

2017 Top Markets Report Media and Entertainment Sector Snapshot

Media & Entertainment

The global Media & Entertainment (M&E) market reached \$1.9 trillion in revenues in 2016, according to the 2016-2020 Entertainment & Media Outlook by PricewaterhouseCoppers (PwC), and is expected to expand by nearly five percent to reach just under \$2 trillion in 2017. In 2016, China (\$190 billion) became the second largest market after the United States (\$712 billion), followed by Japan (\$157 billion), Germany (\$97 billion) and the United Kingdom (\$96 billion). France came in sixth, at \$69.3 billion (2016). In contrast, the six largest Latin American M&E markets grew to \$96 billion combined in 2016. Demonstrating major contributions of uniquely American culture, the United States boasts the largest global share of M&E earnings for filmed entertainment, music, book publishing, and video games. The M&E industryⁱ consists primarily of small businesses – or Indies – but large corporations, often diversified with the digital and tech sectors, dominate the industry.

The U.S. M&E market alone represents a third of the global market and will reach approximately \$771 billion by 2019, up 8.6 percent from 2016. The largest U.S. M&E firms (calculated by 2016 revenues) across four broad industry segments, include: Penguin Random (Books), SONY (Music), Disney (Film), and Microsoft (Video Games). Many corporations have experienced significant convergence and moved from film or broadcast or news, for example, to offer a multitude of services across M&E sectors. The largest example is the acquisition that led to Comcast NBCUniversal.

Global Revenues	U.S. Revenue	U.S. Companies	U.S. Employees	U.S. Exports*	U.S. Imports*
\$1.9Trillion (PwC 2016 data)	\$712B (PwC 2016data)	Handful of Majors and Thousands of SMEs	1,543,160 (BLS 2016 data)	\$21.3B (BEA 2015 *A/V and related data)	\$7.9B (BEA 2015 *A/V and related data)

*BEA Audio-Visual sectors include movies and TV programming, books and sound recordings, broadcast and recording of live events.

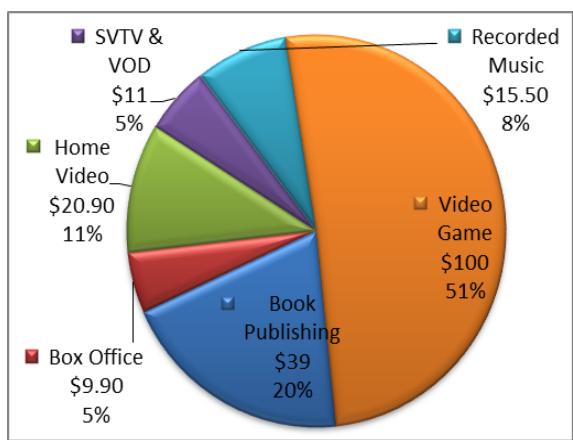


Figure 1 U.S. M&E Market Share, PwC data.

Key Media & Entertainment Competitiveness Issues

- Convergence of media and entertainment sectors and emergence of “mega” media corporations
- Import quotas, taxation, discriminatory customs valuation and domestic protectionist practices
- Piracy and copyright enforcement
- Cultural content and censorship restrictions
- FDI restrictions
- Royalties and monetization
- Continued transition to digital from traditional media production, distribution and consumption

Media & Entertainment Sectors as Major Economic Drivers

In 2015 (the latest available data), the value added by core copyright industries to U.S. GDP reached more than \$1.2 trillion, accounting for 6.9 percent of the U.S. economy. From 2012-2015, core copyright industries grew an aggregated annual rate of 4.8 percent, a whopping 127 percent more than the entire U.S. economy, which grew at only a 2.1 percent rate. In addition, the average annual 2015 compensation was \$93,221 for workers in the core copyright industries, which far exceeds the average compensation paid to all U.S. workers, \$67,715.

