



2016 Top Markets Report **Media and Entertainment** Country Case Study

Nordic Region Snapshot

Denmark, Finland, Norway and Sweden

Media & Entertainment Sector Overview

The Nordic countries, Denmark, Finland, Norway and Sweden (for the purpose of this study), are smaller but robust markets for certain segments of media and entertainment (M&E) export and licensing opportunities. Combined, the M&E industries in these four countries are set to grow at an average of 3.3 percent from 2014 to 2019ⁱ to reach \$11.7 billion, up from \$9.8 billion in 2014.ⁱⁱ While there is growth potential for the entertainment industries in each of the Nordic countries, these markets are generally considered mature with high penetration rates in each subsector. Mature markets tend to be highly competitive with numerous domestic service providers of M&E content keeping prices low, which is beneficial to the customer. However, the Nordic economies tend to be more expensive with an emphasis on high quality products and services, and this will have to be factored into any entry or expansion plans into these markets.

U.S. exporters have an advantage with content produced in the English language. According to the English Proficiency Index 2015, the Nordic countries rate “very high” in their English language capacity across all categories (listening, reading, speaking and writing), fostering an environment conducive to consuming U.S.-made media and entertainment in its original format.ⁱⁱⁱ Finally, these countries have famously good governance, which makes them reliable and transparent trading partners for U.S. exporters of M&E content, products and services.

Filmed Entertainment

Keeping pace with global trends, sales of electronic home video services in the Nordic countries are

expected to nearly double from \$92 million in 2015 to \$162 million in 2019.^{iv} This growth is fueled by the Nordic conversion to digital and a major increase in how the Nordics prefer to consume entertainment and, especially, demand for over-the-top content delivered through the internet. Even though Danes love to go to the movies, (buying 2.4 theater tickets per year) and Denmark has a relatively robust filmed entertainment market, the consumption of streamed content from online service will continue to grow exponentially in the coming years.^v Box office revenues will grow in Denmark from \$148 million in 2015 to \$166 million in 2019.^{vi}

Over-the-top services will grow at a 17.5 percent rate year after year from \$59 million in 2015 to \$113 million in 2019, demonstrating the trend in the move to digital content and representing opportunities for U.S. streaming services such as Netflix.^{vii} This signals additional opportunities for film and TV producers and distributors who seek joint projects and distribution deals. Finland’s over-the-top content sector will experience tremendous growth from \$3 million to \$22 million over the 2015 through 2019 period. However, during the same period the government will emphasize local production of Finnish movies over foreign movies in a move that could present co-production opportunities or possibly have protectionist overtones and should be observed in the coming years for opportunities.^{viii}

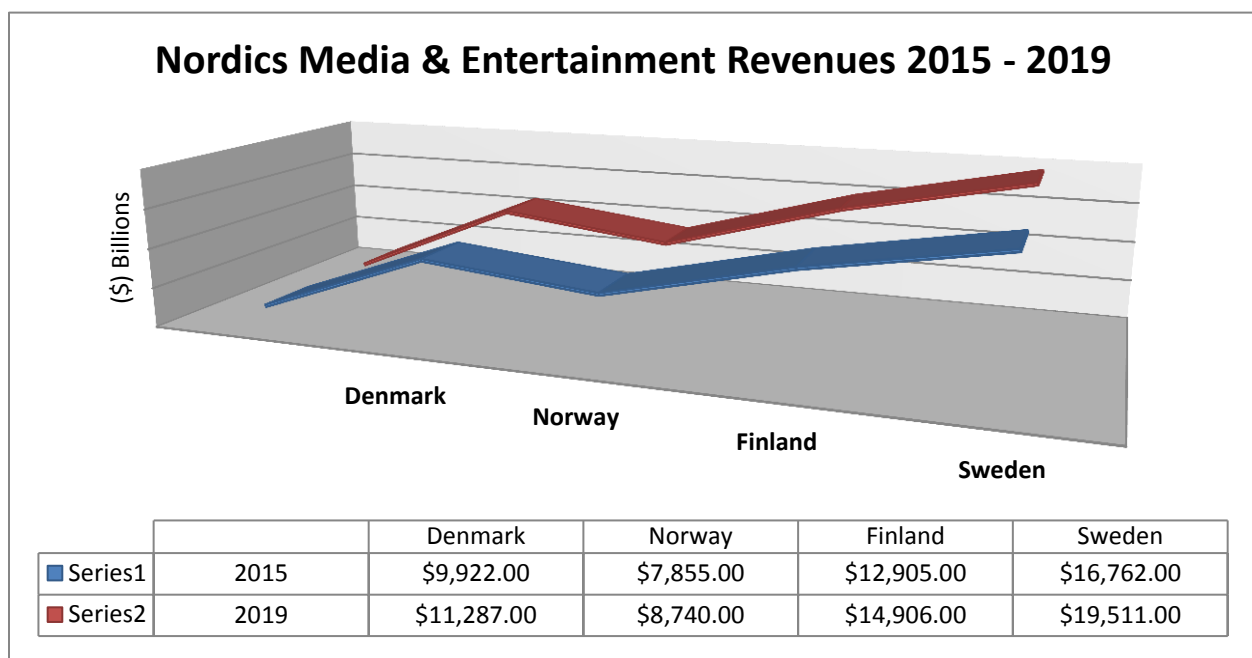
In Norway, electronic home video is going to grow at a whopping 19 percent per year from \$106 million in 2015 to \$212 million in 2019.^{ix} Sweden’s electronic home video sector will expand at a rate of 12.6 percent through 2019 from \$110 million in 2015 to \$199 million in 2019.^x Both markets offer

