



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

United Kingdom

The British M&E market will expand to \$106 billion by 2019, growing at a steady 3 percent CAGR, from \$93 billion in 2015.¹ Digital video entertainment is forecast to grow rapidly with the proliferation of viewing devices, and in late 2014, the United Kingdom boasted 48 million smartphone connections as well as two million smart TVs and 14 million tablets in use. International film productions contributed 81 percent of the film-spend in the United Kingdom, and the UK government offers lucrative tax incentives for domestic feature films, UK TV drama, video games and animation. The UK government is actively pursuing collaboration and investments from China, and the two nations penned a co-pro deal in 2014. The video games sector is growing exponentially, from consoles to mobile to online games, but PC games are in decline.¹ E-books make up a significant part of the UK's total revenue for publishing at nearly 22 percent of the market's total value.¹ UK officials have stepped up enforcement and cooperation with the private sector in recent years to combat piracy of creative content.

Overall Rank

1

Ranking of the UK M&E Sectors 2016

1. Video Games
2. Filmed Entertainment
3. Publishing
4. Music

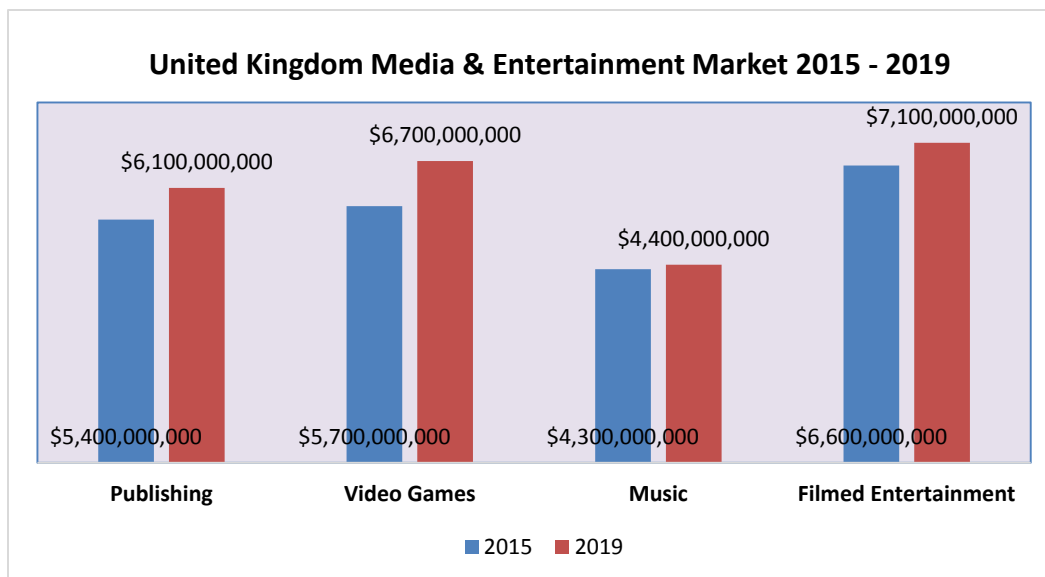
The United Kingdom ranks first on ITA's list of top M&E export markets. The UK entertainment industry is growing three times faster than the overall economy and, as a longstanding U.S. trading partner, garners the top spot for U.S. M&E exporters in 2016. The overall digital M&E market will see steady growth through 2019, but three areas are standouts. Over-the-top (OTT) streaming will make a big jump and more than double to reach \$1.3 billion by 2019 while total electronic home video revenue will triple to \$1.8 billion in 2019.¹

Both countries are fans of each other's TV content and barring any unforeseen regulatory hurdles, licensing, distribution and even production of

content for TV and OTT presents strong growth for U.S. exporters and licensors to the UK market. Digital music downloads are growing despite an otherwise heavily pirated global music market, signaling that consumers are willing to pay for downloads. Music streaming services have caught on in the United Kingdom. The game sector is also thriving, with excellent opportunities in digital console games and very good growth in online games.

Overview of M&E Market

The United Kingdom is a top entertainment market and one of the largest film, TV and music markets in the world, and the British government provides hefty subsidies to these sectors to grow the domestic industry. Three companies dominate the British theatrical industry; Cineworld, Vue and Odeon account for the six largest theaters and 85 percent of the business, according to the Cinema Exhibitors Association.



* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

The United Kingdom has digitized most of its theaters; 95.2 percent of the country’s 3,858 screens were digital by mid-2013. The Federation Against Copyright Theft, or FACT, has mobilized industry and government to tackle the considerable online piracy of filmed entertainment but is hampered by the costs involved with computer forensic analysis. The Police Intellectual Property Crime Unit (PIPCU) of the London Police Department has launched high profile campaigns to educate the public and pursue cases in the digital and physical piracy markets for all creative content sectors. The UK government is also supporting the Creative Content UK project between rights holders and ISPs to deal with IP infringement online.