U.S. copyright industries contribute significantly to exports and outperform other sectors. For example, select U.S. copyright products in overseas markets amounted to \$177 billion in 2015 (IIPA Report), which represents a significant increase over prior years' exports. M&E sectors had higher exports in comparison to other sectors, such as chemicals (\$135.8 billion), aerospace products and parts (\$134.6 billion), agricultural products (\$62.9 billion), and pharmaceuticals (\$58.3 billion). Industry leaders work hard to articulate the impact of core copyright industries on the U.S. economy to garner government support. While traditional M&E sectors (such as hardcopy books, CDs and vinyl, film reels, analog broadcast and video game consoles) are still in circulation, growth is happening primarily in digital sectors.

Key Trends in Media & Entertainment for 2017

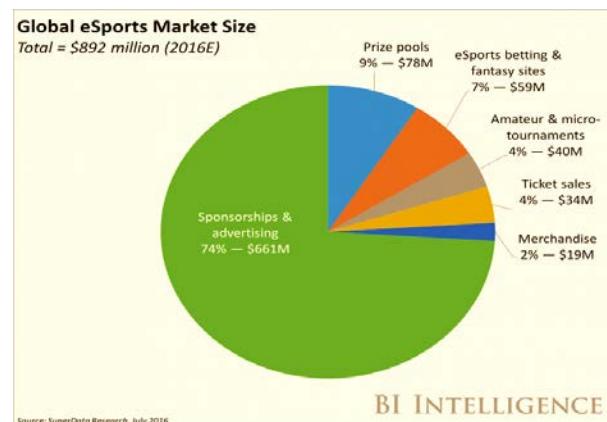
- Convergence of industry and cord cutting – and – consumer as creator and industry driver
- Interactive devices and tech drivers – yet industry is still largely analogue
- Persistent piracy and lack of strong enforcement of copyright laws
- Leading sectors include: augmented and virtual reality, eSports, streaming and video: OTT/VOD, and multichannel networks

Besides convergence, which can consolidate power in to the hands of a few major corporations, the industry is still evolving from a physical marketplace to a digital economy where consumers create and publish content, and drive industry executive-decision making. Consumers also demand increasingly sophisticated tools to access content, and technology is a big player and enabler for M&E sectors.

Digital trade has brought attention to widespread piracy and the importance of having solid copyright laws and enforcement actions, along with educational campaigns to encourage legal consumption of M&E. Despite the digital evolution, segments of the M&E industry still linger in the physical realm, such as in book publishing, newspapers (especially in foreign markets), and the music industry.

Video games and consoles are still very popular and affordable overseas. Virtual Reality (VR) and Augmented Reality (AR) permeate nearly all M&E sectors and have been the fastest growing of the sectors discussed here. Not only is VR the hottest word in the world of entertainment, but VR offers lifesaving applications in health care and innovative solutions in education, as well as across other sectors. eSports has become a global phenomenon and is expected to surpass \$500 million in 2017, and could reach \$1.9 billion in 2018, according to [Fortune.com](#).

Along with convergence, multichannel networks (MCNs) and cord cutting have affected business and consumer choices about how, when, and what entertainment to consume. MCNs work with video platforms to help video channel owners create, fund, promote and sell digital content in exchange for advertising revenues. Cord cutters, consumers preferring wireless devices over land lines, have disconnected cable services and use smart phones. These market disrupters have led to new challenges in domestic and foreign markets, as well as new opportunities.



Piracy and illegal file sharing continue to plague the M&E sectors. It is difficult to quantify losses from piracy and to calculate piracy rates accurately. Therefore many industry groups and businesses track piracy around the clock, and [online takedown notices](#) are rising dramatically as a result. From current research on internet traffic and requests for takedowns, one can estimate revenue losses from digital and copyright theft to range in the millions of dollars. The [Copyright Industries in the U.S. Economy: The 2016 Report](#), by Economist Stephen E. Siwek, and published in cooperation with the International Intellectual Property Alliance (IIPA), defines core copyright industries as “those industries whose primary purpose is to create, produce, distribute, or exhibit copyright materials. They also provide significant value added to GDP; an increasing number of high-paying jobs; real growth which outpaces the rest of the economy; and substantial foreign sales and exports, surpassing many industry sectors.”

