning is finally being acted upon.

This revolution in analytics means that a significant vendor market is emerging to provide businesses with data-analysis capabilities. These capabilities can assist organisations to mine their internal systems for insights and trends in order to forecast sales volumes and identify unmet consumer needs.

'Big data' will provide a boost to spend on business information and its contribution to strategic planning processes. However, much of the research is generated internally, presenting a challenge to traditional market research providers seeking to retain their influence on corporate marketing departments.

The boundaries of business information are being stretched, as both technology firms and financial services firms are now offering similar propositions to buyers of market research that companies such as Nielsen, Kantar and TNS have traditionally served.

The explosion in consumers' adoption of social media has provided opportunities for market research firms to inform their clients on how a brand or topic is being perceived by members of a social network. For example, Twitter has introduced a 'Follower' dashboard which enables users to analyse their audiences.

The technology vendor market is also keen to enter the market research business by launching social media platforms, which can provide insights, from tracking data, comments and items uploaded from these platforms. This so-called 'social business' builds on the concepts of crowdsourcing, with insights being used for the acceleration of innovation.

The acquisition of WildFire by Google in 2012 is telling, as it allows Google to provide more businesses with the ability to integrate the management of their social media presence on sites such as Facebook, Twitter, LinkedIn, Pinterest and YouTube, and mine this presence to recognise insights and trends.

As the number of smartphone connections in South Africa is set to reach 15 million by the end of 2013, these devices will become an important access point to high-spending consumers, allowing market research providers to supplement existing research methodologies (face-to-face interviews, focus groups) with speedier campaigns via mobile devices.

Rapid delivery of market research is more important than ever to buyers. This is evident in services such as Columinate's Rapid Survey, which can offer a four-hour turnaround in the delivery of results from sample sizes of about 500 responses and up to 10 questions submitted via mobile devices or social media channels. Answered Insights offers a similar service with its mobile platform, which filters a panel of 10 000 members to the client's requirements.

Another service, Gutfeel.co.za, offers clients an online market opinion platform providing insights to brand owners based on the direct input from consumers, with the claim that clients will receive feedback within 12 hours.

Consumers of business information (who are essentially also consumers of other forms of online media) will be looking for more direct forms of engagement from their providers in future. Speed of delivery will be important, as will a more personal approach to communications.

Video may yet play a more significant role in the B2B sector, while the expectations created by social media will also impact the way B2B products and services are delivered.

The head of social media at Cisco suggested at the influential US interactive conference SXSW held earlier this year that video content is set to become the biggest driver of social media engagement in the B2B market.

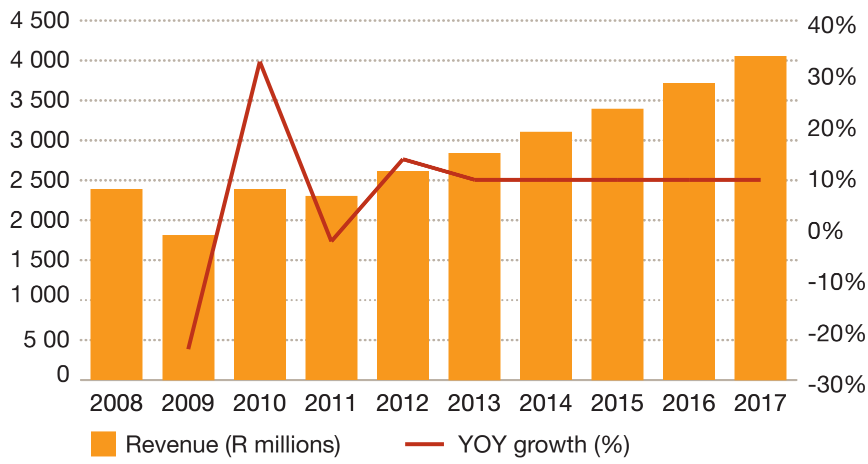
Trade shows

New shows will boost revenues

The trade show market in South Africa is undergoing a phase of major expansion. Revenues grew by 13% in 2012 to reach R2.6 billion. The sector was boosted by improvements to venues, contributing to its success in attracting new shows to the country.

This, together with the fact that relevant international trade shows are still very effective for providing a platform for face-to-face business networking, will lead to the trade show market growing by CAGR of 9.2% to reach R4 billion in 2017.

Trade show revenues (R millions) and annual growth (%), 2008-2017



Source: PwC, Informa Telecoms & Media

Trade show revenues forecast to grow at a 9.2% CAGR.

South Africa has approximately 180 000m² of indoor exhibition space. Johannesburg is a leading destination and has three major venues:

- The Johannesburg Expo Centre offers more than 42 000m² of indoor space and 80 000m² of outdoor space;
- The Sandton Convention Centre has more than 22 000 m² of exhibition space; and
- The Coca-Cola Dome has an 11,000m² trade show site.

The Cape Town International Convention Centre offers 11 200m² of exhibition space, which it plans to double in the near future, while the Durban International Convention Centre has two halls with a combined exhibition space of 9 600m².

The Gallagher Convention Centre in Midrand, between Pretoria and Johannesburg, offers exhibition space of 25 000 m² and hosted one of the country's biggest events, the *Southern Africa International Trade Exhibition (SAITEX)* in June 2013.

Two of the largest events on the calendar focus on the automotive sector: *the Johannesburg International Motor Show* (in October) and *Automechanika South Africa* (in Johannesburg in May). However, many sectors choose South Africa for large international events, including the packaging industry, electronics, education, telecoms and industrial supplies.

In the global context, however, South Africa's exhibition space remains small scale. According to data from the Global Association of the Exhibition Industry, South Africa's total indoor exhibition space is not bigger than any of the 20 venues globally.

Nevertheless, the goodwill towards the South African trade show market continues. The country hosted the *Expo Summit Africa* at the Sandton Convention Centre in February 2013, with many of the world's largest and leading exhibition organisers attending. The fact that Africa is becoming an increasingly important investment destination is helping to drive this type of global event.

South African trade show venues have been successful in bringing new shows to the country, as illustrated by PennWell Corporation's co-location of the electricity transmission and distribution shows *DistribuTECH Africa* and *POWER-GEN Africa* in South Africa. UBM Live hosted the *Airport Cities World Conference and Exhibition* on African soil for the first time in April 2013, and Cape Town secured Reed Travel Exhibition's (RTE) *ILTM* luxury travel show.

The trade show market's ability to attract international operators has been boosted by a decision by the South African Revenue Service (SARS) to extend a VAT ruling granted to the Exhibition and Events Association of Southern Africa (EXSA), initially set to expire in August 2012, until September 2015.

Provided that certain key criteria are met, the ruling allows EXSA members to provide services (including the sale of exhibition space) to international operators at the zero rate for VAT purposes rather than the standard rate of 14%.

In this way, the ruling looks to boost the participation of international operators in local events and exhibitions in South Africa. It is particularly advantageous to those international operators that do not have a local presence, as the ruling only applies to services provided by EXSA members to international operators that do not carry on an enterprise for VAT purposes in South Africa.

Trade directories

Remaining relevant vital in the digital era

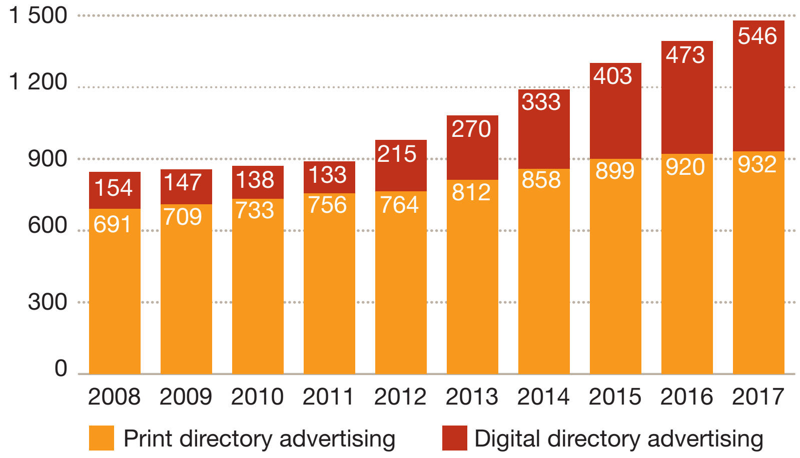
The South African trade directory market stands apart from many other markets across the globe where the format is struggling to establish a business model that will still attract advertising spend.

While the global market is set to decline by a CAGR of -1.5% over the forecast period, in South Africa, trade directory advertising will see a CAGR of 8.6% to reach R1.5 billion in 2017. Digital advertising will take the limelight with its share of the trade directory market set to increase by 15 percentage points over the forecast period and it will account for 37% of trade directory advertising revenues in 2017.

However, growth will not solely be due to a switch towards digital advertising, as print advertising is set to achieve a CAGR of 4% over the forecast period. As seen in the newspaper market, printed media will remain a key method for reaching the less-affluent members of society and so printed trade directories will continue to compete with printed newspapers for advertising revenue targeting this segment of the population.

Revenues for trade directory advertising will grow at a CAGR of 8.6% over the next five years.

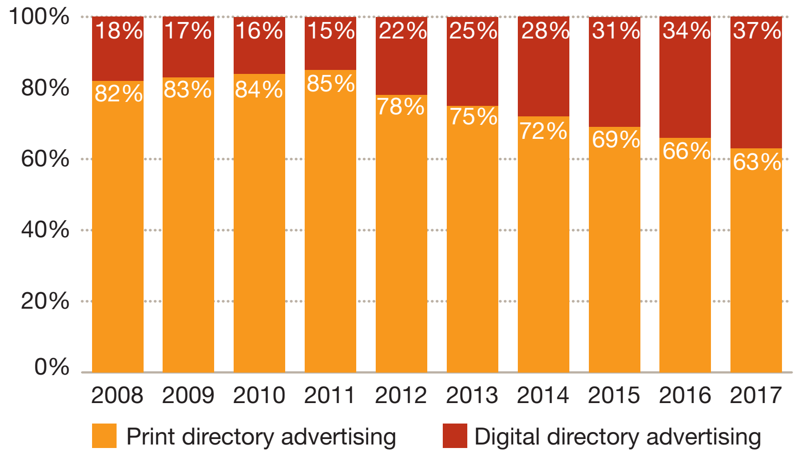
Trade directory revenues, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Digital will account for an increasing share of trade directory advertising.

Share of trade directories advertising, digital vs physical, 2012-2017 (%)



Source: PwC, Informa Telecoms & Media

Trudon is the major publisher of trade directories in South Africa, with its Yellow Pages directory and phone book still delivered to hundreds of thousands of households across South Africa. But, like directory businesses the world over, Trudon is having to transform its business in order to retain the interest of advertisers.

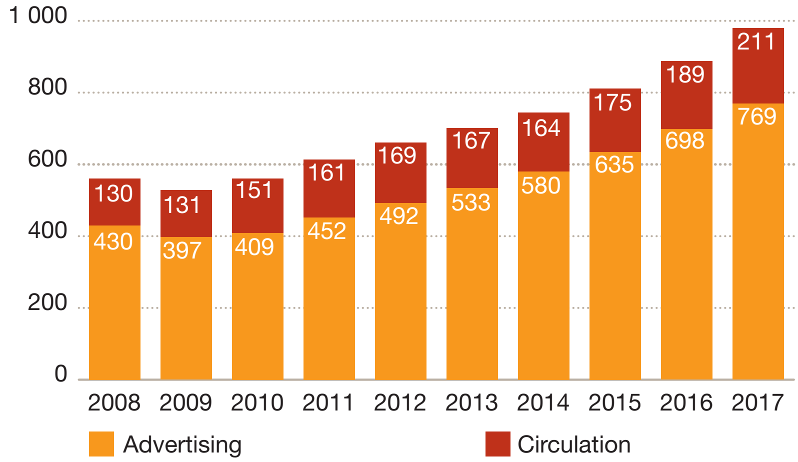
The company's strategy is to make Yellow Pages information available all the time and on any platform. In addition to digitising its content and improving the search capabilities of its website, Trudon offers users a Yellow Pages Live Facebook Chat Application based on the JamiiX platform and MXit ClickFind chat solutions.

Trudon aims to be a one-stop shop for the advertising requirements of small firms. It has formed a partnership with Google and sells Google's Adwords (Google's main advertising product, whereby companies' ads appear alongside search results around certain words) to its customers.

Trudon is now part of Google's AdWords Premier SMB Partner Program, which means that Google supports Trudon to sell AdWords to its customers and also provides it with an account management facility that continuously monitors campaigns and provides advice to its customers.

The trade directory market is now more competitive with Continental Outdoor Media also launching Cheetahads, an online business directory for SME firms.

Trade magazine revenues (R millions), 2008-2017



Source: PwC, Informa Telecoms & Media

Trade magazines

Market continued to deliver for advertisers

The trade magazine segment is forecast to grow by a CAGR of 8.2% to reach R980 million in 2017. Revenues will be bolstered by advertisers remaining loyal to the trade magazine format, with advertising growing by a CAGR of 9.3%. Advertisers are following the magazines' shift of emphasis to online formats with digital advertising forecast to grow by a CAGR of 47.6% as revenues reach R168 million in 2017. Overall trade magazine advertising revenues will increase by an estimated CAGR of 9.3% to reach R769 million in 2017. Circulation numbers, however, will record a more modest growth of approximately 4.5% CAGR, with revenues reaching R211 million in 2017.

Trade magazine revenues will grow at a CAGR of 8.2% in the next five years.

South Africa has more than 600 trade magazines targeting specialised professions, which have resulted in small unit circulations. The leading titles include *BigNews, Engineering News, Landbouweekblad, Accountancy SA, Entrepreneur, Finweek* and the *Financial Mail*.

Like their counterparts in consumer magazines and newspapers, trade magazines in South Africa are changing their business models to reflect the shift in reader preferences towards digitised content.

As seen in other segments of the media landscape, trade magazines are looking to monetise their online properties by building loyal audiences, which will provide a constant relevancy for advertisers.

The relative ease with which publishers are able to transform from domestic - or regionally-orientated publications is both a blessing and a curse to the trade magazine market in South Africa. While it enables publishers to reach audiences overseas, foreign publications are also gaining a foothold in their domestic market.

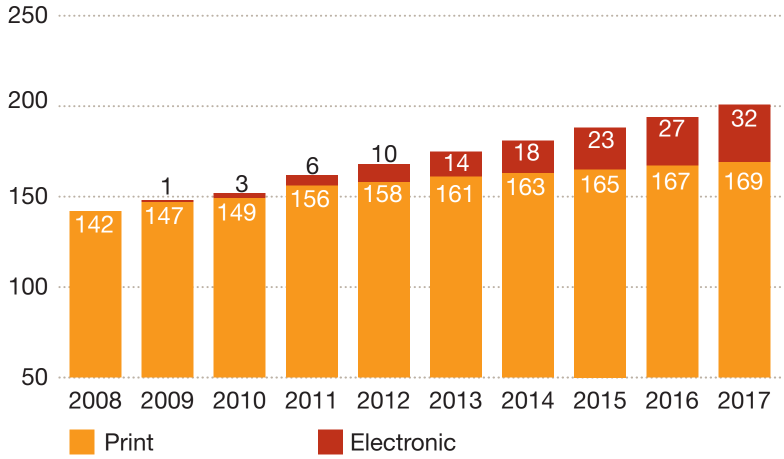
Professional books

Digital formats growing share

The professional books market will show slower growth with a CAGR of 3.6%, with revenues set to reach an estimated R202 million in 2017.

Following a similar trend to other components of this segment, professional books publishers will continue to move away from print towards digital formats. Digital will grow its share from 1% of professional books revenues in 2009 to 15% in 2017.

Professional books revenues, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Digital will continue to increase its share of professional books revenues.

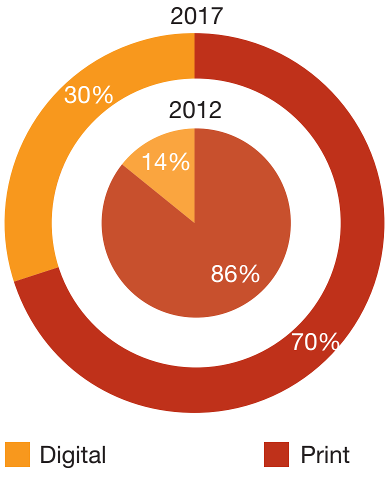
As an example of this switch to greater digitisation of content, in 2012 LexisNexis launched South Africa's first professional series of e-books for professionals in the government, corporate, legal, tax, accounting and finance sectors with content accessed via laptops, smartphones and e-readers from the firm's online bookstore.

Digital shift is a driver across whole B2B market

The main trend shaping the B2B segment will be the digital switch, with digital spending increasing by 16 percentage points over the five-year forecast period from 14% to 30% by 2017. This will be driven by increasing Internet penetration and the growing use of smartphones across South Africa. This, in turn, will have a profound impact on the business models of advertisers to the B2B market.

By 2017, 30% of B2B spend will be digital.

Business-to-business spend, print vs digital market share, 2012 v 2017 (%)



Source: PwC, Informa Telecoms & Media

The culture of do-it-yourself research will grow

The advent of cheaper ways to conduct research, such as SurveyMonkey and Google Surveys, has provided a challenge to the traditional opinion-polling and market-measurement firms.

The entry of these types of services allows businesses to establish their own fit-for-purpose services, fully equipped with intuitive interfaces. The concern for market research agencies is that survey creation and analysis is no longer seen as a specialist task.

Although this is a threat to the traditional players, it is not necessarily a death knell. The very use of self-provisioning platforms emphasises the importance of research generally, and it can reveal the complexities in delivering robust and well-targeted research.

The trade shows segment is seeing the emergence of a similar do-it-yourself culture. Many businesses are choosing not to exhibit alongside their competitors, but to organise their own events or road shows, invite their own audiences and conduct their own thought-provoking seminars.

LinkedIn will challenge the role of trade magazines

The membership of social networking site LinkedIn has passed 200 million globally and 70% of this membership is based outside the US. The site is currently the 25th most-visited Web property in the world and its audience includes two million in South Africa.

A key purpose of LinkedIn is to offer members networking opportunities to help with career development. As well as posting their CVs, members are using the site to build networks of people who can help them with their careers and to obtain references for their next jobs.

As it offers any user the ability to create a group and discuss topics, LinkedIn is also competing with trade magazines for professionals' attention and it has become a hub for specific market research and business information questions.

Allied to this is the general threat of free information now made available for the publishing and business intelligence industry. As a result, publishers and providers of market research must increasingly work harder to add value for their audience.

LinkedIn competes with trade magazines for recruitment advertising: 50% of its revenues come from this source. LinkedIn's Sales Navigator, which enables sales professionals to target particular member segments and build relationships, has the potential to affect advertising in both trade magazines and trade directories.

The combination of new social media platforms, new data analytics tools and do-it-yourself research provides a potent new way of generating customer insights and engaging groups of users. B2B providers need to learn to harness these new innovations to ensure that emerging technologies enhance, rather than threaten, their products and services.

However, trade magazines still have an important role in today's business environment as trusted sources. Even though the Web provides the tools to publish thoughts, stories and opinions, trade magazines still have the opportunity to retain their roles as authoritative sources.

Emerging markets – supported by government – will drive trade show growth

The rise of South Africa's trade show market is noticeable alongside other countries that will see similar growth in the near term such as India, Brazil and Indonesia.

A government's role in the growth of the trade-show market is vital. For example, investment in infrastructure and the expansion in hotel accommodation have resulted in Brazil's trade show market expanding outside the country's commercial hub of São Paulo to reach Rio de Janeiro.

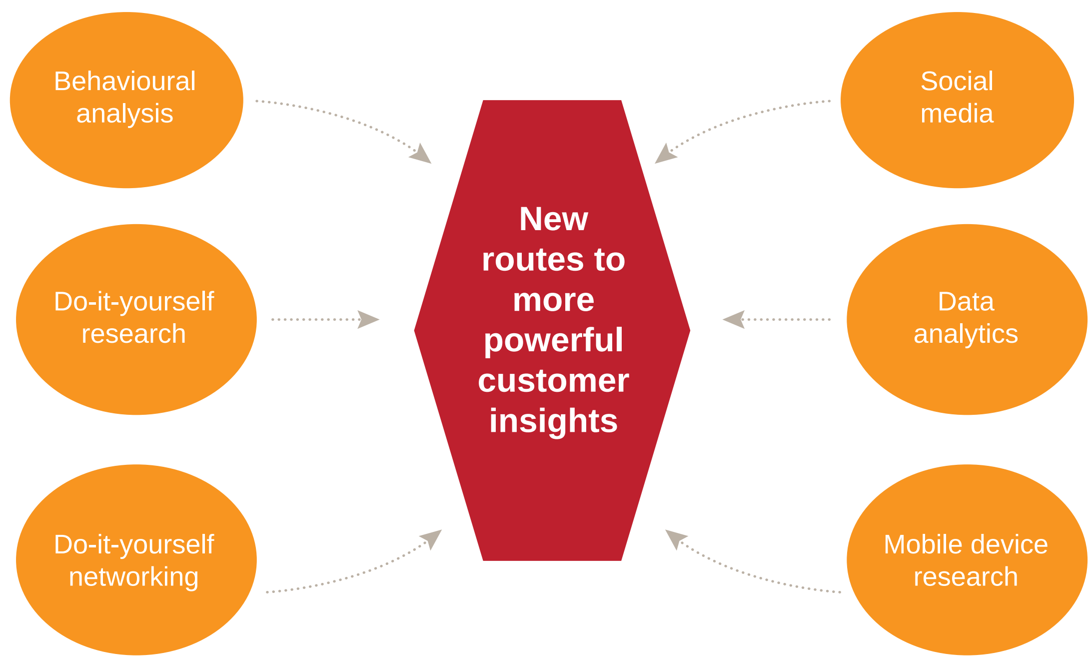
But this is not just an issue for emerging markets, strong though their growth will be. Government intervention also has an impact in mature markets such as Germany, as illustrated by the country's public/private partnerships called Messe.