opportunities for U.S. companies to offer streaming services with the likes of Netflix and HBO Go already being offered in-country. Subscription TV markets are mature across the Nordic markets, averaging around 93 percent market penetration.^{xi}

Cable has been the mainstay of the Nordic countries for television programming but is on the decline, as saturated digitally enabled households prefer on-demand access to content through online video platforms such as Netflix, Chromecast and HBO Go.^{xii} Consumers seem content to pay for on-demand services, which signals future growth potential in the video on demand and electronic home video sectors, especially as physical video demand continues to

losses in every market such as in Finland, where the only growth segment in the music market is for digital music streaming – struggling to close the gap created by losses from physical. Denmark’s digital music downloads are decreasing and mobile music never took off. Norway and Sweden are both experiencing good growth in the live music scene and also with streaming, but not the other sectors.

Sweden has been among the top three international music markets alongside the United Kingdom and the United States over the past few years, principally due to its innovations in music streaming and the evolution of Spotify, as well as being home to the



Source: PwC Data from the 2015- 2019 Entertainment & Media Outlook

decline at nearly 10 percent throughout the region through 2019.^{xiii} Nevertheless, there are limited opportunities for U.S. companies, as the highly saturated market forces companies to snag each other’s customer base for new subscribers.

Music

The Nordic countries have established themselves as leaders in the uncharted universe of digital music. While physical music sales have declined rapidly, consumers have wholeheartedly embraced a digital agenda, and most Nordics consume music via streaming subscription services. At the same time, digital sales have not quite yet made up for physical

many of the world’s top song writers and DJs. Sweden, like the other Nordics, subsidize the arts and culture, including musicians and musical acts. Due to these many factors, Sweden reportedly exports the most music per capita in the world. These interesting developments come on the heels of the massive illegal file sharing problem Sweden and other countries faced a few years ago, made possible in no small part via Swedish music site Pirate Bay, which led to new laws to stem piracy^{xiv}.

The Nordic markets were well positioned for the transition to streaming services due to a plethora of streaming music services being launched in the region, a highly educated and tech savvy population

with expendable income, and the domination of major international streaming VoD brands like YouTube in the market.^{xv} As a result, digital streaming music is showing a strong surge in growth across all four Nordic countries, averaging 7.4 percent CAGR through 2019.^{xvi} Many small local and regional music streaming services offer potential investment opportunities for U.S. companies interested in buying out or establishing joint services. From an investment perspective, the Swedish streaming service Spotify raised half a billion dollars in 2015 after its seventh round of funding.^{xvii} While Spotify is the largest in the market, U.S. companies could arguably find niche opportunities. The festival market also offers U.S. booking companies and festival organizers an opportunity to partner with Nordic booking agencies. There are as many opportunities as there are festivals across the Nordic region for booking talent, supplying stage equipment, ticket sales and data analytics, and crowd control infrastructure that U.S. companies can take advantage of within these countries.