Top 10 Media & Entertainment Companies ⁱⁱ	
Comcast Corporation	\$68.7B
Disney (USA)	\$52.5B
Wanda Group (China)	\$37.5B
DirectTV (USA)	\$30B
Time Warner (USA)	\$30B
21 st Century Fox (USA)	\$28.9B
Dish Network (USA)	\$14.6B
CBS (USA)	\$13.8B
Viacom (USA)	\$13.8B
Netflix (USA)	\$8.8B

As a world leader in innovation, U.S. companies rely on IP-intensive industries that continue to be an important and integral part of the U.S. economy that accounts for more jobs and a larger share of U.S. gross domestic product (GDP).

[“Intellectual Property and the U.S. Economy: 2016 Update”](#)
(USPTO), U.S. Department of Commerce

Key Global Media & Entertainment Export & Licensing Markets – Snapshot of the Top Five Countries in 2017

The following country insights cover the top five export and licensing markets for U.S. digital and creative sectors, as found in the [2016 Top Markets for Media & Entertainment](#) report, with updated 2017 data.ⁱⁱⁱ

1. The **United Kingdom** is a robust M&E marketplace with steady, reliable growth across the sectors, and relatively fewer trade barriers. It is expected to grow 3.4 percent from 2016-2017, to reach \$99.8 billion. As an English speaking country, it is an easy marketplace for American exporters to navigate and content travels easily. Key growth sectors include: e-books; especially in the education sector, the digital music sector, over-the-top (OTT) streaming (i.e. entertainment content such as audio, video, and media transmitted over the internet, including; video on demand (VOD) and streaming video to TV (SVTV), broadcast and satellite television, and video games; including PC, app-based, digital, as well as online consoles. NOTE: the impact of Brexit is unclear, although M&E firms will have to stay abreast of potential changes to copyright and data transfer laws, licensing regulations and distribution rights, and subsidies and production quotas for the industry.^{iv}
2. **China's** \$209 billion market grew just under 10 percent from 2016- 2017, a slight decline from 2015. Although market size and potential is unmatched, serious barriers to entry persist due to censorship rules on cultural content sectors, including internet, TV, film, music, radio, text messaging, games, newspapers, books and print media; as well as significant import restrictions, FDI caps, and co-production requirements. China's growing affluent consumer base seeks quality entertainment and content, and U.S. M&E products and services are in high demand. The Chinese government has invested immensely in to the industry and businesses are eager to realize joint business deals and learn from U.S. technical and intellectual know-how. Key growth sectors include: e-books, filmed entertainment, live music/concerts, and digital music streaming, electronic home video, especially OTT streaming; and video games, such as PC, app-based digital and online games, and consoles.
3. **Canada's** M&E marketplace is expected to reach \$45.3 billion in 2017, an overall growth rate of 3.6 percent which is consistent with the country's prior growth. Canada has a well-developed professional sector that makes trading easier and efficient for U.S. exporters. However, there are copyright and other trade barriers for American businesses in Canada. Online infringement is high and enforcement weaker than expected. Reports of illegal

retransmissions of certain TV programming and unfair discrimination against music performance, act as barriers, but U.S. businesses have many opportunities in this sophisticated market. Key growth sectors include: digital music streaming, e-books, satellite radio advertising, and video games, including PC, app-based, digital, and online games and consoles.