The largest, Frankfurt Messe, is owned by the City of Frankfurt and State of Hesse and is the third-largest trade show company in the world. Governments in Spain and Southeast Asia are looking to follow Germany's lead and are encouraging the trade show market to play a pivotal role in the build-up of exports.

The South African Government's decision to help attract international trade show business by granting zero-rated VAT for international members of EXSA (the Exhibition Association of South Africa) shows that there is state-level support for the growing trade show segment.

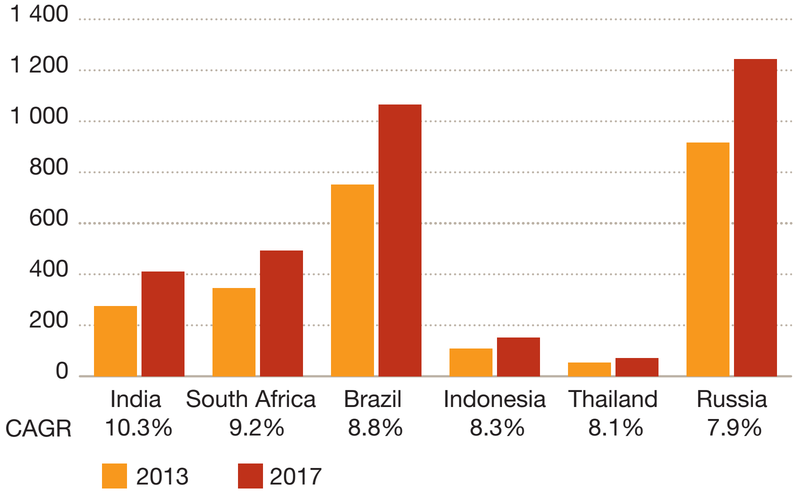
Digital technology provides new routes to customer insight.

New methodologies for research buyers looking to gain insights



Source: PwC, Informa Telecoms & Media

Fastest-growing trade show markets by CAGR (%) and revenues (US$ millions), 2013 and 2017



Source: PwC, Informa Telecoms & Media

Nigeria

Business-to-business revenues, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Business information	**39**	**44**	**47**	**51**	**54**	**58**	**63**	**67**	**71**	**74**	**6.5%**
Directory advertising	**8**	**8**	**8**	**9**	**10**	**12**	**14**	**16**	**17**	**18**	**10.4%**
Print	7	7	7	8	8	9	10	11	11	11	5.8%
Digital	1	1	1	1	2	3	4	5	6	7	22.5%
Professional books	**54**	**56**	**58**	**63**	**67**	**71**	**75**	**80**	**83**	**85**	**5.0%**
Print	54	55	57	61	63	66	68	71	72	72	2.6%
Electronic	-	1	1	2	4	5	7	9	11	13	28.8%
Trade magazine advertising	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**4**	**4**	**8.0%**
Print	3	3	3	3	3	3	3	3	3	3	1.8%
Digital	-	-	-	-	-	-	0*	0*	1	1	-
Trade magazine circulation	**7**	**6**	**9**	**9**	**9**	**9**	**10**	**10**	**10**	**10**	**3.0%**
Print	7	6	9	9	9	9	10	10	10	10	3.0%
Digital	-	-	-	-	-	-	-	-	-	-	-
Trade shows	**3**	**4**	**3**	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**2.6%**
Consumer spend	**103**	**110**	**117**	**127**	**134**	**142**	**152**	**161**	**168**	**173**	
YOY growth (%)		*5.1%*	*7.0%*	*8.6%*	*5.1%*	*6.5%*	*6.7%*	*5.9%*	*4.5%*	*3.4%*	*5.4%*
Advertising spend	**11**	**11**	**11**	**12**	**13**	**15**	**17**	**19**	**21**	**22**	
YOY growth (%)		*-0.9%*	*-3.1%*	*13.3%*	*14.3%*	*12.7%*	*10.7%*	*9.0%*	*8.5%*	*8.5%*	*9.9%*
Total	**114**	**121**	**128**	**139**	**147**	**157**	**169**	**180**	**189**	**195**	
YOY growth (%)		***4.5%***	***6.1%***	***9.0%***	***5.9%***	***7.1%***	***7.1%***	***6.2%***	***4.9%***	***4.0%***	***5.9%***

* Less than US$ 1 million
Source: PwC, Informa Telecoms & Media

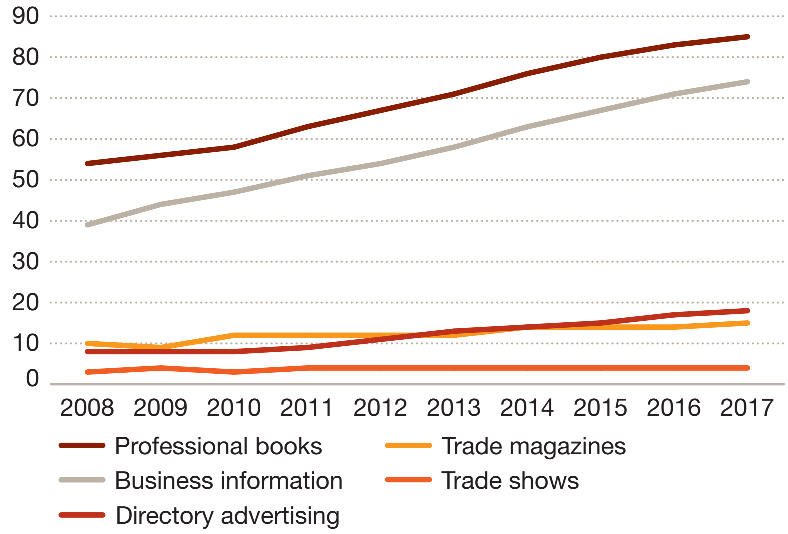
B2B market will grow at a CAGR of 5.9% in the next five years.

The Nigerian B2B market, worth US$147 million in 2012 (up by 5.9% year-on-year) is among the world's fastest-growing markets. A CAGR of 5.9% will take the value of the market to US$195 million by 2017. This will be boosted by Nigeria's GDP, which is set to grow by 15% per annum during the forecast period.

As in South Africa and Kenya, there will be a shift in B2B spend with digital accounting for 18% of spending by 2017, up from 7% in 2012.

However, more traditional B2B revenues – from both advertising and products & services – will remain strong in the near term.

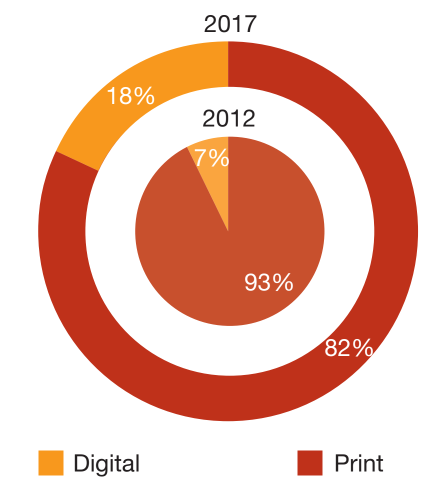
Business-to-business revenues by segment, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

B2B will be boosted by growth in professional books and business information.

Business-to-business spend, print vs digital market share (%), 2012-17



Source: PwC, Informa Telecoms & Media

Digital B2B spending increasing at a slower pace than South Africa and Kenya.

Professional books will be the largest segment, accounting for 46% of revenues, and is forecast to grow by a CAGR of 5%. This segment will benefit from a fast-changing legal environment and the publication of an increasing number of scientific journal papers.

Although print will continue to appeal to many readers, the professional books segment will be boosted by the release of more publications in digital formats, with digital revenues forecast to rise from a low base by a CAGR of 29%.

The switch to digital formats will have a similar effect on the trade directory segment with digital advertising forecast to grow by a CAGR of 23% over the forecast period, contributing meaningfully to the advertising segment's 10% CAGR.

Business information is the second-largest segment, accounting for 38% of total B2B revenues in 2012, and is set to grow by a CAGR of 6.5%, fuelled by planned investments from global players. The size of the Nigerian market means that there is more demand for Africa-centred research to address the Nigerian business and consumer market.

Nigeria is beginning to establish itself as a trade show venue with events such as *West Africa Building and Construction 2012*. The event aims to be a forum for those conducting civil engineering and housing projects in West Africa to evaluate new construction materials and machinery.

On a more international scale, the 6th Abuja International Trade Fair in 2011 is regarded as a key milestone in Nigeria's industrial development. The event featured more than 250 exhibitors. In 2012, UBM Montgomery West Africa expanded its portfolio of events to include *ICT West Africa, Afribuild West Africa* and *PROPAK West Africa.*

A healthy exhibition industry requires political stability, low corruption, high levels of safety, good infrastructure and transportation, and medium to high GDP growth. The Nigerian market does not meet all these criteria and so growth in the trade show segment is likely to be slow.

Kenya

Business-to-business revenues, 2008-2017 (US$ millions)

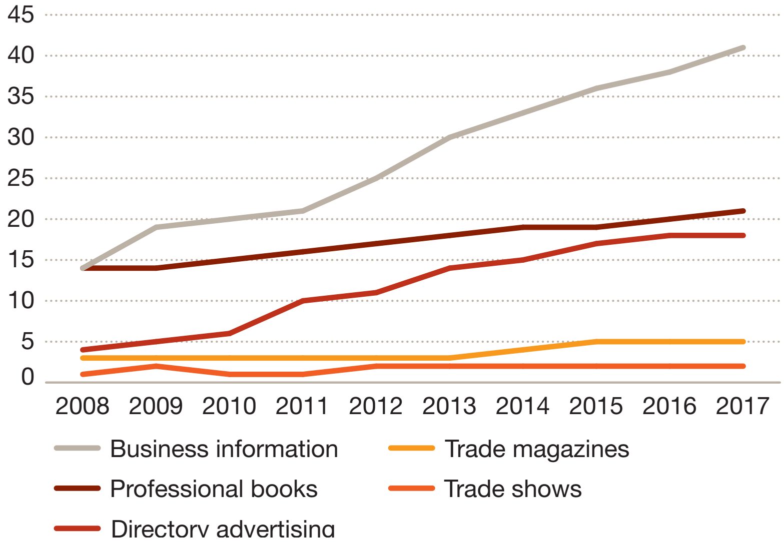
Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Business information	**14**	**19**	**20**	**21**	**25**	**30**	**33**	**36**	**38**	**41**	**10.0%**
Directory advertising	**4**	**5**	**6**	**9**	**12**	**13**	**15**	**17**	**18**	**19**	**9.9%**
Print	3	4	5	8	9	10	11	12	12	12	5.3%
Digital	1	1	1	1	3	3	4	5	6	7	21.9%
Professional books	**14**	**14**	**15**	**16**	**17**	**17**	**19**	**19**	**21**	**21**	**5.0%**
Print	14	14	15	15	16	16	17	17	18	18	2.7%
Electronic	-	0*	0*	1	1	1	2	2	3	3	27.8%
Trade magazine advertising	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**2**	**2**	**2**	**5.7%**
Print	1	1	1	1	1	1	1	2	2	2	3.8%
Digital	-	-	-	-	-	-	0*	0*	0*	0*	-
Trade magazine circulation	**2**	**2**	**2**	**2**	**2**	**2**	**3**	**3**	**3**	**3**	**2.9%**
Print	2	2	2	2	2	2	3	3	3	3	2.9%
Digital	-	-	-	-	-	-	-	-	-	-	-
Trade shows	**1**	**2**	**1**	**1**	**2**	**2**	**2**	**2**	**2**	**2**	**6.8%**
Consumer spend	**31**	**37**	**38**	**40**	**46**	**51**	**57**	**60**	**64**	**67**	
YOY growth (%)		*18.4%*	*5.6%*	*6.1%*	*12.8%*	*12.0%*	*8.1%*	*7.3%*	*6.4%*	*5.4%*	*7.8%*
Advertising spend	**5**	**6**	**7**	**10**	**13**	**14**	**16**	**19**	**20**	**21**	
YOY growth (%)		*26.1%*	*16.5%*	*48.0%*	*16.3%*	*18.3%*	*10.9%*	*8.9%*	*5.9%*	*3.8%*	*9.5%*
Total	**36**	**43**	**45**	**50**	**59**	**65**	**73**	**79**	**84**	**88**	
YOY growth (%)		***19.5%***	***7.3%***	***12.9%***	***13.6%***	***13.3%***	***8.7%***	***7.7%***	***6.3%***	***5.1%***	***8.2%***

* Less than US$ 1 million
Source: PwC, Informa Telecoms & Media

B2B will grow at a CAGR of 8.2% in the next five years.

The Kenyan B2B market is one of the fastest-growing markets in the world with a CAGR of 8.2%. It is forecast to reach US$88 million in 2017. The market was worth US$59 million in 2012 having grown by 64% between 2008 and 2012.

Business-to-business revenues by segment (US$ millions), 2008-2017



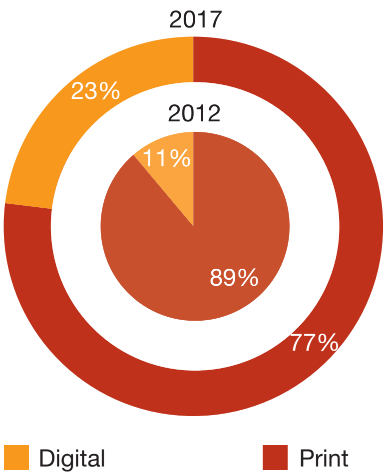
Source: PwC, Informa Telecoms & Media

B2B will be boosted by growth in business information and directory advertising.

Business information is the largest segment, accounting for 43% of revenues in 2012, and is forecast to grow by 10% per annum, the second-highest rate in the world, to reach US$41 million in 2017. The business information segment will benefit from Kenya's double-digit GDP growth and an increasing interest in the country as an investment destination.

The Kenyan business information market is relatively sophisticated with firms such as Globetrack International (GTI) gaining a foothold. GTI is a Kenyan social media monitoring company whose coverage includes Facebook, Twitter, LinkedIn, YouTube and MySpace.

Business-to-business spend, print vs digital market share, 2012-17 (%)



Source: PwC, Informa Telecoms & Media

23% of B2B spend in Kenya will be digital by 2017.

Digital spending on B2B (both via advertising and on products & services) will grow by a CAGR of 24% over the next five years. The emergence of digitisation will come directly a result of the impact of mobile devices, as consumers increasingly use their mobile handsets as their first point of access to Internet services.

Mobile phone ownership is booming. By 2017, 54% of Kenya's population will own a mobile phone, contributing to a significant rise in Internet usage. This will help the growth of digital advertising, which is set to account for 37% of directory advertising in 2017 and 14% of the professional books segment.

However, digitisation is not forecast to have a major impact on the trade magazine segment. Digital advertising will only become a feature of the Kenyan market in the second half of the forecast period with publishers sticking with print subscriptions for the time being.

Advertising revenues will be the engine of B2B growth. In 2008, 86% of Kenya's B2B revenues came from consumer spend, but advertising revenues are forecast to grow by CAGR of 9.5% and will account for nearly a quarter of the B2B market in 2017.

Trade show revenues are growing at 6.8% per annum, albeit from a low base, as the country looks to establish itself as a commercial hub. Recognising the country's potential, London-based organiser Montgomery has formed a joint-venture partnership with the Kenyan-based company Event and Conference Organisers (ECO).

The venture's objective is to run shows in Kenya and surrounding East African countries. Its first event will be *Hostex* East Africa, a hospitality show scheduled to take place in Nairobi in September 2013. Following Hostex, there are plans to run events in the ICT, oil & gas and mining sectors.

Global trends in business-to-business publishing

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Global Business-to-business revenues, 2008-2017 (US$ millions)

	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Business information	**87 475**	**80 148**	**83 577**	**88 126**	**90 969**	**93 848**	**97 074**	**101 090**	**105 478**	**110 220**	**3.9%**
Directory advertising	**32 121**	**29 128**	**26 639**	**24 947**	**24 081**	**23 348**	**22 815**	**22 394**	**22 266**	**22 307**	**-1.5%**
Print	27 020	23 544	20 284	17 594	15 294	13 368	11 719	10 257	8 996	7 888	-12.4%
Digital	5 101	5 584	6 355	7 353	8 787	9 980	11 096	12 137	13 270	14 419	10.4%
Professional books	**22 417**	**21 915**	**21 765**	**22 140**	**22 719**	**23 305**	**23 703**	**24 105**	**24 552**	**24 987**	**1.9%**
Print	20 642	20 038	19 612	19 451	19 274	18 972	18 499	18 001	17 551	17 063	-2.4%
Electronic	1 775	1 877	2 153	2 689	3 445	4 333	5 204	6 104	7 001	7 924	18.1%
Trade magazine advertising	**12 905**	**10 511**	**11 027**	**11 609**	**12 086**	**12 413**	**12 588**	**12 698**	**12 752**	**12 715**	**1.0%**
Print	12 427	9 739	9 775	9 583	9 337	8 999	8 732	8 506	8 273	8 089	-2.8%
Digital	478	772	1 252	2 026	2 749	3 414	3 856	4 192	4 479	4 626	11.0%
Trade magazine circulation	**8 640**	**8 334**	**8 058**	**7 724**	**7 418**	**7 282**	**7 280**	**7 362**	**7 598**	**7 865**	**1.2%**
Print	8 640	8 334	8 033	7 685	7 260	6 965	6 699	6 442	6 199	5 975	-3.8%
Digital	-	-	25	39	158	317	581	920	1 399	1 890	64.3%
Trade shows	**31 255**	**27 202**	**27 807**	**28 280**	**29 411**	**30 396**	**31 498**	**32 858**	**34 362**	**36 018**	**4.1%**
Consumer spend	149 787	137 599	141 207	146 270	150 517	154 831	159 555	165 415	171 990	179 090	
YOY growth (%)		*-8.1%*	*2.6%*	*3.6%*	*2.9%*	*2.9%*	*3.1%*	*3.7%*	*4.0%*	*4.1%*	*3.5%*
Advertising spend	45 026	39 639	37 666	36 556	36 167	35 761	35 403	35 092	35 018	35 022	
YOY growth (%)		*-12.0%*	*-5.0%*	*-2.9%*	*-1.1%*	*-1.1%*	*-1.0%*	*-0.9%*	*-0.2%*	*0.0%*	*-0.6%*
Total	**194 813**	**177 238**	**178 873**	**182 826**	**186 684**	**190 592**	**194 958**	**200 507**	**207 008**	**214 112**	
YOY growth (%)		***-9.0%***	***0.9%***	***2.2%***	***2.1%***	***2.1%***	***2.3%***	***2.8%***	***3.2%***	***3.4%***	***2.8%***

Source: PwC, Informa Telecoms & Media

- The top three B2B markets at the end of the forecast period will be the US, Germany and France. Of the top-10 ten markets, China and Russia will grow the fastest – each at a CAGR of 8%.
- In 2013, a revolution in data collection techniques will influence the business information segment as traditional forms of market research are threatened by behavioural research and analytics via social media platforms. Meanwhile, buyers of research will consider a DIY route for research through better use of business intelligence.
- Advertising revenues are stabilising as B2B and B2B2C advertising move to digital formats. The growth of digital is a key factor in this segment and digital is expected to surpass print in the directories category in 2015. Digital revenues (digital advertising in trade directories and magazines and digital subscriptions to trade magazines and digital sales of professional books) will grow from US$7.4 billion in 2008 to US$28.9 billion in 2017. However, the combined revenues of print and digital will fall by over US$8.2 billion between 2008 and 2017.
- China's trade show market will become the largest in the Asia-Pacific region, while government support for the trade show sector in the Middle East, Russia and Brazil will create more competition for venues in Europe. The global trade show business will be worth more than US$36 billion in 2017, up from approximately US$29.4 billion in 2012. The US, Germany, France, UK and Japan will again be the key markets. However, China can expect to surpass the UK and Japan in 2014 to become the fourth-largest trade show market.

