

Perspectives from the Global Entertainment and Media Outlook on Content Strategy

Adapting to penetrate technological
and cultural filters



Content strategy

Adapting to penetrate technological and cultural filters

PERSPECTIVE: In last year's Outlook report, we found a nearly perfect correlation between rapid E&M growth and countries with younger populations. But the growth opportunity we saw was far from a one-size-fits-all content strategy. Local differences factor heavily into consumer preferences for the provenance of content (global versus local), for specific genres, and for key segments of content. But even if you get this part of your strategy perfectly tuned, the bigger issue for building your content strategy comes down to discovery. In a world where consumers increasingly curate their own content, how do you penetrate the powerful filtering mechanisms that act as gatekeepers?

Content preferences are highly influenced by the dynamics and diversity of culture, language, income, and regulation.

Decoding content preferences in local markets

The world may be flat in many ways, but evidence abounds that it remains very spiky in places. Content preferences are highly influenced by the dynamics and diversity of culture, language, income, and regulation. All of these factors can affect companies' ability to monetize investments in content. The quality of the underlying digital infrastructure also varies widely: The relative level of Internet access penetration, the speed of those connections, the preferred platforms (mobile or fixed broadband), and the variance in the popularity of devices with which people access content can differ greatly. And for each market, you have to consider the pace and scale

at which that digital infrastructure is likely to evolve.

For all these reasons, even markets that might appear similar at the surface may offer remarkably different revenue opportunities (*see Exhibit 1*). Here are several examples.

- **Magazines.** On a per capita basis, consumers in Portugal spend twice the amount of money on magazines as consumers in Spain, the country's neighbor on the Iberian Peninsula. A similar disparity holds between Scandinavian neighbors Finland and Sweden.
- **Internet access.** In Asia, China and India represent the two most populous markets — and hence

vast potential. But Internet use in India is overwhelmingly a mobile phenomenon. Only 8 percent of data traffic in India will course through broadband in 2021. By contrast, in China, 56 percent of Internet traffic will travel on fixed broadband in 2021.

- **Cinema.** International blockbuster movies will find more of an audience in Germany than in South Korea; in the latter country, of the 10 top-grossing films, locally made productions accounted for more than 81 percent of revenues. China still has a quota system for the importation of foreign films and effectively limits foreign films' ability to compete at the box office against local releases.
- **Video games.** The social gaming portion of video game revenue in Germany is more than twice as high as it is in Ireland.

To expand globally, two of the largest players in video distribution — Netflix and Amazon — have taken different content strategy approaches. Netflix is investing \$6 billion to create original content in 2017. It plans to coproduce original, local “flagship” content that can be heavily promoted to drive up subscriptions in a number of countries. A leading equity analyst estimated that Amazon is spending \$4.5 billion on original content. But the company has focused on fewer big markets. It is building a slate of multilingual offerings largely by acquisition and by co-producing original content with local firms.

Deciphering changes in content choices

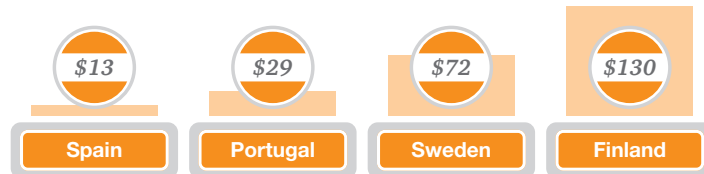
At its core, E&M is all about building audiences. Companies monetize those audiences through advertising, subscriptions, and transactions. Success has always turned on winning the

battle for consumers' limited time and attention. However, the dominance of a few social and search giants and their role in shaping consumers' content choices is a complicating factor. Consumers' decisions on how to spend their time and attention are increasingly determined by social media likes, shares, and recommendations from algorithms and like-minded people. As a result, even in a world characterized by

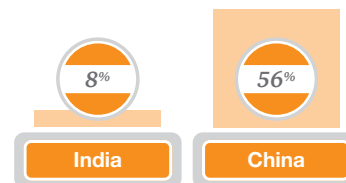
immense choice, consumers often have a narrower, more homogeneous view of content choices — “filter bubbles,” as Internet activist Eli Pariser describes them. (Pariser argues that users get less exposure to conflicting viewpoints and are isolated intellectually in their own information bubbles.) They are steered toward the content they are “most likely to like” as determined by their past choices and what’s most popular.

Exhibit 1: Regional spending differences

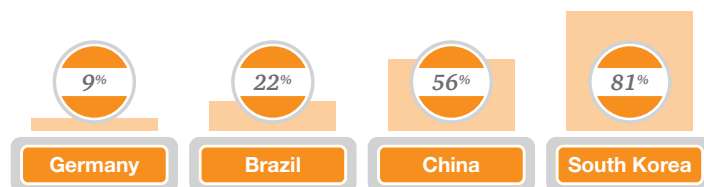
Per capita spending on magazines, US\$, 2017



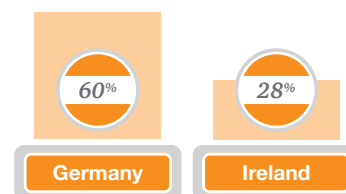
Fixed broadband share of data traffic, 2021