Video Games

The video games sector is growing, although at a modest pace across all four countries, averaging 3.7 percent CAGR through 2019, with Denmark showing the largest growth rate of 4.7 percent to reach \$230 million by the same year. Most notably, industry growth will be driven by increased sales in the social/casual gaming subsector in all four countries, with Sweden leading the way at a 6.7 percent CAGR through 2019 and the market reaching \$98 million in revenues.^{xviii}

Sweden has established itself as the center of development and innovation in video games and is number four on the index of Global Talent Competitiveness, preceded only by Switzerland, Singapore and Denmark.^{xix} In Sweden, the free-to-play model utilizing in-game purchases will see the

highest growth, driven by widespread ownership of tablets and smartphones. Also, smaller developers have relied on the concept of the digital store for their success. Applications like Steam allow users to download games, usually at a reduced price than in a brick-and-mortar store.^{xx}

Across the Nordic region, traditional console gaming and physical games will continue to lose ground in favor of digital downloads of video game content over our research period. This trend is expected to increase in the future as consumers of content continue to move away from owning physical console games to acquiring them through a digital store on their computer.

Publishing

The consumer electronic book (e-books) market is increasingly accounting for the majority of what little growth the publishing sector will realize in the Nordic region. Norway has the largest consumer book market at \$678 million in 2016, forecasted to grow to \$694 million by 2019.^{xxi} Also, Nordic governments subsidize prominent authors who receive income from the state for the writing and publishing of their books in order to encourage the profession. Across the region, the publishing market is transitioning from physical to a digital content market at a rapid pace but not without protest. For example, Norway has a policy in place that regulates the price of a book the first year after its publication, which has dis-incentivized large online book retailers, such as Amazon, from entering the market, favoring brick-and-mortar stores instead.^{xxii} The publishing markets in Denmark and Sweden are set to contract by 0.1 percent and 1.6 percent CAGR through 2019.^{xxiii} As with any niche markets, this could create opportunities for U.S. publishers to access small pockets of the market with very motivated readers or create other opportunities, such as public speaking and education, and bringing the unique American culture to the Nordic region.

ⁱPricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/19/2016.
ⁱⁱPricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/19/2016.
ⁱⁱⁱ Education First, EF English Proficiency Index 2015, <http://www.ef.edu/epi/>, accessed 1/21/2016.
^{iv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/28/2016.
^v Axel Scoffier, "Denmark: a small film industry with great shape," *ina global*, accessed 2/3/2016, <http://www.inaglobal.fr/en/cinema/article/denmark-small-film-indU.S.try-great-shape-7515>
^{vi}Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/20/2016.

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- ^{vii} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 2/3/2016.
- ^{viii} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/20/2016.
- ^{ix} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/20/2016.
- ^x Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/20/2016.
- ^{xi} Authors’ calculations from Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/21/2016.
- ^{xii} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 2/1/2016.
- ^{xiii} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/20/2016.
- ^{xiv} Sweden: A Market Transformed, IFPI, accessed 3/3/2016 <http://ifpi.org/sweden.php>
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- ^{xvi} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/29/2016.
- ^{xvii} Glenn Peoples, “Spotify raises over half a billion –and new subscriber numbers show freemium may be working,” published 6/10/2015, accessed 2/5/2016, <http://www.billboard.com/articles/business/6590861/spotify-20-million-subscribers-75-million-users-raises-526-million-funding>
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- ^{xix} Gaming Hub Sweden, <https://sweden.se/culture-traditions/gaming-hub-sweden/>
- ^{xx} Scandinavian Game Developers, “The Danish Game Industry – An Overview,” 3, accessed 2/3/2016.
- ^{xxi} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/29/2016.
- ^{xxii} Evan Hughes, “The Norwegian Government Keeps Book Publishers Alive,” <https://newrepublic.com/article/117337/norway-best-place-world-be-writer> Accessed 2/3/2016.
- ^{xxiii} Pricewaterhouse Coopers, “Global media and entertainment outlook,” <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/29/2016.