Out-of-home advertising

Sunet Liebenberg
Senior Manager, PwC Southern Africa

Definitions

The out-of-home advertising (OOH) market consists of advertiser spending on OOH media such as billboards, street furniture (for example bus shelters, transit displays such as bus sides, on-train print, wraps on taxis and private vehicles), displays at sports arenas, airports, shopping malls, inside retail stores, wash rooms and other OOH spaces. The OOH market includes the so-called digital out-of-home advertising market, which has become a key growth area for the overall OOH market.

Advertising spending is tracked net of agency commissions.

In brief

South Africa's OOH segment is worth R3.7 billion in 2012, South Africa's OOH segment will grow by an estimated 7.2% CAGR to R5.2 billion in 2017, accounting for 11.5% of total advertising spend. Major infrastructure projects, including the launch of the Gautrain and improvements to OR Tambo International Airport have helped boost growth in South Africa's OOH market.

A significant sector for the advertising market, outdoor media, in particular billboards, are subject to increasing regulation and difficulties in measuring their effectiveness. This represents a challenge to the overall OOH market

Taxis are estimated by the South African Advertising Research Foundation (SAARF) to be the most viewed channel for OOH advertising, marginally ahead of street poles and billboards. TransitTV, which features news, travel and advertisements, contributes to this high viewing rate by broadcasting to commuters inside transport hubs and in taxis, reaching millions of viewers a month.

The emergence of digital signage will be intrinsic to the rise of OOH advertising. Its position as a medium that is able to provide dynamic content and deliver a targeted message will enable advertisers to respond to market conditions and trends quickly.

OHMSA (Out of Home Media South Africa) is conducting research with SAARF in which the movements of more than 4 000 people will be monitored. The results will be fed into a study to improve measurement into the efficacy of OOH advertising.

Nigeria's OOH market will be worth approximately R2.3 billion (US$284 million) in 2017, growing by a CAGR of 6.8%. An important driver of this growth will be the improving macroeconomic environment in Nigeria and a rise in market investment.

The Kenyan OOH market will be worth a forecast R1.3 billion (US$153 million) in 2017, growing by a CAGR of 9.4%. An increasingly urbanised market will help drive this growth, as will increased use of traffic hotspots and airline travel with airports becoming a key site for OOH advertising.

South Africa

The South African OOH market will grow at a CAGR of 7.2% over the next five years.

OOH revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Out-of-home advertising	2 652	2 455	2 800	3 227	3 655	4 002	4 317	4 610	4 911	5 168	
YOY growth (%)		*-7.4%*	*14.0%*	*15.3%*	*13.3%*	*9.5%*	*7.9%*	*6.8%*	*6.5%*	*5.2%*	*7.2%*

2008 – 2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

The stimulus from the FIFA World Cup has provided a lasting legacy for the OOH market.

The OOH market in South Africa was worth R3.7 billion in 2012, a 38% increase since 2008. South Africa's OOH market is forecast to grow at an annual growth rate of 7.2% and will see estimated revenues of R5.2 billion in 2017.

Impact of FIFA World Cup

The hosting of the FIFA World Cup in 2010 fuelled a recovery in OOH spending after a dip in 2009. The OOH market continues to benefit from the growth in the number of advertising sites as a result of the completion of several major infrastructure projects, such as the Gautrain, and improvements to OR Tambo International Airport in Johannesburg.

The arrival of global outdoor advertising company, JCDecaux, into the South African market earlier this year brings fresh competition to the predominantly local OOH providers. A presence in all OOH channels, JCDecaux will bring extra creativity and add a global presence to the market that will contribute to the strong forecast growth.

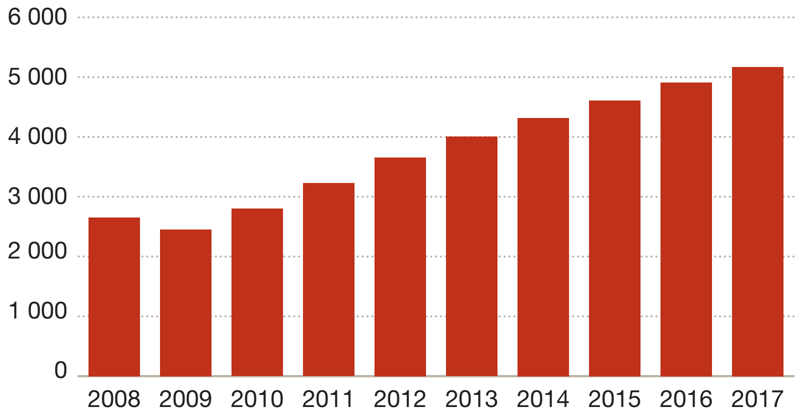
The growth of the OOH medium will be boosted by media owners offering clients a mix of sophisticated digitised panels and basic static posters, which will engage with South Africans of all income levels.

The OOH market will also be in a better position to compete for advertising spend as a result of OHMSA's endeavours to improve techniques of measuring the effectiveness of OOH.

OOH stakeholders will need to work closely with local government authorities in order to achieve consistency in how OOH, especially roadside billboards, is regulated in towns and cities.

OOH revenues are set to exceed R5 billion in 2017.

OOH revenues, 2008-2017 (R millions)

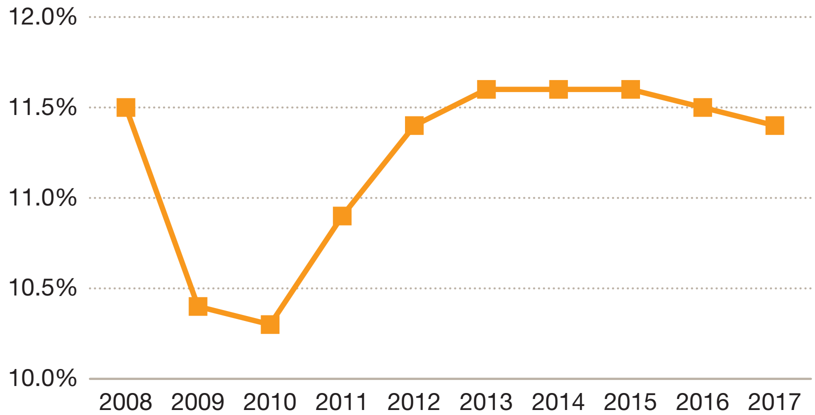


Source: PwC, Informa Telecoms & Media

Although several innovative solutions will be launched by media owners over the forecast period, the growth of this sector will be hindered by challenges in measuring OOH's effectiveness and by local government regulations, which could hinder the ability of the medium to grow its share of advertising expenditure.

Another challenge facing the medium is the draft Control of Marketing of Alcoholic Beverages Bill, which prohibits the advertising and promotion of alcoholic beverages in outdoor areas, which is currently under review. Given that billboards comprise approximately 40% of OOH revenue, this proposed prohibition could have a significant impact on a major component of the OOH market.

OOH's share of total advertising revenues, 2008-2017 (%)



Source: PwC, Informa Telecoms & Media

OOH's share of total advertising revenues will stabilise at around 11.5% .

Urbanisation

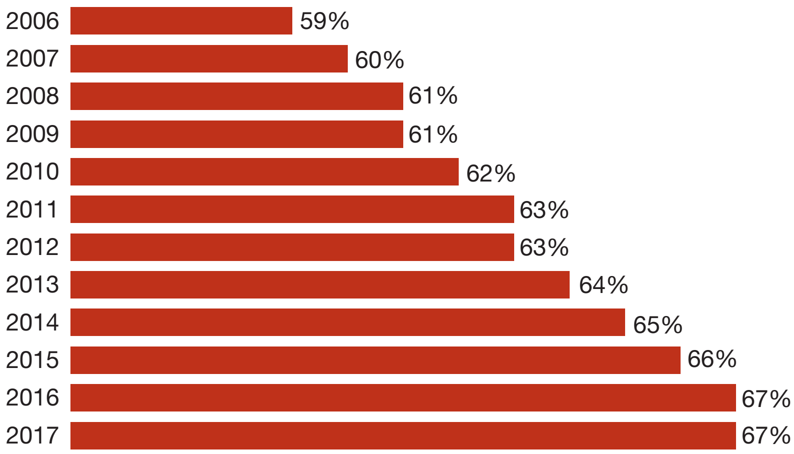
Urbanisation in South Africa is a major trend with more than a million people moving to towns and cities each year. This steady influx of people will result in an expansion in the number of potential eyeballs for the OOH market with the most popular inventory sites remaining in areas of convergence.

A more urbanised population signifies more traffic for the OOH market because greater numbers of people use public transportation, spend time in shopping malls and own cars. This demographic shift will be accompanied by increased infrastructure investment and further expansion of the emerging middle class, which will have more spending power.

Given what defines the consumption habits of the middle class – an upgrading of status goods – growth in the middle class represents a huge opportunity for the advertising sector. The OOH market should be able to capitalise on this by reaching out to a larger and more mobile set of consumers who are ready to engage with advertisers while in transit.

By 2016, two-thirds of South Africans will live in urban areas.

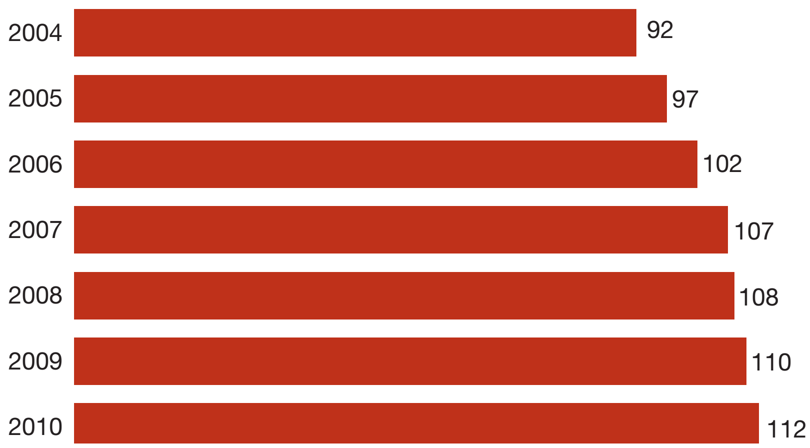
Levels of urbanisation, 2006-17 (% of population)



Source: World Bank

South Africans spend on average of 2.8 hours a day commuting to and from work.

Passenger cars per thousand people, 2004-10



Source: World Bank

Reaching commuters

Humans are creatures of habit and when it comes to getting to and from work, they tend to take the same routes each day. This provides opportunities for advertisers to use the OOH medium to engage and reinforce advertising messages, and even entertain commuters.

South Africa's public transport system is inadequate and it continues to be a car-centric nation with public transport not being widely utilised (especially by affluent consumers). In 2010 there were 112 passenger cars per thousand people and this rate will continue to rise throughout the next five years.

For media owners without a presence on major highways, there are still opportunities as uncertainty remains regarding the implementation of tolling on the N1 ring road around Johannesburg. Tolling would lead to commuters change their routes and use secondary roads, thereby providing opportunities for media owners in these locations.

Car ownership has been growing steadily in South Africa.

The launch of Johannesburg's Gautrain and Cape Town's MyCiti bus service are attempts to shift commuters from their cars and onto public transport. One objective of the Gautrain is to reduce the traffic on the N1 by 20%. Between September 2011 and January 2012, the Gautrain averaged over 700 000 fares per month.

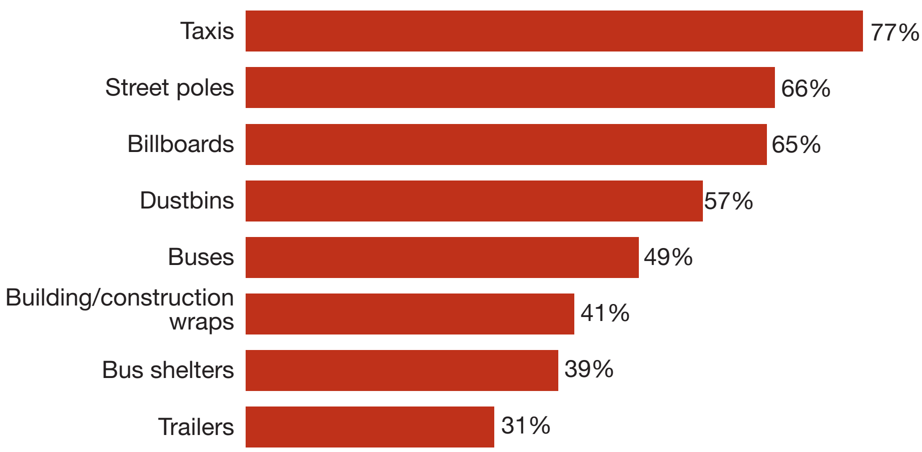
Most importantly for advertisers, both MyCiti and Gautrain are being utilised by affluent consumers, business professionals and international travellers, providing opportunities for OOH advertising to reach these attractive segments.

Road networks are becoming a key location for the OOH market

While it accounts for just 5% of OOH advertising revenues, taxi advertising is, nevertheless, an important component of the OOH market given its status as being the most-viewed form of OOH. The attractiveness of taxis as an advertising channel has been boosted by the addition of taxi-top advertising in major cities and the launch of digital networks in cabs by In-Taxi Television and MASSIV TV, which offer news and weather alongside advertising slots.

Inclusive of taxis, street poles, buses, bus shelters and trailers, the road network has a significant role to play in capturing consumers' attention. The expansion in public transport routes and upgrades to taxi ranks and stations has encouraged advertisers to target commuters as they wait for their transport. Combined, the road network is likely to contribute almost 15% of OOH revenues.

Average weekly reach, 2012 (% of population)



Source: South African Advertising Research Foundation (SAARF)

Building wraps grow in popularity

OOH will continue to offer advertisers large blank canvasses for their campaigns, generating immediate impact for their clients, be that beside roads, in shopping malls or in townships.

The traditional billboard remains by far the highest contributor to total revenues making up approximately 40% of OOH advertising spend. There are some emerging challenges appearing in the form of building wraps and particularly in-store advertising.

In March 2013, Primedia Outdoor unveiled the first roadside LED-screen billboard to be located on a national road. The screen is on the N1 South in Johannesburg and is passed by 1.7 million vehicles monthly. MTN South Africa has paid for exclusive rights to the site. This follows the installation of the largest LED screen ($152m^2$) in the southern hemisphere, located outside Cape Town International Airport and is another example of the way technological advancement is shaping the industry.

The Johannesburg City Council has also approved a $405m^2$ building wrap on the corner of Sauer and Commissioner Streets, overlooking one of downtown Johannesburg's busiest intersections. First to use the site was Imperial Holdings with its *'I-Pledge'* road-safety campaign. Again in Johannesburg, the Sandton City skyscraper's building wrap was the location for Standard Bank's *'Moving Forward'* campaign.

Sandton City Shopping Centre's network of video screens, including a video wall made up of up to 20 47-inch HD screens, has been utilised by consumer brands such as Hugo Boss, Standard Bank, Pepe Jeans and Zara and this media type will expand rapidly in the coming years.

Advertisers are also targeting the mass market via 'wall media' in townships. Advertising at intersections, often on the walls of private properties, provides extra income for communities and households.

Beyond Johannesburg, Samsung Electronics took ownership of the branding rights to Shell House, one of Cape Town's tallest buildings, in March 2013.

Increased urbanisation and car ownership combined with investment in the road network, will help to drive further growth in certain types of OOH, including taxis, buses and bus shelters, while further expected growth in building development will boost the appeal of building wraps.

Innovative audience engagement

'Doing more for less' has become a corporate mission statement for many businesses and digital signage delivers it. In terms of *less*, the mass production of media players and display screens for digital signage means a digital billboard now costs about half of what it did in 2008. The *more* is relatively obvious to any observer: the ability to change content quickly so as to deliver a targeted message that enables advertisers to respond to current market conditions and trends.

The flexibility and agility that digital signage offers the advertiser will drive growth. For instance, just minutes after a public figure has been televised across the world, such as Usain Bolt's winning a gold medal at the London Olympics, that same public figure can be deployed in an advertising campaign.

This can create a powerful bond between advertiser and consumer, as demonstrated by the Sasol campaign for the Olympics gold medals won by South Africa's Chad le Clos and Cameron van den Bergh on the

Digital signage offers higher levels of flexibility and agility at declining cost.

Sandton Eye LED screen opposite the Sandton Gautrain Station. The ability to alter a campaign to meet the needs of a different audience or even the same audience, albeit in a different frame of mind – say, commuters returning from a day in the office, as opposed to starting their day – gives the advertiser an opportunity to be more targeted in its approach.

The power of digital signage goes beyond its ability to target the right audience with the right message at the right time. Engagement can be more direct, with consumers encouraged to partake in an immediate interaction with a brand being advertised by scanning a Quick Response Code (with a mobile device) or using a smartphone to engage directly and immediately with the brand being advertised on the big screen.

This level of engagement can be seen in the *'Give that man a Bells'* advertising message taken on by Continental Outdoor Media, which delivered an interactive advertising campaign in Johannesburg, which recognised the contribution of local heroes. Residents were encouraged to send SMS messages to nominate local heroes that they believed deserved a Bells whisky.

Digital OOH is also on the rise in many indoor locations such as shopping malls, pharmacies and petrol stations.

Growth of mobile

The growth of mobile allows advertisers to access a new sales channel.

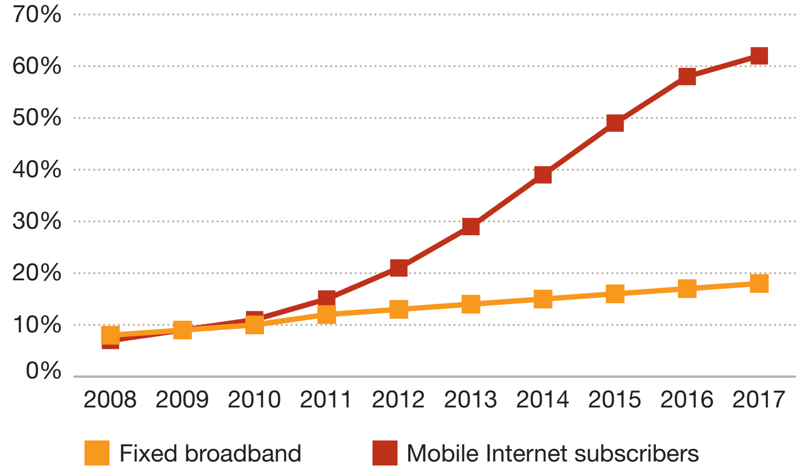
The fact that mobile Internet penetration outstrips fixed Internet connections will serve as a boost to the OOH medium as advertisers look to create campaigns that integrate mobile devices with campaign messages.

With the launch of NFC (near-field communications) enabled handsets in South Africa, more opportunities for consumers to interact directly with a brand will become available. Consumers will soon be in the habit of touching or tapping their phones against digital signs in order to access additional content.

The South African OOH market will also be boosted by another technical development augmented reality (AR) – which will allow consumers to interact with campaigns via a hologram or other type of AR and potentially provide an entertaining way to interact with a brand.

Internet access is growing rapidly, led by mobile rather than fixed broadband.

Penetration of fixed broadband (% of households) and mobile Internet (% of population), 2008-2017



Source: PwC, Informa Telecoms & Media

Measuring impact

Measurement techniques a key to sustained OOH advertising growth.

These are positive times for the OOH sector. It has renewed its roadside presence with greater city exposure at public transport hubs, shopping malls and taxi stands. The channel also offers much in the way of advantages over other forms of advertising. In an age where consumers are more mobile, both in their movements and in their technology choices, OOH advertising is ubiquitous, non-intrusive, relevant and agile.

However, OOH still faces a major challenge, as advertisers need more effective ways to measure their audience and therefore the success of a campaign. This has been an issue that the OOH advertising industry has been wrestling with for many years.

But the industry is taking action with a renewed focus on a better compilation of panels and billboards – and not just in North America and Europe. In the Middle East, for example – and particularly in the UAE, Kuwait and Bahrain – each OOH location is visited and photographed regularly. Just as important as a comprehensive record of panels and billboards to inventory management is the assessment of their visibility.

There has also been an improvement in the measurement of traffic flows. The monitoring of road traffic has become relatively well developed, but so too has the collection of footfall data in shopping malls and public transport facilities. Less well developed is the tracking of travel behaviour.

Answering the question at what time of day do more people pass a certain location is important to the industry, but so too is an assessment of the likely age, income bracket and mood of the person who is passing that particular location at that particular time.

This level of intelligence needs to feed into advertising campaigns in order to get the most out of the potential dynamism, flexibility and relevance of digital out-of-home (DOOH) advertising.

Better audience measurement is a priority.

Accurate measurement helps business intelligence

The American OOH market is already benefitting from improvements in measuring techniques to demonstrate the medium's effectiveness. The Traffic Audit Bureau's Out-of-Home Ratings system is not only able to detect whether a person looks at an advertisement, but also provides demographic data. This supplies analysis that provides real insights into traffic flows that the previous rating systems could not.