Local share of top 10 grossing films, 2016



Social gaming share of total video game dollars, 2021



Source: Global entertainment and media outlook 2017–2021, PwC, Ovum, *Hollywood Reporter*, Wikipedia, Box Office Mojo, Korean Film Biz Zone

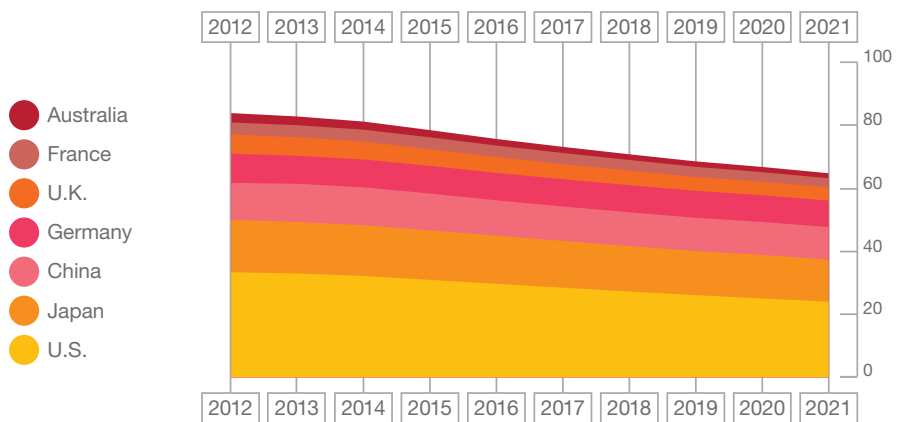
Successful content strategies must adapt to this environment. Consumers, content, and brands now connect across a small number of large platforms — rather than through a direct relationship with traditional publishers (see “Diminishing print returns”) and distributors. As a result, building audiences now requires a different set of strategies and capabilities to penetrate filters.

Beyond the revenue impact for traditional content businesses, there’s also an implicit risk for confirmation bias and the ability for governments and criminals to exploit that bias. Perhaps the most visible impact of these filter bubbles was seen in the 2016 U.S. presidential election. A BuzzFeed analysis found that the top fake election news stories generated more total engagement on Facebook than the top election stories from 19 major news outlets combined. To address this challenge, Facebook and other companies have since announced measures aimed at combatting the proliferation of fake news.

Are consumers overwhelmed?

In our PwC Consumer Intelligence Series, we routinely survey consumers on their video viewing preferences and behavior. Many consumers tell us they are flummoxed by the choices they have. In a 2016 survey, 69 percent of all participants agreed that “the amount of TV content is overwhelming.” They say it’s becoming harder and harder to decide where to spend their leisure time. The dominant ways of choosing content were inertia (“it’s a show I’ve watched in the past,” at 78 percent), direct recommendations from friends and family members (45 percent), and flipping channels (41 percent). Consumers are also frustrated with having to navigate across multiple

Exhibit 2: Newspaper revenue (circulation + advertising) (in US\$ billions)



Source: Global entertainment and media outlook 2017–2021, PwC, Ovum

individual TV aggregator platforms to find the show they’re looking for. But, as global E&M leader Deborah Bothun points out, artificial intelligence could eventually form the basis of a seamless experience for consumers that spans existing content, distribution, discovery methods, and technology. But, she also notes, this frustration may turn out to be a generational issue. Bothun posits that younger demographics (generation Z) may not see a curation problem at all — they’ve grown up in a world in which content choices have always been guided by suggestions from friends, family, coworkers, celebrities, journalists, or chatbots, and in which content resides on a range of platforms. They are more comfortable with technology and more savvy with search.

In addition, platforms understand that they and their audiences thrive when they publish valuable content. It is therefore to be expected that competition among these platforms for the right to display content, including live content (from sports, for example), will continue to intensify. This will result in an increase

Diminishing print returns

The impact of changing consumer preferences in content consumption is especially dramatic for the newspaper industry (see Exhibit 2). Consumers in Europe, North America, and Australasia continue to abandon print for digital channels. In North America, which is the third-largest newspaper region by revenue and the region in which revenues are declining at the fastest pace, social platforms have become the dominant intermediaries for consumers.

in deals and partnerships. Advertisers are also looking to take advantage of the valuable content migrating onto social platforms, which are developing new ad formats to address this demand, along with new monetization models that compensate all parties and deliver a nonintrusive experience to users.

Appendix

Global entertainment and media outlook

PwC's Global entertainment and media outlook 2017-2021 provides a single comparable source of five-year forecast and five-year historic consumer and advertiser spending data and analysis, for 17 entertainment and media segments, across 54 countries. It's a powerful online tool that provides deep knowledge and actionable insights about the trends that are shaping the E&M industry. You can access the full segment definitions or subscribe to the Global entertainment and media outlook at www.pwc.com/outlook.

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Historical 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 historical data is collected in the first instance from publicly available information, including from trade association and government agencies. When this data is used directly, these sources are cited accordingly. In addition, 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 calculations, and the sources are proprietary.

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 modeling, and validation.

Note: The only source of all consumer and advertising spend data is the Global entertainment and media outlook; however, all the data, charts, and graphs (unless stated otherwise) in this publication are taken from the Global entertainment and media outlook.

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Many other professionals from the PwC entertainment and media practice, across 54 countries, reviewed and added local expertise to this article.

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