Opportunities for U.S. Companies

Filmed Entertainment

The United Kingdom’s filmed entertainment sector was valued at \$6.7 billion in 2015 and is set to grow to \$7.1 billion by 2019 (1.9 percent), a decrease from the 2015 prediction for a 3.4 percent growth. According to Oxford Economics, this segment supports over 117,000 jobs (2012) and contributes over \$7 billion to the UK GDP. The United Kingdom held 5 percent of global box office receipts in 2014 at \$1.91 billion, grew to \$2.05 billion in 2015, and is expected to reach \$2.16 billion by 2019 (2.8 percent).ⁱⁱ Box office receipts will reach \$2.31 billion by 2019, growing at 3.8 percent.ⁱⁱⁱ

The six U.S. major motion picture studios dominate film distribution in the United Kingdom, but

competition is strong from indie studios, signaling opportunities for smaller U.S. distributors. According to the UK Film Distributor’s Association, more than 120 companies release movies in the United Kingdom. Notably, the top 10 distributors accounted for 96.4 percent of the theatrical box office receipts and released 298 films out of a total of 790 in 2013 (latest available data).

Electronic home video will continue to grow exponentially from \$1.2 billion in 2015 to \$1.9 billion by 2019 (12.3 percent), with OTT leading the way with expected revenues of \$1.34 billion by 2019. Physical home video is contracting to only 58 percent of total home video revenues, down from 75 percent in 2014, despite an uptick in Blu-Ray and TV box-set spending that same year, while electronic home video will increase its market share from 24 percent to 42 percent of total home video revenues.^{iv} Physical home video will nonetheless post larger revenues than total digital revenues, despite a negative 3.9 percent growth rate, to reach \$2.6 billion in 2019, as it still holds a larger share of the market segment.

Cable TV is in strong competition with the streaming sector, with major ad campaigns launched by industry giants Sky, Netflix and Amazon to engage British consumers with their services on PCs, mobile apps and game consoles. The competition is leading to opportunities for innovative firms in this space to either partner with larger U.S. or foreign corporations who need English speaking expertise or to bring value-added services from specialized small businesses to market.

Music

The UK music industry will experience very modest overall growth from 2015 through 2019 at a 0.7 percent growth rate to reach \$4.43 billion in revenues (down from \$4.65 billion in 2010). Live music constitutes more than half of the UK's music revenues and is expected to reach \$2.53 billion by 2019 at only a 0.2 percent growth over five years.

In September 2015, live music sales rose by 0.3 percent to just over \$2.51 billion. Digital streaming is expected to grow 39.4 percent to \$286 million but with dramatic declines in mobile music by 30.9 percent and physical at 5.4 percent to \$786 million.^v This pattern of falling physical sales is a global phenomenon, but UK music revenues are higher than most European countries, with the exception of Germany which is estimated to reach \$4.55 billion by 2019 and 28 percent digital streaming growth over the five-year period measured here.^{vi}

UK audiences rapidly signed up for subscription-based and ad-driven digital music streaming, and revenues rose 29 percent from 2012 to 2013 to reach \$117 million. Leading providers include Spotify, Deezer, Rdio, Xbox Music and Google Play Music All Access. As a result, digital streaming has now become a highly competitive market. Some analysts question whether UK audiences will stick with the current trend rather than opting to purchase and own music outright as opposed to accessing a catalogue of music online.

Games

The UK video games market will see decent growth of 4.1 percent between 2015 and 2019 to reach \$6.77 billion.^{vii} According to Price Waterhouse Coopers, current projections show a value of \$6.5 billion in 2017, up from \$5.2 billion in 2012.^{viii} Unlike in many markets, game consoles sales remain robust, and half of total video games revenues are from consoles, which should experience a 3.8 percent growth during the five year period to reach \$3.3 billion.^{ix}

With the proliferation of smart phones and tablets, app-based games have been on a steep incline and should see 6.5 percent growth from \$1.01 billion in 2014 to \$1.40 billion in 2019.^x However, browser-

based online gaming is falling over the same period from \$270 million to \$252 million.^{xi} The previous Top Markets report showed that digital console games would experience robust growth through 2018 to \$1.4 billion, but this trend has been revised downward to grow digital console games to only \$958 million by 2019.^{xii} Still, this growth could promise excellent export or licensing deals to U.S. game developers. Another significant revision is the growth, rather than decline, of PC games from last year's report. Whereas, PC games were predicted to decline from 2013 to 2018 to \$327 million at a rate of 1.4 percent last year, they are now predicted to grow \$1.24 billion to \$1.42 billion over the same period with a 2.77 percent growth rate.^{xiii}

Book Publishing

The UK is one of the most forward-looking markets for electronic books in the world with substantial growth predicted from 2014 to 2019.^{xiv} Publishing is slated to grow at a modest 2.7 percent year-over-year from 2014 to 2019. The market will grow from \$5.4 billion in 2014 to \$6.1 billion in 2019. Currently, e-books represent approximately 22 percent of total book sales revenue and are slated for strong growth to compose nearly 47 percent in consumer, educational and professional books.^{xv} E-books for consumers are predicted to more than double from their 2015 market size of \$933 million to \$1.90 billion at a 20 percent average growth rate through 2019.^{xvi} While educational books lead the industry with a 22.9 percent growth rate, they comprised a much smaller market of \$273million in 2015, yet they are slated to grow to \$595 million by 2019 with a 22.9 percent growth rate, outpacing consumer books.^{xvii} Professional e-books in 2014 made up \$221 million market predicted to grow at a rate of 11.4 percent to \$379 million by 2019.^{xviii}