In Australia, the use of a web-based system – Measurement of Outdoor Visibility and Exposure (MOVE) – has helped the industry compare the effectiveness of different outdoor advertising formats (roadside billboards, posters, street furniture, railway stations, airports and shopping malls). This system not only helps with the management of assets, but can also size different audiences by format, and assess the most effective visibility of individual panels and billboards.

Using measurement techniques to gain audience and asset insight

Using measurement techniques to gain audience and asset insight	
Know your assets	How many panels/billboards are located at different OOH locations (roadside/ public transport/ street/ shopping malls)?
Audience sizing	What is the flow of traffic by road, public transport, shopping mall? Which location will have the most impact by audience size?
Audience insights	Can you predict type of traffic flow and thereby create the best-targeted message? Might the campaign change at different times of day, or days of the week? Use the dynamic nature of DOOH advertising.
Visibility testing	Assess the physical charactersitics of the signage not to evaluate how many people can see a message, but rather how many actually do see the message. Evaluate size, height, angle and illumination of panels.

Source: PwC, Informa Telecoms & Media

In South Africa, media planners considering OOH billboards use gross traffic numbers, which are provided by local authorities, but these figures do not necessarily reflect whether the passers-by saw any advertising on their route.

OHMSA recently agreed a way forward with SAARF, with members contributing an agreed amount to SAARF each year to help fund a study, which it hopes will lead to improvements in audience measurement.

The study involves a sample of over 4 300 people carrying an NPod (Nielsen Personal Outdoor Device). The device is carried by respondents for 10 consecutive days and it records each respondent's GPS positions every five seconds.

The empirical evidence will provide media planners with better insight into the potential effectiveness of a particular site.

Another important development for the OOH market is the creation of a reliable database of outdoor advertising sites by Outdoor Auditors across South Africa. The database now contains data of 9 000 sites, including the Gautrain route.

In an environment of scarce budgets the OOH market needs to prove its worth to advertisers. The sector can learn from the effective measurement techniques used in the indoor OOH market (effective footfall counts), and by so doing can challenge the efficiency of measurements collected in the TV, radio and print advertising markets.

Accurate measurement is crucial to the growth of OOH.

Nigeria

Nigeria's OOH market will grow at a CAGR of 6.8% in the next five years.

OOH revenues 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Out-of-home advertising	59	151	178	189	205	222	237	253	269	284	
YOY growth (%)		*154.7%*	*17.6%*	*6.6%*	*8.0%*	*8.7%*	*6.8%*	*6.5%*	*6.4%*	*5.7%*	*6.8%*

Source: PwC, Informa Telecoms & Media

The OOH market in Nigeria was worth US$ 205 million in 2012, an increase of 247% from 2008. Growth in Nigeria's OOH market is forecast to slow to an annual growth rate of 6.8% and will see revenues of US$ 284 million in 2017.

The Nigerian OOH market will benefit from an economy whose real GDP is forecast to grow by an average of 6.7% per annum. In addition, the shift in population to urban areas, from 43% in 2006 to 63% in 2017, will spur growth in the OOH market. Like South Africa, digital OOH is forecast to become a feature of the market as advertisers look for the flexibility offered by the format.

The Nigerian OOH market has become vast, so much so that the Outdoor Advertising Association of Nigeria (OAAN) claims that many billboards are unoccupied.

Solar-powered billboards have become a common site in the country alongside other popular formats that include:

- Lamp posts;
- Digital (LED) billboards;
- Streetlight posters;
- Wall-mounted boards; and
- Bus and taxi branding.

The high growth rate in the market has attracted international firms such as Primedia to invest in Nigeria via a partnership with Deluxe Colour Productions. The partnership will initially look to focus on advertisements on bridges on commuter routes and building wraps.

Primedia Nigeria was recognised for its contribution to Nigeria's OOH market with the award of the Platinum Brand Award at the recent Movers and Shakers awards.

Provider E-motion operates a digital outdoor advertising network across the largest cities in Nigeria with their billboards operated, updated and monitored from a central server.

Lagos State Signage and Advertisement Agency (LSSAA) is establishing itself as Nigeria's first structured outdoor media regulator. The LSSAA is introducing Skype video as part of its strategy to improve customer engagement and this will be introduced to the agency's 22 branches.

DOOH is not nationwide and indeed digital signage is very much a rarity in rural areas, but Umuntu Media has launched the Mimiboard. The company aims for the boards to be used as electronic notice boards in local communities with content provided by local bloggers and community leaders. The boards have the potential to carry advertisements as they become more popular.

Verification of all unoccupied sites will become easier in the years to come as a result of TMKG Media Audit, an out-of-home and outdoor media monitoring agency, and its launch of Postartrack in August 2012. Postartrack is a web-based tool that enables users to locate and evaluate all types of out-of-home media displays, providing advertisers, agencies and media owners with market intelligence for planning and inventory control. The service also incorporates traffic count data for determining daily effective circulation (DEC) and cost per mille (CPM) for each billboard site audited.

Regulation of the market for the time being is opaque with local, federal and state governments claiming to be arbiters of the sector. To deliver campaigns, providers have to negotiate with each state and in the time these procedures take, states often change their legislation around OOH.

Delivering billboard advertisements has an added challenge in Nigeria with touts looking to collect fees for any work carried on sites, especially in rural areas.

Kenya

Kenya's OOH market will grow at a CAGR of 9.4% in the next five years.

OOH revenues 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Out-of-home advertising	32	58	67	90	97	106	116	129	141	153	
YOY growth (%)		*78.8%*	*16.6%*	*34.5%*	*8.0%*	*8.5%*	*9.7%*	*10.9%*	*9.4%*	*8.6%*	*9.4%*

Source: PwC, Informa Telecoms & Media

The OOH market in Kenya was worth US$ 97 million in 2012, an increase of 203% from 2008. Growth in Kenya's OOH market is forecast to slow to an annual growth rate of 9.4%, but this growth rate will be one of the highest in the world, as revenues reach US$ 153 million in 2017.

Growth in the Kenyan OOH market is being driven by a number of factors, including real GDP growth of more than 6.1% per annum throughout the forecast period. Kenya is experiencing rapid rates of urbanisation as a result of government and developmental activities, with 29% of the population forecast to live in urban areas by 2017, up from 19% of the population in 2006. Literacy levels among the population are improving, with 87% of the population considered literate in 2010, up from 78% in 1995.

The OOH market is also benefitting from a rise in airline departures by international and national carriers and rising car ownership rates, providing larger audiences for campaigns aimed at international travellers and regular commuters.

Mobile devices represent an effective channel for the OOH industry to integrate online and physical campaigns with the mobile now the primary way for Kenyans to access the Internet. Informa Telecoms & Media forecasts that a quarter of the population will access the Internet via a cellular interface by 2017, while fixed broadband will see household penetration of just 4%.

The Kenyan OOH market received a boost with global advertising agency Posterscope establishing an office in the country in 2011, as it recognises the country as a regional hub. Similarly, Alliance Media uses its Kenyan office as a gateway to East and Central African markets.

Key formats in the OOH Kenyan market include:

- Roadside billboards;
- Street furniture (including lamp posts);
- Building wraps; and
- Airport media.

In Nairobi, the most popular billboard campaigns focus on beverages, banking services, food outlets, insurance, telecoms services and motor vehicles, while beauty products for hair and skin are also heavily advertised. An example of a recent billboard campaign came from Alliance Media Kenya, which in March 2013 introduced a number of billboards to communicate the partnership between Visa and Shell for making fuel payments with a Visa card.

Roadside billboards have, however, come under threat from regulators. Kenyan authorities are planning to remove several billboards in Nairobi, as it is believed their size and proximity to each other distract drivers.

Another format that has been launched is vehicles equipped with public address systems and screens mounted on all sides. The trucks, owned by Motion Pictures, travel along routes in Nairobi and staff distribute marketing collateral as they move through the streets.

The roads in and around Jomo Kenyatta International Airport (JKIA), (which unfortunately burned down in August 2013), are the most expensive outdoor sites per square metre in the country, with the country's largest mobile network operator Safaricom dominating advertising space in and around the airport.

Digital signage is also becoming a part of consumers' retail experience with First Community Bank (FCB) implementing digital signage in branches across the country. Until now DOOH has not been widespread in Kenya, but shopping malls are expanding the number of locations available for OOH and given that malls are frequented by the most affluent members of Kenyan society, it is only a matter of time for static posters to become digitised.

Digital signage is a rarity in rural areas, but as in Nigeria, Umuntu Media has launched the Mimiboard. The company aims for the boards to be used as electronic notice boards in local communities with content provided by local bloggers and community leaders. The boards have the potential to carry more advertisings as they become more popular and could become revenue generating for county councils keen to manage the process, especially in Nairobi.

Global trends in out-of-home advertising

The following is extracted from PwC's *Global Entertainment & Media Outlook: 2013-2017*

Global OOH revenues will grow at a CAGR of 4.9% in the next five years.

Global OOH revenues, 2008-17 (US$ millions)

	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Out-of-home advertising	32 105	28 757	30 949	32 479	33 771	35 400	37 151	38 944	40 841	42 809	
YOY growth (%)		*-10.4%*	*7.6%*	*4.9%*	*4.0%*	*4.8%*	*4.9%*	*4.8%*	*4.9%*	*4.8%*	*4.9%*

Source: PwC, Informa Telecoms & Media

- Following a fall in spending towards the end of the last decade, the OOH advertising market will enter a sustained period of growth as expenditure increases from US$33.8 billion in 2012 to US$ 42.8 billion in 2017, a 5% CAGR.
- Continued urbanisation will be a force for growth in the OOH advertising market. By 2017, 57% of the world's population will live in cities and towns, and, as a consequence, major infrastructure spend in urban areas is set to increase, especially around public transport and roads. This will make OOH advertising more attractive to advertisers.
- The rise of digital OOH advertising will be another industry driver. Dynamic and innovative, digital signage allows the advertiser to be relevant, up-to-the-minute and agile in its consumer engagement. Revolutionising the industry, the use of digital will ensure that OOH becomes a far more compelling route to the advertising market in 2013 and beyond.
- The rise in smartphone and tablet adoption is encouraging the use of interactive advertising campaigns in close proximity to points of purchase. This enables contextual advertising, which is positive for consumers and brands alike. Global smartphone usage will spiral to 3.1 billion connections by 2017, up from 1.1 billion in 2012, which will encourage greater use of digital OOH.
- The measurement of OOH advertising audiences must continue to improve. This means a need for more comprehensive inventory management of billboards, better estimates of traffic passing panels and greater insights into the movement patterns of people. Improved data analytics will continue to enhance the measurement techniques of billboard OOH advertising.

Video games

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Definitions

This segment breaks down advertising via video games and consumer spending on video games by component, including console, personal computer (PC), online and wireless or mobile games. Revenues from console and PC games are split by physical and digital.

The console category covers all revenues from playing games of any type on a games console (both in home and handheld). It includes game sales at retail, digital game sales, additional downloadable content (DLC) and subscription services.

PC games covers revenues from traditional, more complex PC game sales. This category includes sales revenues from retail and digital download stores and additional downloadable content.

Mobile gaming considers all revenues from playing games on a mobile device (tablet or mobile phone). It includes digital game sales, subscription services and associated virtual items.

Online gaming includes games played at a PC that require an Internet connection. It covers subscription massive multiplayer online games (MMOs), free-to-play MMOs, casual games and social games.

Video game advertising covers all revenues generated from advertising on any games platform and access type, including in-game and console-dashboard advertising.

In brief

The market for video games in South Africa generated revenues of R2.2 billion in 2012. Fuelled by growth in digital and mobile gaming in particular, revenues are forecast to grow by a CAGR of 9% to reach R3.3 billion in 2017.

With a low level of broadband access, gaming services like online gaming, and even the digital distribution of console and PC games in South Africa, lag behind more mature markets such as those in Western Europe.

South Africa's early strength in the PC gaming market and a robust multi-generational console market offer a stable platform for future gaming and a launch pad to the rest of the continent.

It is however mobile gaming that will turn from today's emerging phenomenon into the star of the show, reflecting South African consumers' commitment to mobile devices as their primary interactive entertainment platform.

Tablets, still a largely untapped market, will boost mobile gaming over the medium term as they offer more compelling and complex gaming experiences, combined with the convenience of mobile broadband and a 'play anywhere' ethos.

The multifunctionality and convenience of tablets and smartphones is expected to result in the demand for hand-held consoles diminishing in the near future.

The Nigerian video games market is all about either mobile gaming or online gaming, but will see rapid growth, albeit from a very small base. The games market generated revenues of R533 million (US$65 million) in 2012, but this is forecast to rise to R1.4 billion (US$170 million) by 2017, a CAGR of 21.5%.

In Kenya, the late development of broadband and the relatively high cost of PCs and consoles means that its gaming market is also dominated by mobile and online games. Revenues in 2012 were R336 million (US$41 million), but this will rise to an estimated R829 million (US$101 million) by 2017, a CAGR of 20%.

South Africa

Video games market, 2008-2017 (R millions)

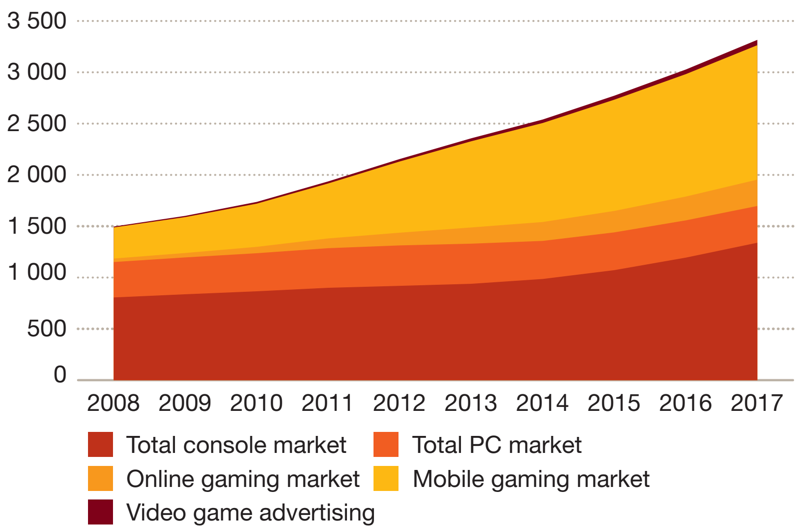
South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Console	**806**	**837**	**866**	**900**	**919**	**939**	**986**	**1 073**	**1 194**	**1 339**	**7.8%**
Physical	806	837	866	900	875	843	844	879	937	1 017	3.1%
Digital	0*	0*	0*	0*	44	96	142	194	257	322	49.1%
PC	**345**	**359**	**371**	**386**	**394**	**391**	**372**	**368**	**364**	**358**	**-1.9%**
Physical	345	359	371	386	375	324	265	223	194	180	-13.6%
Digital	0*	0*	0*	0*	19	67	107	145	170	178	56.7%
Mobile	**303**	**350**	**421**	**536**	**694**	**840**	**965**	**1 084**	**1 193**	**1 310**	**13.5%**
Online	**34**	**43**	**62**	**95**	**124**	**158**	**184**	**209**	**232**	**257**	**15.7%**
Advertising	**9**	**12**	**17**	**20**	**24**	**29**	**34**	**39**	**45**	**52**	**16.3%**
Total	**1 497**	**1 601**	**1 737**	**1 937**	**2 155**	**2 357**	**2 541**	**2 773**	**3 028**	**3 316**	
YOY growth (%)		***7.0%***	***8.5%***	***11.5%***	***11.3%***	***9.3%***	***7.8%***	***9.1%***	***9.2%***	***9.5%***	***9.0%***

* Less than R1 million
2008-2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

By 2017, the South African video games market will be worth R3.3 billion.

The market for video games in South Africa generated revenues of R2.2 billion in 2012, up from 2008 revenues of R1.5 billion. Fuelled by growth in digital and mobile gaming in particular, revenues are forecast to grow by a CAGR of 9% to reach R3.3 billion in 2017.

Video games market by category, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Console and mobile gaming will dominate the South African market in the next five years.

Console market catches up to more mature markets

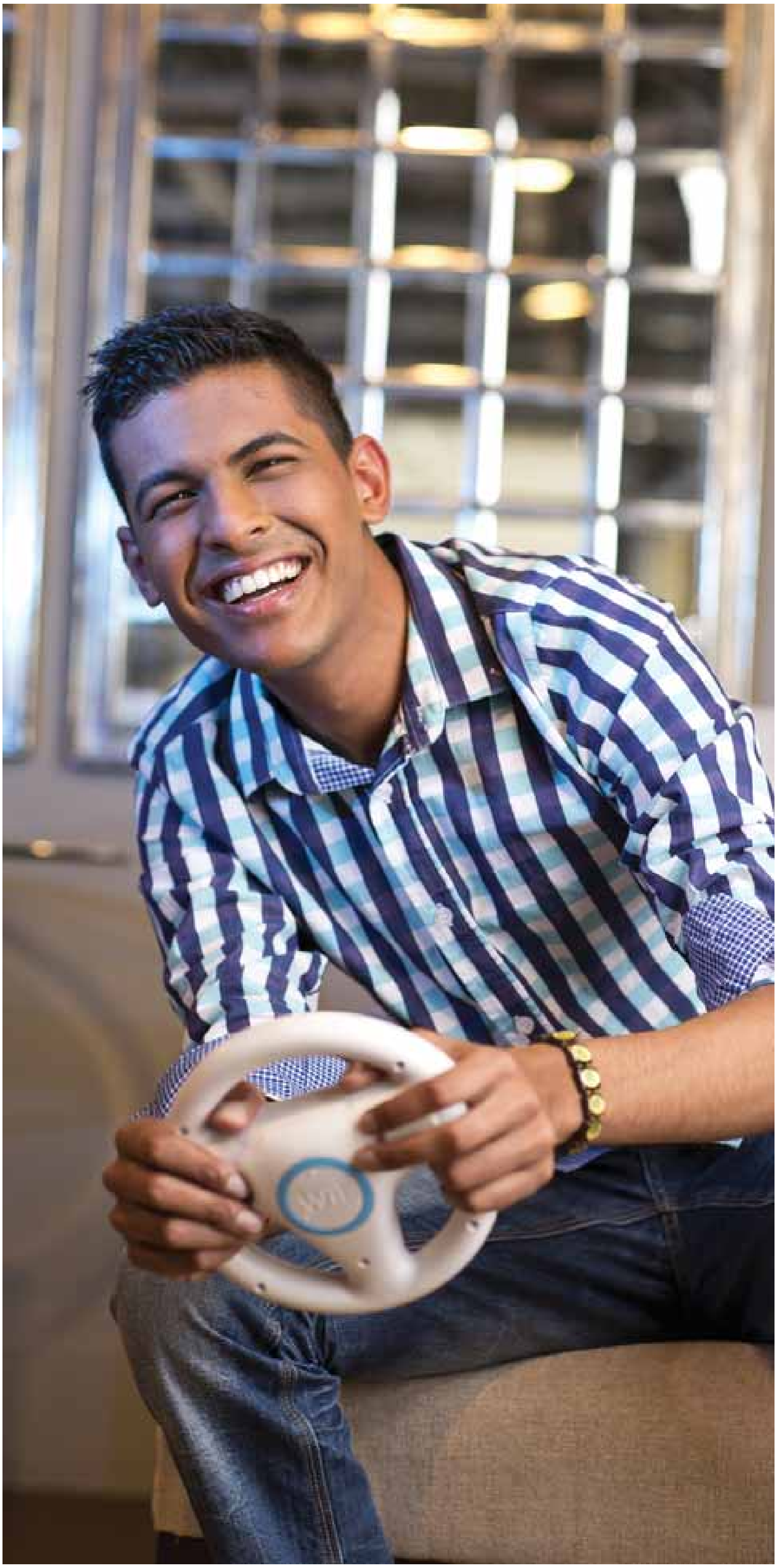
The future of the console market will be heavily influenced by the highly-anticipated next-generation devices from Sony and Microsoft. The PlayStation 4 is expected in South Africa early December 2013, the Xbox One expected to launch here either late 2013 or early 2014 and Nintendo's Wii U has already been released in November 2012.

Assuming that the launches are supported by a strong portfolio of titles and additional services, a further boost to the console sector overall is likely. The PlayStation 4 will be cheaper at launch than the PlayStation 3, whose high sales tag has been blamed for its failure to outsell the PlayStation 2. It has strong social media features, which enable players to stream gameplay to friends as well as upload it to social networks.

The console makers have opted for different strategies in the launch of their products, as Sony and Nintendo placed emphasis on the gaming credentials of their consoles, while Microsoft placed emphasis on its console being a multimedia device.