4. India offers a growing middle class of high-tech savvy consumers and vibrant media, entertainment and innovation sectors. It is a very challenging marketplace, with barriers, to trade such as high piracy threats to both physical and digital M&E sectors, and uncertain implementation of laws governing the M&E sectors. The IIPA reports online and mobile piracy, illegal file sharing of music, cam cording in theaters, and rampant signal piracy of pay TV content. Nonetheless, the M&E market grew 11.4 percent to reach \$32.2 billion in 2017. There is robust growth in educational and professional e-books, but sales of consumer e-books are skyrocketing in India (including in English and many regional Indian languages). There is also steady growth in consumer and professional print and audio books; one of the few markets where hardcopies are still in demand. The movie industry in India is big business and box office revenues are growing steadily. The best opportunities for U.S. businesses, however, are more likely found in joint "Bollywood" production projects, rather than in licensing or exporting movies. Electronic home video is expanding rapidly, especially streaming content for a monthly flat rate. The all-inclusive, unlimited subscription model is gaining in popularity as digital entertainment expands in India just like in many developing economies. Live music and digital music streaming are proliferating in India. Video games, including PC, app-based, digital, and online consoles are also growing rapidly.

5. Brazil's M&E market grew 6.3 percent to reach \$41.7 billion in 2017, despite a challenging year. Brazil is a desirable but somewhat troubled market for U.S. M&E firms. It is a large and growing marketplace, with remarkably difficult business practices, numerous barriers to trade, and very high taxation on foreign M&E providers. For example, Brazil's audiovisual regulatory environment is complex and favors national content and production. Copyright industries doing business in Brazil face significant Internet piracy, as do products in the entertainment sector, such as CDs; DVDs; and other media carrying pirated music, movies, TV programming and video games. Circumvention devices that allow access to video game consoles are a problem for all copyright sectors. The activity is driven by high costs and taxes on entertainment and lack of a full catalogue offering to the public, some of which is a governmental problem, and some of which is caused by the industry. Problems with enforcement for illegal downloads are being addressed in a pending and long-awaited new copyright law. U.S. content and industry know-how are in very high demand. Key growth sectors include: e-books, especially in the educational sector, movies and box office, live music and digital music streaming. While these are growth areas, it is important to note that they represent a smaller portion of the market. OTT streaming is very strong, although other TV segments are in decline. Finally, video games, including PC, app-based, digital, online, and consoles are growing.

Key Media & Entertainment Industry Partners

- American Association of Independent Music (A2IM)
- American Association of Publishers (AAP)
- American Society of Composers, Authors and Publishers (ASCAP)
- Copyright Alliance (CA)
- Digital Entertainment Wire (DEW)
- Entertainment Software Association (ESA)
- Independent Film and Television Alliance (IFTA)
- International Intellectual Property Alliance (IIPA)
- Motion Picture Association of America (MPAA)
- National Association of Broadcasters (NAB)
- National Association of Television Program Executives (NATPE)
- National Endowment for the Arts (NEA)
- National Music Publishers' Association (NMPA)
- Recording Industry Association of America (RIAA)

ⁱ The media and entertainment sectors researched in this snapshot include the core copyright industries: books, newspapers, periodicals, motion pictures, TV production, recorded music, radio and television broadcasting, video games. (Software is also part of the core copyright industries).

ⁱⁱ World's Top 10 Entertainment Companies: <http://www.investopedia.com/articles/investing/020316/worlds-top-10-entertainment-companies-cmcsa-cbs.asp>

ⁱⁱⁱ A forthcoming report in 2018 will revisit available data and take stock of market, regulatory and industry changes that have transpired. An in-depth review and lengthy methodology analysis of twenty-five global M&E markets is required to determine which countries rise to the level of top market status and this snapshot is meant to provide a brief update on current trends (ranked in order of the 2016 Top Markets Report).

^{iv} Brexit Update Entertainment & Media 2016: <https://www.pwc.com/us/en/brexit/assets/pwc-brexit-entertainment-sept-2016-update.pdf>. Brexit: Impact on Media, Sport and Entertainment: <https://www.dlapiper.com/en/uk/insights/publications/2016/04/brexit-at-a-glance/brexit-media-sport-and-entertainment/>. How Brexit Will Impact the Entertainment Industry (Guest Column): <http://variety.com/2016/biz/opinion/how-brexit-will-impact-the-entertainment-industry-guest-column-1201809355/>