This significant market growth in the e-book market creates opportunities for small- and medium-sized publishers to sell on the UK market as consumers move towards a preference for on-demand subscription e-reading services similar to Netflix for television content. Currently, leading subscription services include Amazon, Oyster, Bloomsbury, Open Road Media and Houghton Milton Harcourt, which have over 700,000 e-books available to consumers.^{xix} Price plays an important role in the growth in popularity of e-books, as the average e-book costs \$3.00 to \$4.00, making them an attractive

alternative to expensive print books.^{xx}

As the UK education sector suffers budget cuts, educational e-books will become an important part of the curriculum due to their lower price and the rising use of tablets. The e-book education sector could be an excellent way for U.S. companies to enter the UK market, selling their products to schools.

While overall professional book publishing will only grow 0.1 percent through 2019, reaching a market revenue size of \$898.0 million to \$901.0 million, professional e-books will grow at a rate of 11.4 percent during the same period, representing a revenue increase from \$221 million in 2014 to \$379 million in 2019.^{xxi} The general trend in professional e-books is skewed towards careers that require a higher daily usage of the textbook and that are more likely to purchase a professional e-book such as doctors and lawyers, thus limiting the size of the market.^{xxii}

Challenges Facing U.S. M&E Exporters

The biggest challenge for U.S. M&E exporters to the United Kingdom is the cost of doing business and competition from other trading partners in the marketplace, including UK government subsidized co-production and similar deals that bring foreign competitors into the market and could stifle U.S. competition. Historically, the two countries conduct significant trade with one another, especially in the entertainment industries. The industry is very large but growing at a relatively slower rate than many of the emerging economies.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in the UK.

- Typical buyers, licensors and distributors of M&E in the UK might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include identifying key buyers and distributors to the UK market and setting up an office in country.
- Common trade barriers to enter/expand in the market might include that most multinational

vendors have set up their own regional or local office in country. It is a cost of doing business in the local market, as many potential clients, especially federal government agencies, insist on their data remaining in the UK. Companies should expect significant competition from local and pan-European vendors.

- U.S. Department of Commerce Country Commercial Guide:
<http://www.export.gov/ccg/unitedkingdom090963.asp>
- American Chamber of Commerce in the United Kingdom:
<http://www.chamber-commerce.net/dir/4475/American-Chamber-of-Commerce-of-the-United-Kingdom-in-London>

Government Agencies

- The Department of Culture, Media and Sport:
<https://www.gov.uk/government/organisations/department-for-culture-media-sport>
- Intellectual Property Office
<https://www.gov.uk/government/organisations/intellectual-property-office>

Industry Trade Associations

Film/TV

- Film Distributors' Association
<http://www.launchingfilms.com/>
- British Council Film
<http://film.britishcouncil.org/about-us/about-british-council-film>
- Pact UK
<http://www.pact.co.uk/Music>
- Music Industries Association
<http://www.mia.org.uk/>
- Music Publishers Association
<http://www.mpaonline.org.uk/>

Publishing

- The Publishers Association:
<http://www.publishers.org.uk/>
- The Booksellers Association:
<http://www.booksellers.org.uk/>
- Periodical Publishers Association:
<http://www.ppa.co.uk/>
- UK Association of Online Publishers:
<http://www.ukaop.org/>
- The British Library: <http://www.bl.uk/>
- The Independent Publishers Guild:
<http://www.ipg.uk.com/>

Video Games

- UKie
<http://ukie.org.uk/>
- TIGA
<http://www.tiga.org/>

Trade Shows

Film/TV

- Film and TV BSC Expo
<http://www.bscepo.com/>
- BVE Expo
<http://www.bscepo.com/>
- TV Connect
<https://tvconnectevent.com/>
- The Media Production Show:
<http://mediaproductionsow.com/>

Music

- MI Expo
<http://www.miexpo.org/>
- World Conference International Society for Music education
<http://www.isme2016glasgow.org/>
- Live UK Summit:
<http://www.liveuksummit.com/event.php>

Publishing

- London Book Fair
<http://www.londonbookfair.co.uk/>

Video Games

- Euro Gamer Show
<https://www.egx.net/egx>
- MGF London
<http://www.globalmgf.com/london/>
- EA Play
<http://www.ea.com/play2016/>

ⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

ⁱⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

ⁱⁱⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{iv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^v Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{vi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{vii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{viii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{ix} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

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^{xi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{xii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{xiii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{xiv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{xv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{xvi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{xvii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{xviii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{xix} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{xx} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/28/2015.

^{xxi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.

^{xxix} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 12/29/2015.