The market's reaction to the different approaches is yet to be seen. The effect of smart devices on the sale of consoles was evident in the release of Wii U, which sold 3.45 million units globally between its launch in November 2012 and the end of March 2013. In comparison, its Wii predecessor sold 5.84 million units globally from its launch in November 2006 to the end of March 2007.

If sales of Nintendo's Wii U are representative of a declining market for gaming consoles, Microsoft's device may outplay the rest as it offers alternative functionality for users and may represent the birth of new home entertainment systems by offering consumers an all-in-one package.



The current generation of video game consoles have reached the end of their natural life, which historically has been after around five years from their introduction to the market. The Sony PS3 and the Nintendo Wii are in their seventh year and the Microsoft Xbox 360 is in its eighth year on the market. The production of the Sony PS2 continued until January 2013, almost 13 years after it was launched.

A number of things typically happen as consoles approach the end of their natural life:

- **The hardware becomes more affordable and the installed base reaches a peak**

  Consoles typically start off being expensive consumer purchases (despite being loss leaders for the manufacturers) and reduce in price on an annual (or even biannual) basis. This means that while early adopters are keen gamers, those who come later in the cycle may be younger and have less disposable income to spend on games. It does also mean that around year five or six, the installed base for any specific generation of console is at its peak.

- **The games represent the best games that the platform can support**

  The final games released for a console are almost always looked back on as the pinnacle of what that hardware was capable of. Unfortunately, sometimes these games come out as the early adopters have already moved on to the new generation of consoles. *Okami*, a Japanese action-adventure game on the PS2, is a great example of this. It was one of the last PS2 games released prior to the release of the PS3, which resulted in it suffering from poor sales as gamers migrated to the newer and improved PS3.

- **Game spend, per console, decreases**

  As less avid gamers get hold of consoles, the number of games they buy will be lower than keen early adopters. Additionally, by late in the console life cycle, there is a huge range of 'classic' games available at budget prices, not to mention a vibrant second-hand games market. This means that, while the volume of sales may be higher, the overall value of the market may be static or even decrease.

We have seen all of these things happen in the past year or so in the South African game console market, but, unlike many Western European or North American markets, we haven't seen a dip in overall category spending. Several factors have contributed to South Africa bucking the trend in the current console generation:

- **Ongoing strength of older game platforms**

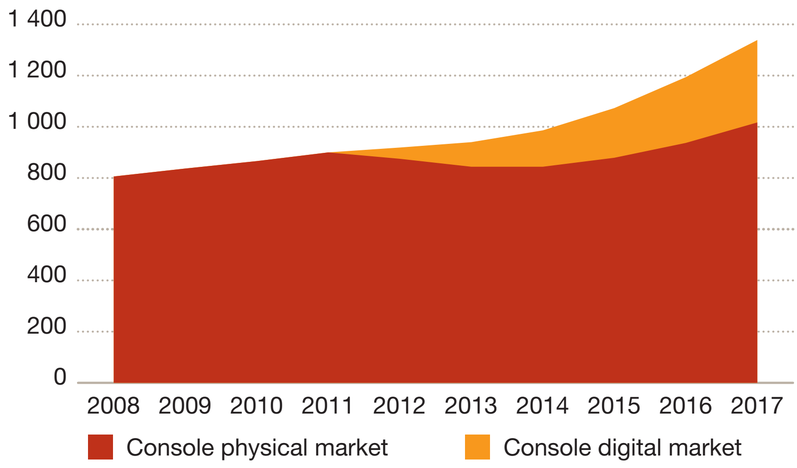
  In less mature economies, the cost of games and game consoles represents a significant investment compared to, say, the US. As such, older platforms like the PS2 (with their wealth of high-quality, budget games) have a longer shelf life and can remain viable long after Western European gamers have moved on. This is evidenced by the PS2's longer than usual production lifespan of 13 years. Additionally, while high-definition (HD) visuals are a key selling point of newer consoles, many South African gamers are still using older standard-definition televisions and will therefore not benefit from the HD visuals.

- **Lack of robust online services**

  As other gaming numbers highlight, online services have been constrained to date (and will continue to be) by the relative low levels of broadband access. Ironically, this helps the console market since even with PS3 or Xbox 360 games, the experience is pretty good regardless of whether you are online or not. By contrast, newer PC games, online games and advertising-supported games all require robust connectivity.

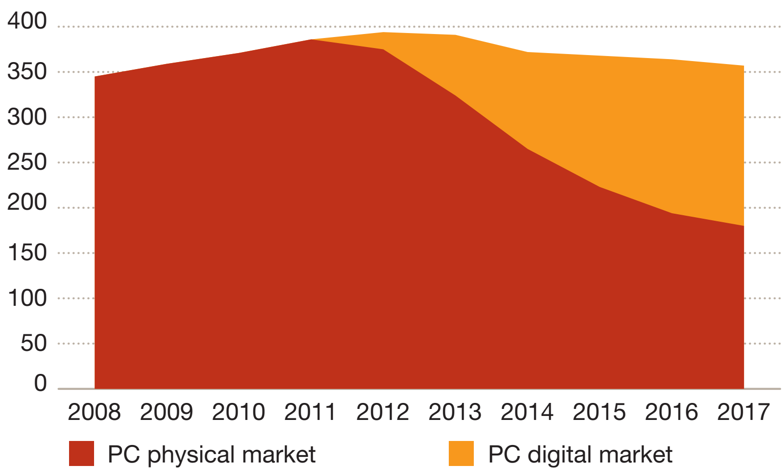
By 2017, 24% of console game sales will be digital, significantly lower than the 34% globally. This is largely driven by the much lower availability of broadband and the preponderance of low-priced games – typically bought from malls with cash. Without mastering, distribution and retail costs to worry about, games should, in most cases, be more profitable when sold through a digital channel – assuming a similar price point. Digital distribution also reduces piracy and opens up more opportunities for downloadable content and increased subscription services like PlayStation Plus.

Console games market, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

PC games market, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

South African PC gaming revenues peak and then gently decline.

The console market shows a gradual growth curve.

PC gaming decline slowed by digital

PC gaming revenues, referring only to the retail sales of PC games, continue to decline in all markets. In the South African market, PC gaming revenues are expected to drop in value from R394 million at their peak in 2012 to R358 million by 2017.

This partially reflects a shift in gaming habits; with more people playing casual games on PCs via Facebook than buying games along with more people playing online games. It also reflects a media environment in which piracy is everywhere.

Even though they have been introduced to the South African market late, services like Steam or EA's Origin, which are online markets where video games can be downloaded, are contributing to the growth in digitally-distributed games. They are also reducing the endemic piracy of PC games.

By 2017, digital games revenue in South Africa will represent 50% of all PC games revenue, compared with an average of 83% globally.

Online gaming continues to grow

Online gaming refers to those games which can be purchased and played on the Internet or social media sites. In the past few years, online gaming has grown significantly, although from a small base, owing to the increase in South Africa's broadband penetration, lower costs and the wider variety of games available.

Online gaming spend will continue to be the fastest-growing segment with a 15.7% CAGR, growing from R124 million in 2012 to an estimated R257 million in 2017.

The biggest benefit of online games is that they can be used both by single and multiple players and therefore appeal to a wider market. Multiplayer games provide for a more realistic experience, as players have to contend with real human intelligence, rather than artificial intelligence.

Another attraction is that online gaming sites often offer simple, free games that are paid for by advertising – *Angry Birds* is one of the most popular. The game has been downloaded more than a billion times to date.

The tenth anniversary of South Africa's biggest gaming expo, the 2012 annual *rAge (Really Awesome Gaming Expo)* saw in excess of 2 500 gamers join multiplayer games over a 53-hour period. It also saw the highest attendance to date, with 28 930 attending the expo, an 8% increase on the 2011 show, reflecting a growing digital entertainment industry in South Africa.

The largest online MMO remains *World of Warcraft,* with 8.3 million players globally as at March 2013.

Much of the growth in online gaming in South Africa, and its low base, can be attributed to the immature broadband market. The number of broadband subscribers in South Africa will increase from 1.3 million in 2012 to an estimated 1.9 million in 2017, effectively meaning that between 13% and 18% of households will have broadband.

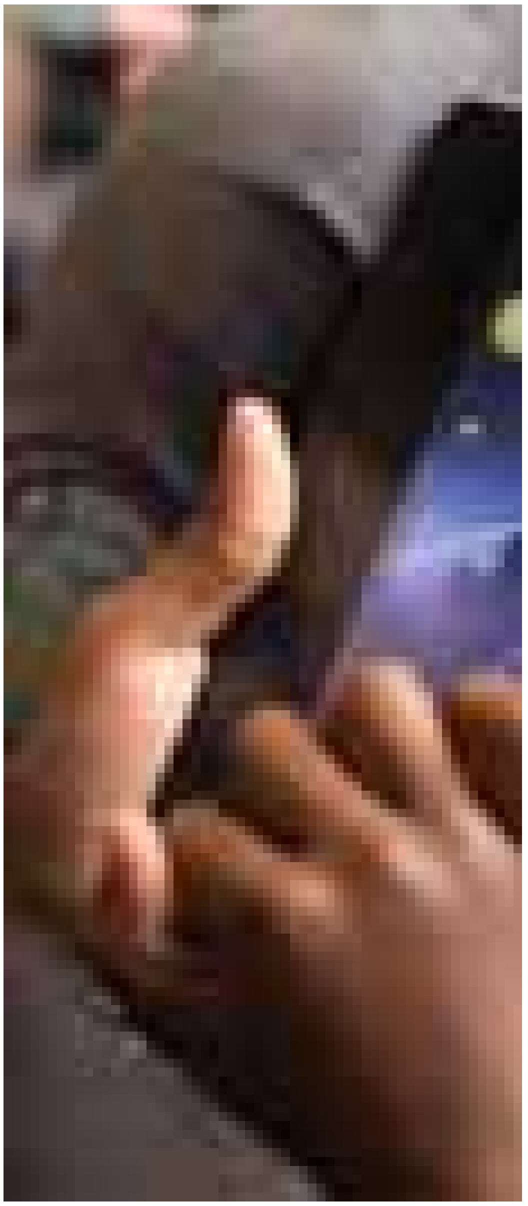
The increasing number of households with broadband will contribute to an increase in the growing social gaming market. Social gaming refers to online gaming, typically played via a social network.

Social networking has been an important driver for the online gaming industry. Because social networking appeals to so many, the application platforms of social network sites have opened up video gaming to a much broader audience.

Social networks have built-in sharing mechanisms that make it much simpler for developers to share their games. Social networks will continue driving both online gaming and mobile gaming over the course of the forecast period, though they will not be the primary mechanisms for growth in either sector. They will nevertheless have a significant effect.

Game developers and social networks are being challenged to improve the complexity and variety of games playable on social networks, especially as these games are an important driver of social media usage.

Their diverse audience also creates potential targets for advertising and sponsorships, such as McDonald's recent promotions on *Farmville*, which consisted of having a McDonald's farm on the social game, which players could interact with on their own farms.



Mobile gaming draws on new device types

Mobile gaming is growing in popularity, with the new generation of smartphones and tablet computers accelerating sales. Apart from the free and known *Farmville* and *CityVille* on Facebook, the likes of *Infinity Blade* and *Angry Birds* have become bestsellers, providing a good boost to spend.

Mobile gaming spend is expected to grow from R694 million in 2012 to R1.3 billion in 2017, at a CAGR of 13.5%. What attracts users to these games is the fact that they are simple,

entertaining and easy to play. They also have the added benefit that they can be paused at any point, making it easy to play a game while commuting or on the go.

Increased penetration of smartphones and tablets will be the largest driver of the expected growth. Globally, 676 million smartphones were sold in 2012, compared to 500 million in 2011, and 85 million tablets in 2012 compared to 57 million in 2011.

A large part of the South African population is not able to afford a console or a PC, but has access to a mobile phone. We therefore expect the number of smartphone subscriptions to accelerate at a higher rate in South Africa than in Western European markets – reflecting the emphasis of the smartphone as the primary device in South Africa. This also reflects the 'smart bargain hunter' mentality of South African consumers. Such consumers are happy to carry two phones if calls are free on one, but data is cheaper on the other.

The emergence of reasonably-priced, large-screen tablets with more powerful processors (like the Amazon Kindle HD or Google Nexus 7) means that developers can produce more complex games with better graphics than games for smartphones. This is a longer-term strategy as the initial customer base will be low, but, given the South African consumers' emphasis on both mobile devices and mobile games, we expect this to turn into a significant market segment.

As the complexity of games on smartphones and tablets increases, the market for hand-held consoles, such as Sony's PSP and Nintendo's DS family, is expected to become a niche one. General consumers are more likely to opt for the multifunctionality of smartphones and tablets that also give them the option to play a variety of games anywhere, anytime.

More dedicated gamers will still prefer the higher-quality games on hand-held consoles and their similarity to television consoles, since the controls for the PSP are modelled on the PlayStation and the Nintendo DS on the Wii.

The segment of 'casual gamers', who do play games on their mobile devices as and when they can, may have the opportunity to bring these games to their living rooms with the release of the Ouya, an Android-based console recently released in the US and retailing at US$99.

All consoles include a development kit for the Ouya and anyone can develop and release games on the Ouya store. It therefore has the added benefit of having exclusive games developed for it, with all the games having free trials. These attractions may just result in the Ouya being the next console giant.

In South Africa in 2013, a PC game will cost a consumer on average approximately R365 a console game, R545 a hand-held game R345 and a mobile game, R15. In this context it is clear why mobile games are expected to grow significantly in the South African market.

Video games advertising

While still a nascent market that hasn't developed as quickly as early firms like Massive Incorporated (now part of Microsoft), video games advertising will, nonetheless, grow at an enviable 16.3% CAGR between 2012 and 2017. However, this still only represents advertising spend of just R24 million in 2012 and R52 million in 2017.

Fast growth from a small base.

Free mobile games are also now being used for advertising purposes. *Angry Birds* was used to market the movie *Rio, Temple Run* for the movie *Brave* and *Girl on Fire* was used to market the first movie of the *Hunger Games* trilogy. Advertising in the video market segment therefore presents many opportunities to the industry.

Combatting piracy

Piracy has been a problem for the video games industry for some time, particularly on the PC platform. To combat it, some publishers have experimented with 'always-on digital rights management (DRM)' where games cannot be played unless the PC is connected to the Internet. This form of DRM has been highly criticised by the gaming community because it means that gamers are prevented from playing a game they had paid for when their Internet connection is unavailable.

Indeed, the announcement that if an Xbox One did not access the Internet every 24 hours, the owner would be prevented from playing games on their console, provoked intense criticism. Customer feedback on this form of DRM focused on the fact that rather than preventing piracy, it had made piracy more attractive, because the only people who could play these games without an Internet connection were the pirates who had stripped out the DRM.

DRM, however, is not the only tool in the battle against piracy. Developers seeking to reduce piracy rates have led to new business models being adopted. Freemium titles typically convert between 1% and 10% of gamers to paying players, with a lower conversion rate being more common than a higher one. Although freemium titles attract larger numbers of players, the vast majority of these players will want to play the game for free rather than purchase goods within the game.

Antipiracy measures cost game developers money and do not necessarily result in extra revenues, so focusing on what will entice payment might offer a greater return on investment than imposing restrictive antipiracy measures that make PC gaming more inconvenient.

Market composition comparison

Compared to the Western European market, for example, the South African video games market demonstrates three fundamental differences:

- **Mobile gaming is accelerating**

  Mobile gaming is growing phenomenally fast in South Africa. It already far outstrips mobile's average share of the global gaming market and will significantly increase this lead by 2017.

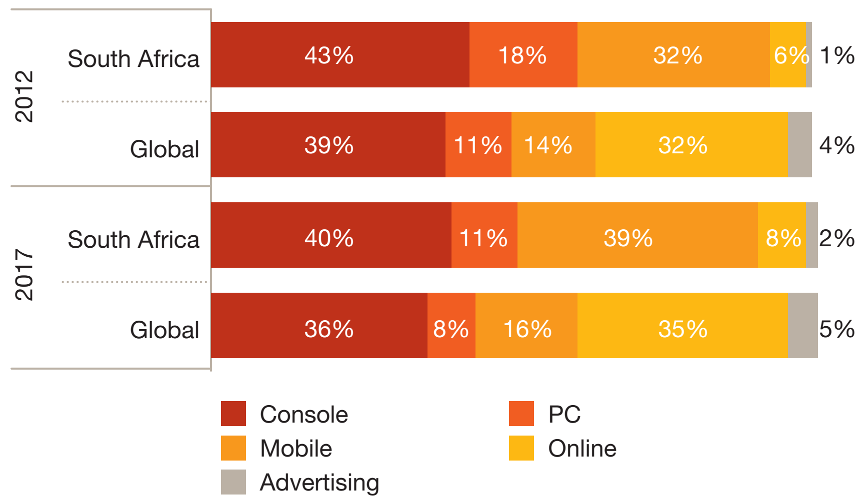
- **PC market loses its lead**

  The South African PC gaming segment contributed significantly to the overall gaming market in 2008, but this will decline to 11% by 2017, as the effects of piracy and changing consumer behaviour continue to erode PC gaming revenues.

- **Online gaming falling further behind**

  Reflecting the need for good broadband connectivity, which South Africa is still establishing, online gaming lags behind the global average. More tellingly, by 2017, it will have fallen even further behind the average, with increased revenues from online gaming counting for little unless the online user base increases significantly.

Video games market composition vs global average, 2012 vs 2017 (%)



Source: PwC, Informa Telecoms & Media

Mobile gaming in South Africa will gain an above-average market share in the next five years.

Mobile will transform local market

In some ways the South African market looks small in relation to the US or Western Europe – but only when you look at it through the lens of today's technologies: the future belongs to mobile device gaming and the mobile broadband services that will support them.

Low spending levels offer opportunity

In a growth market like South Africa, engaging with the emerging middle class as it increases its spending power presents significant opportunities. Today, per-head annual spending on games is just US$5 (R41), compared to around US$40 (R328) in Western Europe and US$11 (R90) globally.

Physical retail remains mall driven and value focused

South Africa has just one dedicated games retailer, BT Games. Much of the rest of the market for retail games is occupied by the six largest retail chains, which represent around 70% of the market.

Additionally, the high cost of new games (to an average consumer) means that classic and budget titles do well, with about a third of games costing less than R120.

Gateway to the whole of Africa

South African gaming growth is impressive, especially for a market of its size. But there is also a significant opportunity to use the country as a platform from which to launch game services, retail and development in neighbouring markets and indeed much of the rest of the continent.

This will become a more significant opportunity as mobile gaming gathers pace. South African developers will be able to tap into the local tastes, play preferences and language options that traditional Western developers will need to either buy or build from scratch.

Nigeria

Video games market by category, 2008-2017 (US$ millions)

Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Console	-	-	-	-	-	-	-	-	-	-	-
PC	-	-	-	-	-	-	-	-	-	-	-
Mobile	18	22	28	37	47	58	71	86	102	122	21.3%
Online	4	6	10	13	18	23	28	34	41	48	22.2%
Advertising	-	-	-	-	-	-	-	-	-	-	-
Total	**22**	**28**	**38**	**50**	**65**	**81**	**99**	**120**	**143**	**170**	
YOY growth (%)		***28.8%***	***32.3%***	***32.6%***	***27.8%***	***26.2%***	***22.8%***	***20.3%***	***19.6%***	***18.9%***	***21.5%***

Source: PwC, Informa Telecoms & Media

The Nigerian video games market is a two-horse race. With no established console market and virtually no revenues from boxed or digital PC games, the market is all about either mobile gaming or online gaming.

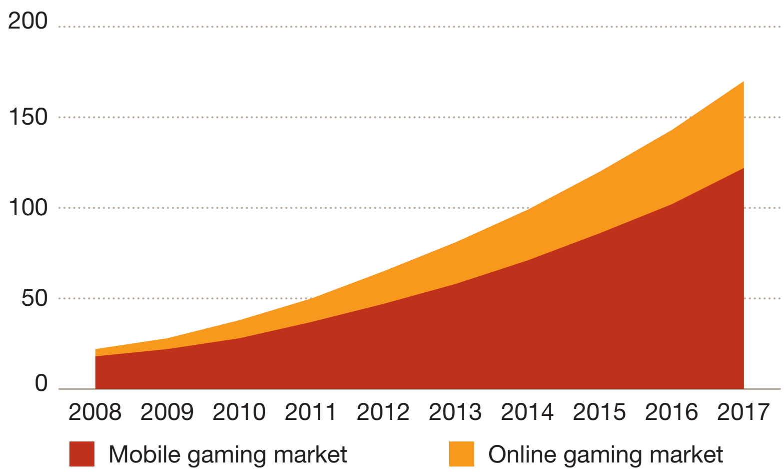
Fuelled by a strong rise in the adoption of mobile phones, especially smartphones, Nigeria will see rapid growth in the video games market, albeit from a very small base. The games market generated revenues of US$65 million in 2012 and this is forecast to rise to US$170 million by 2017, a CAGR of 21.5%%.

By June 2012, there were 100 million active mobile subscriptions in Nigeria. Investment in data networks means more Nigerians now have their first Internet access via their mobile device. At the end of 2012, there were approximately 750 000 fixed-broadband subscribers compared with 10 million mobile-broadband users. The smartphone market grew by 143% in 2012, reaching 5.6 million active smartphone users.

Because of this transformation in communications, the potential for new ways to access digital entertainment and media content (such as video games) in Nigeria is significant.

The Nigerian video games market is nearly all mobile and online.

Video games market, by category, 2008-2017 (US$ millions)



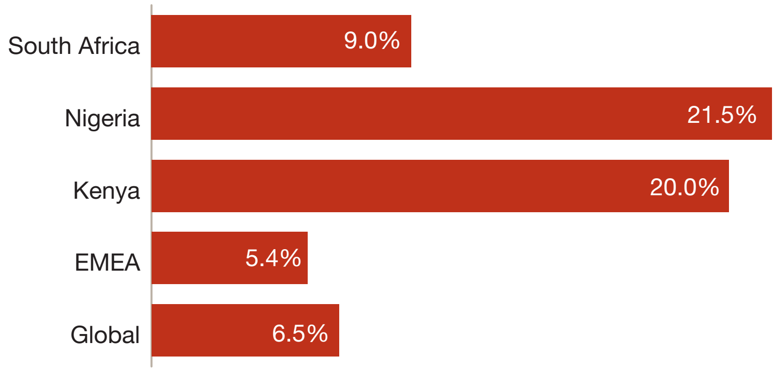
Source: PwC, Informa Telecoms & Media

Local firms like Nazara Technologies will be the ones to watch, as it has secured exclusive distribution rights to EA mobile games in 49 African markets (excluding South Africa). EA franchises games like *FIFA* and *Call of Duty* cross geographic borders and are bound to make an impression with gamers as they expand their mobile gaming with newer handsets and services.

Even more exciting, home-grown mobile firms like Maliyo – inspired by the success of Zynga – are building unique mobile and online games reflecting African life.

To help build the fledgling developer and creative industry, initiatives like the Co-Creation Hub offer advice, office space and an environment where young Nigerian entrepreneurs and developers can share and learn together.

Comparison of video games market growth rate vs other countries/ regions, 2012-2017 (CAGR %)



Source: PwC, Informa Telecoms & Media

Nigeria is growing more quickly than most markets, albeit from a low base.

Kenya

Video games market by category, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Console	-	-	-	-	-	-	-	-	-	-	-
PC	-	-	-	-	-	-	-	-	-	-	-
Mobile	7	7	9	11	15	18	21	26	30	35	19.6%
Online	6	9	13	19	26	33	40	48	56	66	20.2%
Advertising	-	-	-	-	-	-	-	-	-	-	-
Total	**13**	**16**	**22**	**30**	**41**	**51**	**61**	**74**	**86**	**101**	
YOY growth (%)		***30.0%***	***35.1%***	***37.5%***	***33.6%***	***24.3%***	***21.2%***	***19.4%***	***18.2%***	***16.9%***	***20.0%***

Source: PwC, Informa Telecoms & Media

As in Nigeria, the late development of broadband in Kenya and the relatively high cost of PCs and consoles mean that the gaming market is dominated by mobile and online games.

Fuelled by a rise in the adoption of mobile phones and with rising levels of Internet access, especially in urban areas, Kenya's video games market will grow rapidly in the next five years, albeit from a very small base. Revenues in 2012 were US$41 million, but this will rise to US$101 million by 2017, a CAGR of 20%.

The urbanisation of the Kenyan market has created a fast-developing middle class in the capital city of Nairobi, where there is a notable rise in appetite for access to entertainment and media services. Innovation in the Kenyan market has come partly on the back of this urbanisation trend, as best exemplified by dominant mobile operator Safaricom's mobile money-transfer service.

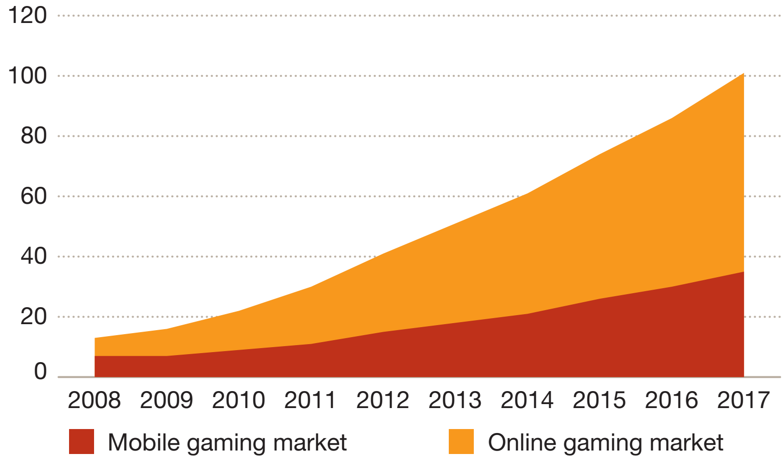
Kenya's games market is dominated by mobile and online.

The appetite of Kenyans to use their mobile device for a wide range of activities (such as money transfers) shows the potential for the mobile device to become a key access point for entertainment and media services, with video games being a key driver of that demand.

Interesting projects include the University of Games, a Kenyan independent developer with a number of successful locally-influenced games (like *Election Thief*) to its name. Kenya is also home to the Half the Sky movement, which is using games to communicate important messages about women's rights.

By keeping their games relevant to their local market, Kenyan developers will be able to fight off – or at least share the limelight – with titles from EA and other global publishers.

Video games market by category, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Global trends in video games

The following is extracted from the PwC's *Global Entertainment & Media Outlook: 2013-2017*

Global video games market by category, 2008-2017 (US$ millions)

Global	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Console	**29 350**	**29 199**	**28 721**	**27 616**	**24 927**	**25 977**	**27 628**	**28 898**	**30 231**	**31 220**	4.6%
Physical	27 985	27 024	25 596	23 791	20 468	20 118	20 393	20 583	20 750	20 469	0.0%
Digital	1 365	2 175	3 125	3 825	4 459	5 859	7 235	8 315	9 481	10 751	19.2%
PC	**5 255**	**5 685**	**6 318**	**6 745**	**7 016**	**7 147**	**7 183**	**7 161**	**7 099**	**6 995**	-0.1%
Physical	3 711	3 337	3 427	3 030	2 764	2 362	2 000	1 669	1 382	1 161	-15.9%
Digital	1 544	2 348	2 891	3 715	4 252	4 785	5 183	5 492	5 717	5 834	6.5%
Mobile	**5 024**	**5 660**	**6 460**	**7 549**	**8 757**	**9 942**	**11 065**	**12 156**	**13 256**	**14 407**	10.5%
Online	**11 110**	**13 235**	**15 724**	**18 187**	**20 407**	**22 476**	**24 522**	**26 439**	**28 358**	**30 270**	8.2%
Advertising	**1 396**	**1 642**	**1 850**	**2 094**	**2 330**	**2 584**	**2 917**	**3 280**	**3 671**	**4 084**	11.9%
Total	**52 135**	**55 421**	**59 073**	**62 191**	**63 437**	**68 126**	**73 315**	**77 934**	**82 615**	**86 976**	**6.5%**
YOY growth(%)		***6.3%***	***6.6%***	***5.3%***	***2.0%***	***7.4%***	***7.6%***	***6.3%***	***6.0%***	***5.3%***	***6.5%***

Source: PwC, Informa Telecoms & Media

- Console gaming will see steady growth as the eighth generation of games consoles hits the market. Consumer spend on console games will increase by a CAGR of 5% from US$24.9 billion in 2012 to US$31.2 billion in 2017, as Sony's PS4 and Microsoft's Xbox One reignite interest in console gaming. This growth will lead to North America overtaking Western Europe to regain its number one position for console sales in 2014.
- In many segments covered within the Global Entertainment & Media Outlook, 2013-2017, China will overtake Japan in terms of size by 2017 – in some cases, it has already. This is not, however, the case with video gaming where Japan will retain its position as the world's second-largest market, worth US$13.7 billion in 2017, behind the US on US$18.2 billion and ahead of China on US$11.4 billion.
- Although PC revenues remain stagnant, consumers are not abandoning the platform. With online revenues set to reach US$30 billion in 2017, consumers are merely shifting from pay-to-own to pay-to-play.
- Online spending will increase by an average of 8% per year over the next five years. By 2017, the online platform will have almost reached parity with consoles and US$97 will be spent on online games for every US$100 spent on console games.
- Mobile will be the fastest-growing video games sector over the next five years, with revenues increasing from US$8.8 billion in 2012 to US$14.4 billion in 2017, a CAGR of 10%, as an increasing number of consumers turn to smartphones for entertainment.

Drill down through data sets across segments, components and countries.

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Sports

Shane Murugen
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Jerry Varachia

Definitions

The sports market consists of gate revenues for live sporting events, media rights fees paid to show sports on television stations, sponsorships, which include payments to have a product associated with a team or event as well as naming rights, and merchandising revenues, which include the selling of licensed products with team or league logos and/or other intellectual property. Overall spending also includes sports betting, which consists of the house win or the revenues retained by sports books.

In brief

Revenues generated from total sports spending in the South African market will be R19.5 billion in 2017, up from R13.9 billion in 2012, a CAGR of 7.1%. This growth will be driven primarily by the increased revenues from media rights and sponsorships around major sporting events and teams in South Africa.

Gate revenues will continue to increase steadily throughout the forecast period, rising from R4.1 billion in 2012 to R5.0 billion in 2017, a CAGR of 4.1%. They will, however, continue to fall short of the revenues generated in 2010, which were boosted significantly by the 2010 FIFA World Cup.

Revenues from media rights are set to grow at a significant rate throughout the forecast period, rising from R2.5 billion in 2012 to R4.3 billion in 2017, a CAGR of 12.0%, although in the near term they will also continue to lag the revenues generated in 2010 around the FIFA World Cup. The South African Broadcasting Corporation (SABC) and SuperSport are the two primary contributors to local media rights revenue in South Africa.

Sports sponsorship in South Africa will grow at an estimated CAGR of 9.5% in the next five years, rising from R4.6 billion in 2012 to R7.3 billion in 2017. By 2015, revenues will exceed those generated during the FIFA World Cup in 2010. South Africa has benefitted from the fact that many of its sports are broadcast internationally, meaning that brands have the potential to reach a wider audience.

Merchandising will remain the smallest sporting sub-segment. It generated R614 million in 2012 and this is forecast to rise to R657.2 million in 2017, a CAGR of 1.4%. Its revenues will remain closely linked to the rolling out of major sporting events.

The sports betting market will generate revenues of approximately R2.2 billion in 2017, up from R2.0 billion in 2012, a CAGR of 1.8%. Its growth over the next five years will largely be as a result of the improving economic conditions in South Africa.

The Nigerian sports industry will generate estimated revenues of R5.9 billion (US$722 million) in 2017, up from R3.6 billion (US$433 million) in 2012, a CAGR of 10.8%. This growth can be attributed to factors such as improving economic conditions and an increase in household and mobile broadband penetration.

Kenya's sports industry will generate revenues of R1.2 billion (US$150.4 million) in 2017, up from R650 million (US$79.2 million) in 2012, a CAGR of 13.7%. This growth will come as a result of improving economic conditions and a subsequent increase in mobile and household broadband penetration. Recent increases in sponsorship and media rights reflect the positive developments in the Kenyan sports market.

South Africa

Sports revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Gate revenues	4 142	4 454	7 489	4 028	4 109	4 290	4 478	4 657	4 833	5 016	
YOY growth (%)		*7.5%*	*68.1%*	*-46.2%*	*2.0%*	*4.4%*	*4.4%*	*4.0%*	*3.8%*	*3.8%*	*4.1%*
Media rights	1 674	1 702	3 971	2 014	2 453	2 720	3 223	3 403	3 935	4 324	
YOY growth (%)		*1.7%*	*133.3%*	*-49.3%*	*21.8%*	*10.9%*	*18.5%*	*5.6%*	*15.6%*	*9.9%*	*12.0%*
Sponsorships	2 440	2 723	6 127	4 085	4 639	5 126	5 925	6 224	6 907	7 299	
YOY growth (%)		*11.6%*	*125.0%*	*-33.3%*	*13.6%*	*10.5%*	*15.6%*	*5.1%*	*11.0%*	*5.7%*	*9.5%*
Merchandising	624	658	1 123	607	614	632	635	642	653	657	
YOY growth (%)		*5.4%*	*70.7%*	*-45.9%*	*1.2%*	*2.9%*	*0.4%*	*1.1%*	*1.8%*	*0.6%*	*1.4%*
Total sports market	**8 880**	**9 537**	**18 710**	**10 734**	**11 815**	**12 768**	**14 261**	**14 926**	**16 328**	**17 296**	
YOY growth (%)		***7.4%***	***96.2%***	***-42.6%***	***10.1%***	***8.1%***	***11.7%***	***4.7%***	***9.4%***	***5.9%***	***7.9%***
Sports betting	1 861	1 827	2 275	1 929	2 054	2 107	2 210	2 224	2 286	2 248	
YOY growth (%)		*-1.8%*	*24.5%*	*-15.2%*	*6.5%*	*2.6%*	*4.9%*	*0.6%*	*2.8%*	*-1.6%*	*1.8%*
Total sports spending	**10 741**	**11 364**	**20 985**	**12 663**	**13 869**	**14 875**	**16 471**	**17 150**	**18 614**	**19 544**	
YOY growth (%)		***5.8%***	***84.7%***	***-39.7%***	***9.5%***	***7.3%***	***10.7%***	***4.1%***	***8.5%***	***5.0%***	***7.1%***

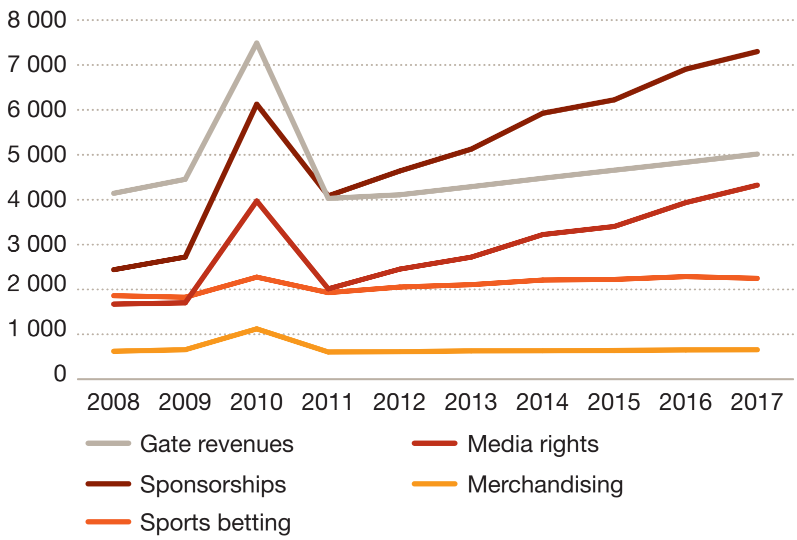
2008 – 2012 South Africa figures have been updated to reflect most recently available information
Source: PwC, Informa Telecoms & Media

The South African sports market will grow at a CAGR of 7.1% in the next five years.

The South African sports market is growing at a healthy rate. Although revenues fell after 2010 when the country hosted the FIFA World Cup, in the longer term, the market is continuing to grow and will generate revenues of approximately R19.5 billion in 2017, up from R13.9 billion in 2012, a CAGR of 7.1%.

In general, steady economic conditions in South Africa will help the market develop further, but growth in the sports market will be driven primarily by increased revenues from media rights and sponsorships around major sporting events and teams.

Sports revenue per category, 2008-2017 (R millions)



Source: PwC, Informa Telecoms & Media

Sponsorship and media rights will drive growth in the market.

Gate revenues down from 2010, but still growing

Gate revenues will continue to increase steadily throughout the forecast period, rising from R4.1 billion in 2012 to R5.0 billion in 2017, a CAGR of 4.1%.

Gate revenues in South Africa peaked in 2010 as a result of the FIFA World Cup, when 3.2 million fans attended 64 matches, with an average attendance of 49 670 per match. The following year saw a sharp decrease of 46.2% in total gate revenues, but, in the longer term, these revenues will increase, even though they will not reach the 2010 high of R7.5 billion.

Gate revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Gate revenues	4 142	4 454	7 489	4 028	4 109	4 290	4 478	4 657	4 833	5 016	
YOY growth (%)		*7.5%*	*68.1%*	*-46.2%*	*2.0%*	*4.4%*	*4.4%*	*4.0%*	*3.8%*	*3.8%*	*4.1%*

Source: PwC, Informa Telecoms & Media

Gate revenues will grow at a CAGR of 4.1% over the next five years.

Gate revenues for the Absa Premier League, the top division in South African football, continued to decline in 2012. There will, however, be an increase in revenues from Super Rugby and the Rugby Championship, as well as from Twenty20 cricket, the African Nations Championship football tournament and other sports such as golf.

South Africa has benefited from the high quality of the stadiums built for the 2010 FIFA World Cup, with the country being awarded the 2013 African Cup of Nations due to Libya withdrawing its right to host the tournament.

The 2014 African Nations Championship, a tournament that only features players who play for clubs based in their respective countries, is also set to be hosted in South Africa. Games in the African Nations Championship will be played at different venues to those used during the African Cup of Nations, with games set to be played at Polokwane, Kimberley, Bloemfontein and Cape Town, as opposed to Port Elizabeth, Durban, Rustenburg and Nelspruit.

Gate revenues will also continue to be boosted by Super Rugby in the short and long-term, with South Africa currently proposing the possibility of fielding a 6th team from 2016 onwards.

Media rights will drive growth

Revenues from media rights in South Africa are set to grow at a significant rate throughout the forecast period, rising from R2.5 billion in 2012 to an estimated R4.3 billion in 2017, a CAGR of 12%, although they will continue to lag the revenues generated in 2010 in the near term.

Media rights revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Media rights	1 674	1 702	3 971	2 014	2 453	2 720	3 223	3 403	3 935	4 324	
YOY growth (%)		*1.7%*	*133.3%*	*-49.3%*	*21.8%*	*10.9%*	*18.5%*	*5.6%*	*15.6%*	*9.9%*	*12.0%*

Source: PwC, Informa Telecoms & Media

Sports media rights will grow at a CAGR of 12.0% in the next five years.

The significant impact of the World Cup indicates how closely growth in a market is tied to major sporting events, so South Africa's continued success will be dependent on a pipeline of such events across the major sports.

Sports audiences will increase for major events as viewers are increasingly able to access content across multiple digital platforms, including smartphones. Monetising this increased viewership will present the biggest obstacle to sports broadcasting in the coming years.

Sports content has proved to be a driving force in the progress of media rights in recent years, as broadcast sport such as the 2012 Olympics is consumed on an increasing array of platforms and devices.

The rights market will need to evolve in South Africa, as elsewhere, to better reflect the value of the content. Strong demand and an increase in the ways consumers want to access the content suggests a positive future for rights holders. This is important for the wider sports market as the revenues generated from media rights have an impact on sport teams, federations, sponsors and broadcasters.

SABC and SuperSport dominant

The SABC and SuperSport are the two big players in the media rights market in South Africa.

In early 2012, the SABC signed a three-year deal with the South African Football Association (SAFA). The deal, which is worth in the region of R215 million, will cover matches involving Bafana Bafana (the South African national football team), Banyana Banyana (the female equivalent) and the men's under-23 football team. In September 2011, the SABC acquired rights to broadcast the Africa Cup of Nations, the Champions League, the Confederations Cup and the Under-20 African Championship.

SuperSport was awarded all rights to broadcast Premier Soccer League (PSL) games on all platforms in 2011, and also reported high viewership during the 2011 Rugby World Cup. It also reached an agreement with SANZAR (South Africa, New Zealand and Australia Rugby), the collective rights holder for rugby in the three countries, in 2010 in a five-year deal.

Super Rugby might also expand, with SANZAR representative Greg Peters noting in February 2012 that the organisation was considering adding franchises in Argentina, Japan and the US. This would take place in 2016, the first year of SANZAR's next television contract, presenting the next owners of Super Rugby TV rights with more games and potentially a bigger audience to broadcast to.

Sponsorship remains largest source of revenue

Sports sponsorship involves the material support of a team, venue or organisation by an unrelated partner. It is seen as a good way of improving brand awareness, which can help to give rise to consumer preference and to foster brand loyalty. Sports sponsorship revenues in South Africa will grow at a CAGR of 9.5% over the next five years, rising from R4.6 billion in 2012 to an estimated R7.3 billion in 2017. By 2015, revenues will exceed those generated during the FIFA World Cup year of 2010.

Sports sponsorship revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Sponsorships	2 440	2 723	6 127	4 085	4 639	5 126	5 925	6 224	6 907	7 299	
YOY growth (%)		*11.6%*	*125.0%*	*-33.3%*	*13.6%*	*10.5%*	*15.6%*	*5.1%*	*11.0%*	*5.7%*	*9.5%*

Source: PwC, Informa Telecoms & Media

Sports sponsorship will generate revenues of R7.3 billion in 2017.

Soccer

Sponsorship is a key contributor to the revenue of the PSL and sponsorship deals are continuing to increase in value. Absa extended its sponsorship of the Absa Premiership to the end of the 2016/17 season in a deal worth around R591 million, while also agreeing to sponsor Bafana Bafana until the end of 2013.

Castle Lager has also renewed its sponsorship of the national team, while Banyana Banyana continues to be sponsored by oil and gas company, Sasol. Elsewhere, telecoms giant Vodacom has continued its affiliation with PSL teams, renewing its sponsorship of Kaizer Chiefs and Orlando Pirates in a groundbreaking deal believed to be worth around R1 billion.

Fellow telecommunications company Telkom has announced that it is to continue its sponsorship of the Telkom Knockout tournament for another year. MTN continues to sponsor the MTN 8 tournament, which features the top eight soccer teams in South Africa: the winner of this prestigious tournament takes home R1 million in prize money.

Rugby

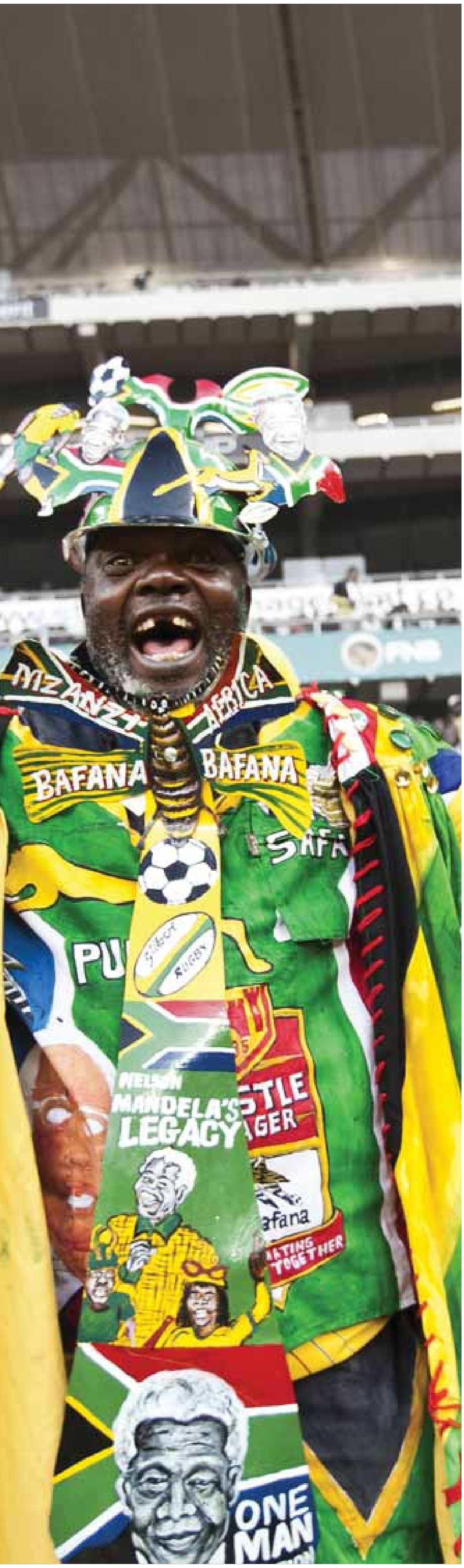
In early 2013, it was announced that DHL would renew its sponsorship of Super Rugby side the DHL Stormers, in a deal worth in the region of R41 million over three years. Canterbury announced that it was to replace Gilbert as the official kit sponsor of the Golden Lions.

At the end of the 2012/13 Super Rugby season, the MTN Golden Lions regained their place as a Super Rugby franchise thanks to a dramatic play-off victory over the Southern Kings. This win resulted in the MTN Golden Lions agreeing a commercial partnership with the Kit Group, while the Southern Kings' commercial partnership with the Aveng Group came to an end as a result of their relegation. Other significant deals that have taken place since the start of 2012 include Klipdrift's five-year sponsorship of the South African Rugby Football Union (SARFU) and Cell C's sponsorship of the Nelson Mandela Bay Sevens tournament.

Cricket

Cricket is the second-most popular sport in South Africa after football. It therefore represents an attractive marketing opportunity for potential sponsors. In February 2013, RAM Hand-to-Hand Couriers agreed to sponsor Cricket South Africa in a three-year deal worth up to R20.5 million and in July 2013 the Highveld Lions cricket team signed a two-year sponsorship agreement with the South African branch of the global risk management firm, Aon.

In the past year, the South African national cricket team has also signed a new deal with fast-food restaurant chain KFC, while financial services company Momentum agreed to become the official single-title sponsor of all international and domestic one-day events under the jurisdiction of Cricket South Africa.



Other sports

Beyond the three major sports in South Africa (soccer, rugby and cricket), there have been significant agreements made elsewhere.

In the case of golf, the International Sports Promotion Society (ISPS) has become the official presenting partner of the Nelson Mandela Championship. Lion of Africa Insurance became the title sponsor of the Cape Town Open and British Open champion Ernie Els became the first ever athlete to endorse aircraft giant Boeing.

In terms of individual South African athletes, swimmer Chad Le Clos received multiple sponsorships as a result of winning a gold and a silver medal at the London 2012 Olympics, with Deutsche Bank, Virgin Active, Arena, TransAct, Hoopers Volkswagen and fitness supplement suppliers, Muscle Science all providing sponsorships.

Venue naming rights have been a significant source of revenue for many professional sports teams in South Africa in recent years. Some of these deals have now ended. Coca-Cola opted to end its sponsorship of the Golden Lions' stadium, choosing instead to refocus its energies on youth sports development, while the home of the Warriors cricket team returned to its previous name, Buffalo Park, after its sponsorship agreement with Mercedes-Benz came to an end.

New deals have also been struck,ie. DHL's sponsorship of the Western Province Super Rugby side also involves the Stormers' home stadium being renamed the DHL Newlands, while the OUTsurance Oval in Bloemfontein was renamed Chevrolet Park in 2011.

The sports sponsorship market tends to peak during and before major international events, which explains why sports sponsorship in South Africa peaked in 2010 at the time of the FIFA World Cup, and in 2012 as a result of the Olympics.

It is expected to grow again ahead of the 2014 FIFA World Cup in Brazil – although this will be limited to an extent due to South Africa's failure to qualify.

Top 10 sports sponsorship deals in 2012 – South Africa

2012	Sponsor	Industry	Event or activity	Event code	Sponsor type	Total deal value (US$ millions)	Term (years)	Value per year (US$ millions)
1	Vodacom	Telecommunications	Orlando Pirates and Kaizer Chiefs	Soccer	Team sponsor	120.0	5	24.0
2	Absa	Banking	Absa Premier League	Soccer	Event sponsor	72.0	5	14.4
3	Castle Lager	Beer	South African Football Association	Soccer	Team sponsor	12.0	5	2.4
4	Momentum	Insurance	Cricket South Africa	Cricket	Team sponsor	10.0	6	1.7
5	MTN	Telecommunications	MTN Premier League	Soccer	Event sponsor	7.5	3	2.5
6	Puma	Sportswear	AB de Villiers	Cricket	Personality sponsor	7.5	4	1.9
7	Procter & Gamble	Household products	South African Sports Confederation and Olympic Committee (SASCOC)	Olympics	Team sponsor	7.5	10	0.8
8	National Lotteries Board	State Lottery	South African Sports Confederation and Olympic Committee (SASCOC)	Olympics	Team sponsor	6.2	1	6.2
9	Gilbert	Sports Equipment	South African Rugby Football Union	Rugby Union	Team sponsor	3.8	-	-
10	Telkom	Telecommunications	Telkom Knockout	Soccer	Event sponsor	1.8	1	1.8

Source: World Sponsorship Monitor (TWSM)

Top sports sponsorship deals signed in 2013 YTD – South Africa

2013	Sponsor	Industry	Event or activity	Event code	Sponsor type	Total deal value (US$ millions)	Term (years)	Value per year (US$ millions)
1	DHL	Couriers/Freight	DHL Stormers	Rugby Union	Team sponsor	3.8	3	1.3
2	RAM Hand-to-Hand Couriers	Couriers/Freight	Cricket South Africa	Cricket	Organisation sponsor	1.8	3	0.6
3	Spar	Retail Stores	Netball South Africa	Netball	Organisation sponsor	1.8	3	0.6

Source: World Sponsorship Monitor (TWSM)

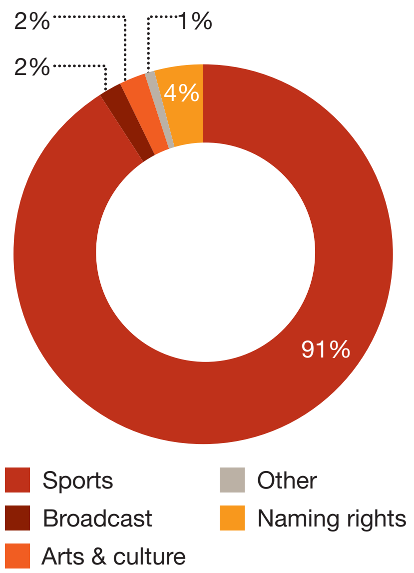
Top 15 sponsorship deals around the world

Rank	Sponsor	Industry	Country	Event or activity title	Event code	Sponsor type	Estimated/ reported deal value (US$ millions)	Term (years)	Deal type
1	Chevrolet	Automotive	International	Manchester United	Soccer	Team	600.0	7	New deal
2	Adidas	Sportswear	Spain	Real Madrid	Soccer	Team	332.8	8	Renewal
3	Emirates	Airlines	UK	Arsenal	Soccer	Team	240.0	5	Renewal
4	Nike	Sportswear	International	Rory McIlroy	Golf	Personality	234.0	10	New deal
5	Qatar Airways	Airlines	Spain	Barcelona	Soccer	Team	221.0	7	New deal
6	FedEx	Couriers/Freight	US	FedExCup	Golf	Team	220.0	5	Renewal
7	Nissan	Automotive	Brazil	Rio 2016 Olympic Games	Olympics	Event	200.0	4	New deal
8	Qatar Tourism Authority	Travel	France	Paris Saint-Germain	Soccer	Team	195.0	4	New deal
9	Adidas	Sportswear	US	Derrick Rose	Basketball	Personality	185.0	14	New deal
10	Barclays	Banking	UK	Barclays Premiership	Soccer	Event	180.0	3	Renewal
11	Deutsche Telekom	Telecommunications	Germany	Bayern Munich	Soccer	Team	156.00	4	Renewal
12	Emirates	Airlines	Spain	Real Madrid	Soccer	Team	150.00	4	New deal
13	Nike	Sportswear	Brazil	Rio 2016 Olympic Games	Olympics	Event	150.00	4	New deal
14	Nike	Sportswear	Brazil	Corinthians	Soccer	Team	144.20	8	Renewal
15	Vodacom	Telecommunications	South Africa	Orlando Pirates & Kaizer Chiefs	Soccer	Team	120.00	5	Renewal

Source: World Sponsorship Monitor (TWSM)

Sports sponsorships accounted for 91% of the 1 992 sponsorships reported worldwide and appearing in TWSM during 2012, up from 88% in 2011.

Global share of reported sponsorship deals, 2012 (%)

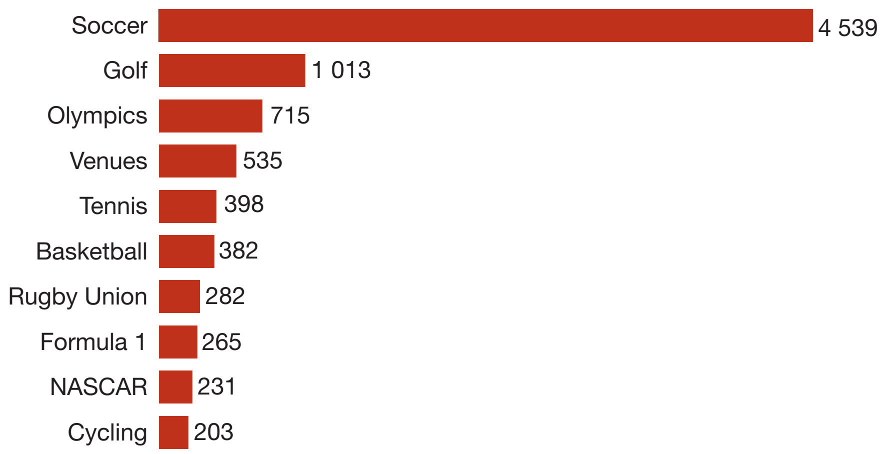


Source: World Sponsorship Monitor (TWSM)

Sports media rights will grow at a CAGR of 12.0% in the next five years.

The sports selected by sponsors showed few changes from previous years. Soccer was by far the most heavily sponsored sport both in terms of the total number and the total value of reported deals worldwide.

Global Top 10 sponsored sports in total reported value, 2012 (US$ millions)



Source: World Sponsorship Monitor (TWSM)

Merchandising will see only modest growth in the next five years

Merchandising will remain the smallest sporting sub-segment. It generated R614 million in 2012, rising to R657 million in 2017, a CAGR of 1.4%. Its share of the total South African sports market will fall in the forecast period from 5.2% to 3.8% of the total in 2017.

Sports merchandising revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Merchandising	624	658	1 123	607	614	632	635	642	653	657	
YOY growth (%)		*5.4%*	*70.7%*	*-45.9%*	*1.2%*	*2.9%*	*0.4%*	*1.1%*	*1.8%*	*0.6%*	*1.4%*

Source: PwC, Informa Telecoms & Media

Sports merchandising will generate revenues of R657 million by 2017.

Merchandising is usually linked to large sporting events and the peak observed in gate revenue in 2010, due to the FIFA World Cup, corresponded with a peak of R1.1 billion in merchandising revenue. This figure subsequently fell by 46% in 2011 due to the absence of a major sporting event.

In light of Bafana Bafana's failure to qualify for the 2014 FIFA World Cup in Brazil, we do not foresee a similar peak in merchandising sales in 2014.

Sports betting

The sports betting market will generate revenues of R2.2 billion in 2017, up from R2.0 billion in 2012, a CAGR of 1.8%. Football remains the leading sports betting market, with South Africa's other major sports, rugby and cricket, also attracting gamblers in recent years.

Sports betting revenues, 2008-2017 (R millions)

South Africa	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Sports betting	1 861	1 827	2 275	1 929	2 054	2 107	2 210	2 224	2 286	2 248	
YOY growth (%)		*-1.8%*	*24.5%*	*-15.2%*	*6.5%*	*2.6%*	*4.9%*	*0.6%*	*2.8%*	*-1.6%*	*1.8%*

Source: PwC, Informa Telecoms & Media

The state of the economy has a direct impact on the sports betting market, with improving economic conditions usually resulting in an increase in sports betting. The South African economy overall is predicted to continue growing modestly, and this, combined with such major sporting events such as the 2014 FIFA World Cup in Brazil, will ensure that the sports betting market continues to grow.

South Africa's Premier Soccer League leads the field

While the top leagues from South Africa, Nigeria and Kenya are all expected to grow in the coming years, the South African Absa Premier Soccer League (PSL) remains the largest, and commercially, the most successful. Nigerian teams have been more successful in the continent-wide Confederation of African Football (CAF) Champions League, with two teams from the Nigerian Premier League competing in the tournament annually, whereas only the champions of the PSL can gain qualification. But in terms of gate revenues, the PSL is the leader in sub-Saharan Africa.

As a result of the stadium upgrades implemented before the 2010 FIFA World Cup, many of the stadiums in the PSL can seat more than 25 000 (with Soccer City, occasional home of Kaizer Chiefs, having a capacity of 94 736). South African gate revenues will remain high through to 2017, thanks primarily to the large followings of the country's two major teams – Kaizer Chiefs and Orlando Pirates. These rival teams both from Soweto are eagerly followed and their derby games are always sold out.

The PSL is currently the seventh-largest league in the world by sponsorship revenue. Absa, for example, has agreed to continue its sponsorship of the Absa Premiership until the end of the 2016/17 season in a deal worth R591 million. The PSL's ability to attract sponsors and create significant television revenue allows it to retain a reasonable amount of talent, which in turn yields further sponsorship and broadcasting revenue.

The Nigerian Premier League is not as successful commercially and while this can be attributed partly to the weaker state of the Nigerian economy, it is also because Nigeria is unable to keep its best players from playing in Europe. The ability to monetise the domestic product has suffered as a result.

Media rights revenues are increasing in all three countries, with Kenya showing particularly marked growth over the forecast period. The Tusker Premier League agreed a deal with SuperSport International in 2011, making a significant contribution to the country's nascent media rights market.

The Kenyan and Nigerian media rights market are still in their infancy, however, and despite Nigeria's population being three times that of South Africa, its media rights generate significantly less value.

South Africa's Absa Premier League is set to remain the region's most valuable league in terms of media rights after it signed a five-year deal with SuperSport in 2011.

Africa Cup of Nations: Obstacles and opportunities

South Africa benefited from the high quality of the stadiums built for the 2010 FIFA World Cup, when it was asked to host the 2013 Africa Cup of Nations (AFCON) due to Libya withdrawing its right to host the tournament. Total attendance for the tournament was estimated at 729 000 with an average of 22 781 per match, and tickets averaging about R50 (US$6.25).

With Morocco hosting the AFCON in 2015, there is the potential for attendances to be even higher given the improving state of many African countries, the close proximity of Morocco to Europe and Morocco opting to use six host city stadiums that all possess capacities of over 40 000.

With the quality of the AFCON continuing to improve as a result of more African players playing in Europe, it is also expected that the value of international media rights may also increase. Broadcasting revenue generated an estimated R44 million at the 2013 AFCON, with the head of the local organising committee, Mvuzo Mbebe, claiming that the AFCON would have a viewership of two to three billion people in Africa, Europe and the Middle East.

However, illegal broadcasting remains a threat to these revenues in the longer term. The French company Sportfive, which bought the media distribution rights for the 2013 AFCON, noted that many TV stations in Africa cannot afford the premium fees, while others try to acquire and resell broadcasts illegally. It is therefore crucial that broadcasting rights for the 2015 AFCON are appropriately regulated and sensibly priced to maximise the value of the legal rights.

The 2013 AFCON tried to incorporate as much of Africa into the event as possible, as shown by a trophy tour that took place prior to the start of the tournament. Targeting ticket sales at commercial partners and companies doing business in Africa also had some success. The local organising committee also employed more than 6 000 people in various organisational and security-related roles, directly boosting the South African economy as a result.

The official partner of the 2013 AFCON was Orange, which replaced MTN in 2009 as CAF’s primary sponsor. The deal was seen as being mutually beneficial, with six of the teams competing in the tournament (Côte d’Ivoire, Niger, Mali, the Democratic Republic of the Congo, Tunisia and Morocco) being countries in which Orange operates. With the 2015 AFCON in another of its markets, Morocco, Orange has sought to continue its sponsorship of CAF and AFCON through to 2016.

Nigeria

Sports revenues by category, 2008-2017 (US$ millions)

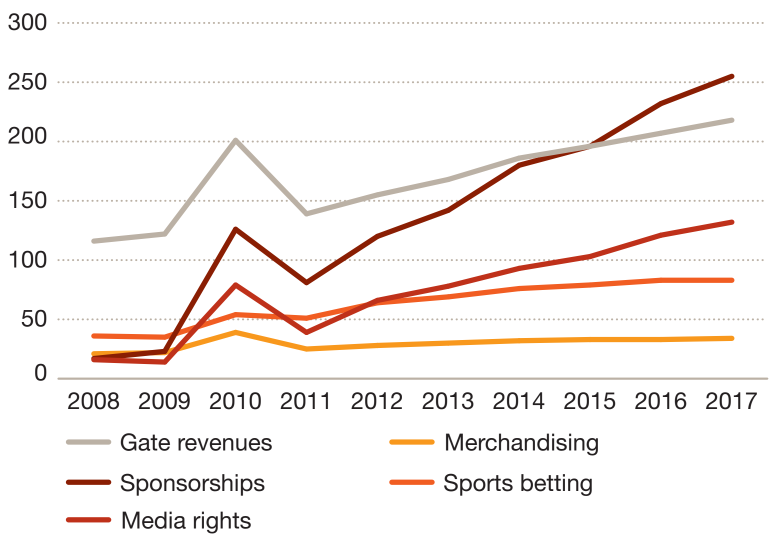
Nigeria	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Gate revenues	116	122	201	139	155	168	186	196	207	218	
YOY growth (%)		*5.4%*	*64.6%*	*-31.0%*	*11.8%*	*8.3%*	*10.7%*	*5.6%*	*5.4%*	*5.5%*	*7.1%*
Media rights	16	14	79	39	66	78	93	103	121	132	
YOY growth (%)		*-9.3%*	*455.3%*	*-50.5%*	*68.6%*	*17.5%*	*20.1%*	*10.4%*	*17.2%*	*9.2%*	*14.8%*
Sponsorships	17	23	126	81	120	142	180	196	232	255	
YOY growth (%)		*33.6%*	*452.3%*	*-35.9%*	*48.7%*	*18.5%*	*26.6%*	*9.1%*	*18.4%*	*9.7%*	*16.3%*
Merchandising	21	22	39	25	28	30	32	33	33	34	
YOY growth (%)		*2.9%*	*77.1%*	*-35.6%*	*12.7%*	*6.0%*	*7.7%*	*1.8%*	*2.8%*	*1.5%*	*3.9%*
Total sports market	**170**	**181**	**445**	**284**	**369**	**418**	**491**	**528**	**593**	**639**	
YOY growth (%)		***6.6%***	***145.7%***	***-36.2%***	***30.2%***	***13.1%***	***17.7%***	***7.5%***	***12.4%***	***7.7%***	***11.6%***
Sports betting	36	35	54	51	64	69	76	79	83	83	
YOY growth (%)		*-2.6%*	*55.9%*	*-5.8%*	*26.0%*	*7.3%*	*10.5%*	*3.4%*	*5.6%*	*0.0%*	*5.3%*
Total sports spending	**206**	**216**	**499**	**335**	**433**	**487**	**567**	**607**	**676**	**722**	
YOY growth (%)		***5.0%***	***131.3%***	***-32.9%***	***29.6%***	***12.2%***	***16.7%***	***7.0%***	***11.5%***	***6.7%***	***10.8%***

Source: PwC, Informa Telecoms & Media

Sponsorship and gate revenues will continue to dominate overall revenues in 2017.

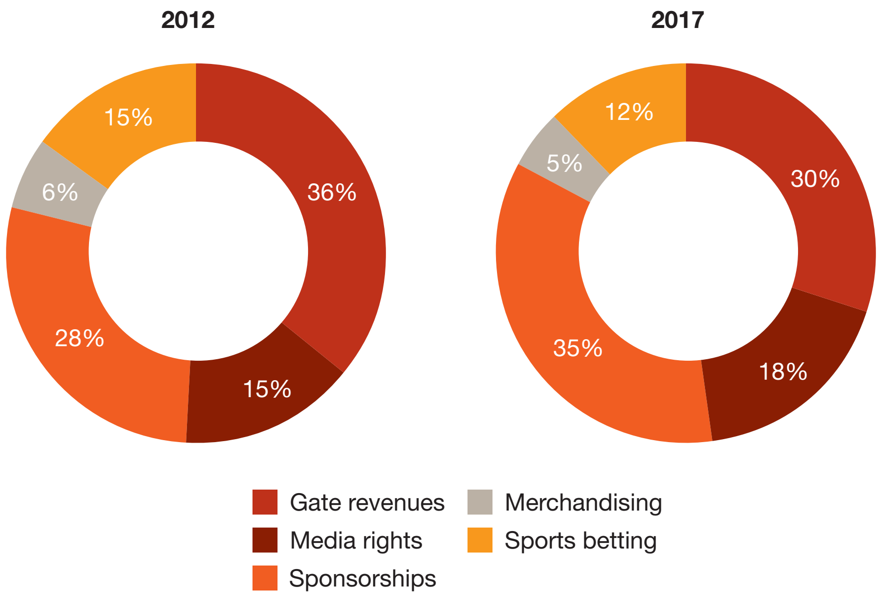
The Nigerian sports industry will generate estimated revenues of US$722.1 million in 2017, up from US$433.3 million in 2012, a CAGR of 10.8%. This growth will be attributable to factors such as improving economic conditions and an increase in household and mobile broadband penetration.

Sports revenues by category, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Sports revenue share by category, 2012-2017 (%)



Source: PwC, Informa Telecoms & Media

Gate revenues

Gate revenue is expected to grow at a CAGR of 7.1% over the next five years, reaching US$218.3 million in 2017, when it will constitute approximately 30% of Nigerian sports revenues. The market is set to develop as the Nigerian economy continues to grow, but will also be boosted by better match-day supervision, meaning fewer people entering sporting events without paying.

Football will continue to constitute the biggest contributor towards gate revenues, although it has been suggested that the increasing interest in the English Premiership has the potential to stop Nigerians from following domestic football. It is therefore important for Nigerian clubs to make sure that the match-day experience continues to improve in order to preserve gate revenues in the future.

Gate revenues will account for 30% of Nigeria's sports spending in 2017.

Media rights

Media rights generate the third-largest category of sports revenues in Nigeria, representing 15% of the total market in 2012. It is, however, set to grow at a considerable rate over the course of the forecast period, growing at a CAGR of 14.8% to reach an estimated US$131.8 million in 2017, representing 18% of the total.

Telecoms firm, Globacom, became the new title sponsor of the Nigeria Premier League (NPL) in January 2013, in a deal worth in the region of US$16.4 million over four years.

The Nigeria Football Federation recently sold media rights for the Nigerian national team's games to D1D2 Sport, with the broadcaster also inheriting exclusive global broadband, mobile and Internet rights and television rights in Europe, Scandinavia, UAE, Australia and Sudan, according to a statement.

Elsewhere, the Nigerian Basketball Federation (NBBF) recently signed a broadcast agreement with the Nigerian radio station Sports Radio, although the details of the broadcasting agreement remain undisclosed.

Media rights will grow at a CAGR of 14.8% in the next five years.

Sponsorship

Sponsorship will be the fastest-growing segment in the Nigerian sports market.

Sports sponsorship is set to be the fastest-growing segment in the Nigerian sports market, due primarily to the improving state of the economy and the subsequent willingness of both domestic and foreign companies to invest in Nigeria. Sponsorship in Nigeria is expected to be worth an estimated US$254.9 million in 2017, representing a CAGR of 16.3% over the forecast period.

In April 2013, it was announced that brewing company Guinness Nigeria had signed major sponsorship deals with five NPL clubs. Guinness Nigeria also sponsors the NFF.

Merchandising

Merchandising will continue to grow slowly.

Merchandising revenues grew slowly up to 2012 and will continue to do so over the next five years; growing at a CAGR of 3.9% and reaching approximately US$33.9 million in 2017. A spike in revenue was observed in 2010 as a result of the FIFA World Cup in South Africa, which Nigeria competed in, and which was celebrated by Africans across the continent.

The Nigerian national team has also benefitted from its kit being sponsored by Adidas, allowing fans both in and out of Nigeria to affiliate themselves with the national team, which in turn helps to monetise the Nigerian national team as a sports brand.

Sports betting

Sports betting is growing but is still a small part of the overall sports market.

Sports betting in Nigeria is forecast to generate revenues of US$83.1 million in 2017, up from US$64.2 million in 2012, a CAGR of 5.3%. The 2010 World Cup boosted the betting market and it has grown on the back of that. However, revenues from betting will still only form a small part of overall sporting revenues in the country.

Kenya

Sports market, 2008-2017 (US$ millions)

Kenya	Historical data					Forecast data					CAGR %
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2013-17
Gate revenues	21	25	41	23	27	30	33	36	40	43	
YOY growth (%)		*22.0%*	*60.5%*	*-42.9%*	*17.7%*	*10.9%*	*9.8%*	*9.7%*	*9.3%*	*8.0%*	*9.5%*
Media rights	2	3	14	6	11	14	17	21	28	34	
YOY growth (%)		*44.0%*	*387.5%*	*-57.6%*	*93.0%*	*17.7%*	*28.7%*	*21.3%*	*33.9%*	*19.4%*	*24.1%*
Sponsorships	1	5	22	17	25	29	37	41	48	51	
YOY growth (%)		*231.3%*	*387.6%*	*-24.7%*	*49.1%*	*13.8%*	*28.3%*	*10.7%*	*17.2%*	*6.9%*	*15.2%*
Merchandising	3	3	7	3	4	4	4	5	5	5	
YOY growth (%)		*21.9%*	*118.2%*	*-57.4%*	*18.3%*	*18.1%*	*7.2%*	*9.6%*	*6.3%*	*3.4%*	*8.8%*
Total sports market	**27**	**36**	**84**	**49**	**67**	**77**	**91**	**103**	**121**	**133**	
YOY growth (%)		***34.5%***	***133.7%***	***-41.7%***	***37.7%***	***13.5%***	***19.9%***	***12.3%***	***17.3%***	***10.0%***	***14.6%***
Sports betting	6	7	10	9	12	13	14	15	17	17	
YOY growth (%)		*23.0%*	*48.3%*	*-13.8%*	*33.3%*	*7.8%*	*12.7%*	*7.9%*	*10.2%*	*2.2%*	*8.1%*
Total sports spending	**33**	**43**	**94**	**58**	**79**	**90**	**105**	**118**	**138**	**150**	
YOY growth (%)		***32.5%***	***120.0%***	***-38.6%***	***37.1%***	***12.7%***	***18.9%***	***11.7%***	***16.4%***	***9.1%***	***13.7%***

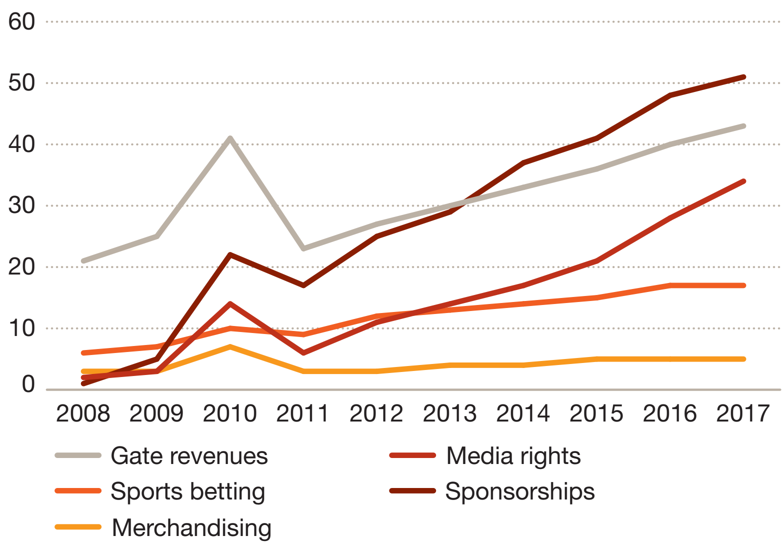
Source: PwC, Informa Telecoms & Media

The sports market in Kenya will grow at a CAGR of 13.7% over the next five years.

Kenya's sports industry will generate estimated revenues of US$150.4 million in 2017, up from US$79.2 million in 2012, a CAGR of 13.7%. This growth will be driven primarily by rapid growth in media rights and sponsorship deals, although it will also be influenced by improving macroeconomic conditions and a subsequent increase in mobile and household broadband penetration.

Sponsorship, gate revenues and media rights will drive growth in Kenya's sports market.

Sports revenues by category, 2008-2017 (US$ millions)



Source: PwC, Informa Telecoms & Media

Gate revenues

Gate revenues will generate US$43 million in 2017.

Gate revenues are expected to grow as a result of a steady increase in Kenyan GDP, as Kenyans elect to spend more of their disposable income on the increasingly popular sporting events in the country.

Gate revenues constitute 34% of the total Kenyan sports market and revenue is expected to grow at a CAGR of 9.5% over the forecast period, reaching US$43.0 million in 2017.

It is also thought that the growth of rugby sevens in Kenya could result in a heightened interest in viewing the sport, as it is shorter and faster than the full format game and is considered to be more commercially sustainable.

Media rights

Sports media rights in Kenya will grow at a CAGR of 24.1%.

The media rights industry in Kenya is set to increase steadily over the forecast period, growing at a CAGR of 24.1% and generating revenues of US$33.8 million in 2017.

SuperSport International is the official media partner of Tusker Premier League football. In 2011 it was announced that SuperSport had agreed to renew its deal with the Kenyan Premier League (as it was then known) in a five-year deal worth 'close to double' the US$5.5 million value of the previous package. This renewal came with the added benefits of financing the payment of referees' allowances and funding club activities. Since then, the broadcaster has gone on to screen close to 90 live matches a season.

Sponsorship

Sponsorship is growing across a number of sports.

Kenyan sport is developing in terms of sports sponsorships, with soccer in particular benefitting from an increase in televised coverage and the increasingly professionalised management of teams.

The Kenyan Premier League, for example, recently changed its name to the Tusker Premier League in a three-year sponsorship deal worth US$2.0 million (KES170 million). The league then went on to sign three-and-a-half-year deal with sportswear manufacturer Puma worth US$100 000 (KES10 million), showing that the Tusker deal had boosted the league's ability to attract large corporate sponsors.

In golf, Kenya Airways was named as the official airline of the Barclays Kenya Open in 2011, in a deal thought to be worth around US$25 000 (KES2.2 million). The competition was boosted further by an improved sponsorship arrangement with Coca Cola's Dasani water brand.

In addition, athletics, Kenya's most successful sport, received a boost when the National Bank of Kenya decided to increase its sponsorship of Athletics Kenya from US$230 000 (KES20 million) to US$350 000 (KES30 million) in 2012, while 800m Olympic gold medallist David Rudisha, who is currently sponsored by Adidas among others, has recently been listed as the 41st most marketable athlete in the world by *SportsPro* magazine.

Merchandising

Merchandising in Kenya is set to continue to grow at a CAGR of 8.8% over the next five years, although modest growth previously means that revenues of US$3.5 million in 2012 were relatively low. Merchandising sales, like gate revenues, are intrinsically linked to the state of the overall economy and growth in Kenya's GDP will result in an increase in Kenyan merchandising revenues.

Merchandising revenues are also linked to large-scale sporting events and Kenya, as with the rest of Africa, saw an increase in merchandising revenues as a result of the 2010 FIFA World Cup, despite the Kenyan national team not competing at the tournament. This figure fell sharply into 2011 as the influence of the FIFA World Cup declined, but grew again in 2012 thanks to the popularity of the London Olympics.

Merchandising will grow but from a small base.

Sports betting

Sports betting in Kenya is forecast to generate revenues of US$17.3 million in 2017, up from US$11.7 million in 2012, a CAGR of 8.1%. However, revenues from betting will still form only a small part of overall sporting revenues in the country close to 90 live matches a season.

Sports betting will grow at a CAGR of 8.1%.

Glossary of terms

3D	Three-dimensional
3G	Third-generation wireless
ABC	Audit Bureau of Circulations of South Africa
ACE	Africa Coast to Europe undersea cable
Act-SA	Association of Community Television South Africa
ADSL	Asymmetric digital subscriber line
AFCON	Africa Cup of Nations
AIRCO	Association of Independent Record Companies,
AMF	Advertising Media Forum
AMPS	All Media and Products Study
ANA	Association of Nigerian Authors
ANIC	African News Innovation Challenge
AR	Augmented reality
ARPU	Average revenue per user
B2B	Business-to-business
B2B2C	Business-to-business-to-consumer
BRICS	Brazil, Russia, India, China and South Africa
CAF	Confederation of African Football
CAGR	Compound annual growth rate
CD	Compact disk
CDMA	Code Division Multiple Access (radio channel access method)
CEO	Chief Executive Officer
CPC	Cost-per-click
CPI	Consumer Price Index
CPM	Cost per mille
DAB	Digital audio broadcasting
DEC	Daily effective circulation
DFID	Department for International Development (UK)
DIFF	Durban International Film Festival
DLC	Downloadable content
DMB	Digital multimedia broadcasting
DMCA	Digital Millennium Copyright Act of 1998 (US)
DoC	Department of Communications
DOOH	Digital out-of-home
DRM	Digital rights management

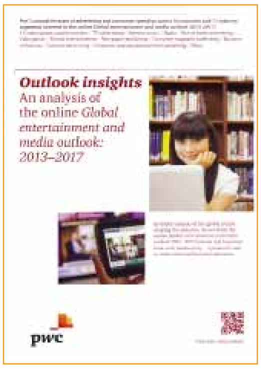
DTI	Department of Trade and Industry (South Africa)
DTT	Digital terrestrial television
DVB-T2	Digital Video Broadcasting – Second Generation Terrestrial
DVD	Digital versatile disc
DVR	Digital video recorder
E&M	Entertainment and media
ECTA	Electronic Communications and Transactions Act No 25 of 2002 (South Africa)
EA	Electronic Arts
e-Commerce	Electronic commerce
EDGE	Enhanced Data rates for GSM Evolution
EMEA	Europe, the Middle East and Africa
EV-DO	Evolution Data Optimised (telecommunications standard)
EXSA	Exhibition and Events Association of Southern Africa
FCB	First Community Bank (Kenya)
FM	Frequency modulation
FTTB	Fibre-to-the-building
FTTH	Fibre-to-the-home
FTTx	Fibre-to-the-exchange
FWA	Fixed-wireless access
GB	Gigabyte
GDP	Gross domestic product
GPRS	General packet radio service
GSM	Global System for Mobile Communications
HD	High-definition
HDTV	High-definition television
HSPA	High Speed Packet Access
ICASA	Independent Communications Authority of South Africa
ICT	Information and communication technology
IPTV	Internet Protocol television
ISDN	Integrated Services Digital Network
ISP	Internet service provider
ISPS	International Sports Promotion Society
JKIA	Jomo Kenyatta International Airport
KBC	Kenya Broadcasting Corporation
KES	Kenyan shilling (currency)

LED	Light-emitting diode
LDR	Listener driven radio
LSM	Living Standards Measure
LSSAA	Lagos State Signage and Advertisement Agency
LTE	Long Term Evolution
m4Lit	Mobile phones for literacy
MB	Megabyte
MBps	Megabytes per second
MEA	Middle East and Africa
MMDS	Multichannel multipoint distribution service
MMOs	Massive multiplayer online games
MOVE	Measurement of Outdoor Visibility and Exposure
MPASA	Magazine Publishers Association of South Africa
NAB	National Association of Broadcasters
NBBF	Nigerian Basketball Federation
NBC	National Broadcasting Commission (Nigeria)
NCC	Nigerian Communications Commission
NCC	Nigerian Copyright Commission
NFC	Near-field communications
NFVF	National Film and Video Foundation
NGN	Nigerian naira (currency)
NMG	Nation Media Group (Kenya)
NPA	Nigerian Publishers' Association
NPL	Nigeria Premier League
NPod	Nielsen Personal Outdoor Device
OAAN	Outdoor Advertising Association of Nigeria
OECD	The Organisation for Economic Co-operation and Development
OHMSA	Out of Home Media South Africa
OTT	Over-the-top (video content delivered via the Internet)
PC	Personal computer
PDF	Portable Document Format
POSIB	Protection of State Information Bill
PPV	Pay-per-view
PSL	Premier Soccer League (South Africa)
PVR	Personal video recorder
QR code	Quick Response Code
RAB	Radio Advertising Bureau
rAge	Really Awesome Gaming Expo
RAMS	Radio Audience Measurement Survey
RAPU	RISA Anti-Piracy Unit
RISA	Recording Industry of South Africa
RTB	Real-time bidding
SAARF	South Africa Audience and Research Foundation

SABC	South African Broadcasting Corporation
SACS	South Atlantic Cable System
SAex	South Atlantic Express undersea cable
SAFA	South African Football Association
SAITEX	Southern Africa International Trade Exhibition
SAMPRA	South African Music Performance Rights Association
SANZAR	South Africa, New Zealand and Australia Rugby
SAPS	South African Police Service
SARFU	South African Rugby Football Union
SARS	South African Revenue Service
SASCOC	South African Sports Confederation and Olympic Committee
SME	Small and medium enterprises
SMS	Short Message Service
SPCV	Special purpose corporate vehicle
TPM	Technological protection measure
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TWSM	The World Sponsorship Monitor
UAE	United Arab Emirates
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
URL	Uniform resource locator
USAID	United States Agency for International Development
USB	Universal Serial Bus
VAT	Value added tax
VOD	Video on demand
WACS	West African Cable System
W-CDMA	Wideband Code Division Multiple Access (3G wireless standard)
WCT	World Intellectual Property Organisation Copyright Treaty
Wi-Fi	Wireless Fidelity (wireless standard)
WiMAX	Worldwide Interoperability for Microwave Access
WIPO	World Intellectual Property Organization
WPPT	World Intellectual Property Organisation Performance and Phonograph Treaty
xDSL	Digital subscriber line technologies
YOY	Year on year

Further reading

Global entertainment and media outlook: 2013-2017



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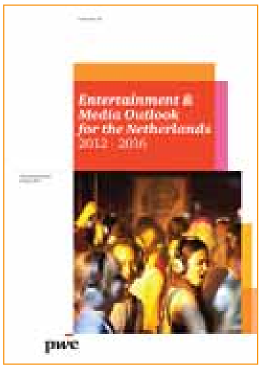

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2012 Entertainment & media outlook – New Zealand
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