

19th Annual Global CEO Survey: Entertainment and media industry key findings

Growing in complicated times / Partnering to respond to consumer needs / Technology trends are redefining customer and stakeholder expectations / Winning with a sense of organisational purpose

Redefining business success in a changing world

Entertainment and media industry key findings



76

*entertainment
and media
executives
interviewed
in 36 countries*



About the 19th Annual Global CEO Survey

In this year's survey, global business leaders voice fresh concerns about economic and business growth. At the same time, they see a more divergent and multi-polar world where technology is transforming the expectations of customers and other stakeholders. In *Redefining business success in a changing world*, we explore how CEOs are addressing these challenges. We surveyed 1,409 CEOs in 83 countries and a range of industries in the last quarter of 2015, and conducted face-to-face interviews with 33 CEOs.

Today's business leaders have a tough job finding growth and delivering results year in, year out. But they know an even tougher task lies ahead: to prepare their organisations for a more complex future where customers and other stakeholders increasingly expect them to do more to tackle society's important problems.

To equip themselves for this challenge – and to build trust and ensure long-term success – CEOs are focusing on three core capabilities. Firstly, they're focusing even more strongly on customer needs as well as drawing on their organisational purpose – what their companies stand for – to define a more comprehensive view of how their business operates within society. Secondly, they're harnessing technology, innovation and talent to execute strategies that meet greater expectations. And finally they're developing better ways to measure and communicate business success.

About the entertainment and media industry key findings

This report looks in more detail at the views of 76 entertainment and media CEOs in 36 countries, as well as drawing on an in-depth interview with Nicole Sheffield, CEO, NewsLifeMedia.



Nicole Sheffield,
CEO,
NewsLifeMedia,
Australia.



Entertainment and media (E&M) CEOs are undergoing increased pressure to adapt to changing consumer expectations and behaviours, propelled by evolving technology trends. Our 19th Annual Global CEO Survey revealed that their concerns centre on geopolitical uncertainty, the availability of key skills, and the speed of technological change. These concerns are reflected in their loss of confidence for economic and business growth over the next year. To win in an industry disrupted by complex and fragmented services, E&M CEOs must face new entrants head-on, use partnerships to grow, and focus on customer needs – ultimately driving new types of business, operating and pricing models.

Growing in complicated times

In recent years the entertainment and media industry has been at the forefront of industry disruption.

Consumer behaviours and distribution channels have evolved dramatically. That may be one reason why over three-quarters of E&M CEOs (76%) believe there are more threats to their company's growth prospects than there were three years ago. That's up from 67% last year and higher than most other industry sectors.

E&M CEOs' top concerns are threats like geopolitical uncertainty, the availability of key skills, and the speed of technological change. They're also cautious about global economic growth prospects this year; only 22% believe they will improve over the next 12 months, down from 34% last year. Confidence in immediate growth prospects is also subdued, with fewer CEOs very confident of business growth over the next 12 months.

76%

E&M CEOs believe there are more threats to their company's growth prospects than there were three years ago.

It's no wonder that CEOs are looking to play things safe, identifying the US and China as far and away the markets that offer the best prospects for growth in the coming year. Moreover, the UK leads Germany as the third most attractive market (24% vs. 16%), reversing the overall ranking order for these two countries and suggesting that E&M CEOs have greater confidence in the future of the UK marketplace.

This complicated world picture isn't just being shaped by economic and geopolitical trends. We believe there is a more fundamental shift taking place, namely from a globalising world to a multipolar one – with many dimensions of power, growth, and threats. The majority of E&M CEOs, like their peers in others industries, are already anticipating this shift: for example, 72% expect increasing regionalisation in trade, while 83% predict that differing fundamental belief systems will underpin societies around the world.

These factors amplify the growing need for industry leaders to respond to consumer expectations and demands at the local market level – giving local content providers an advantage and fuelling co-production activity in key growth markets.

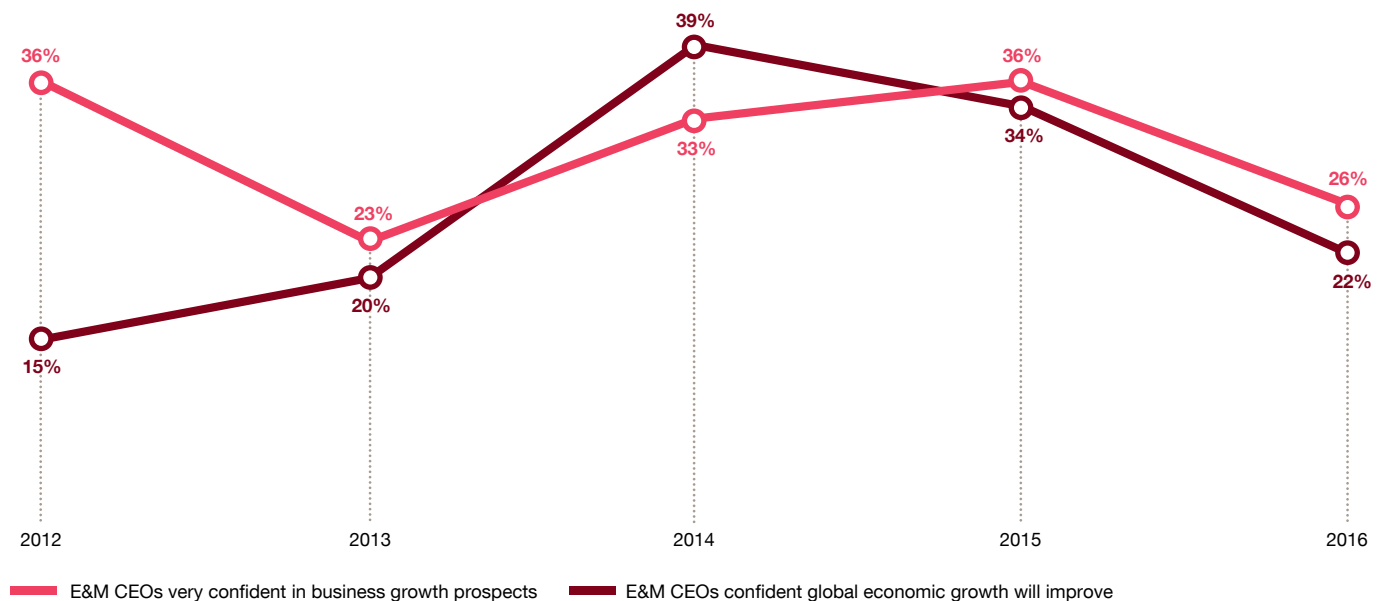
In other research (see our [2015-2019 Global Entertainment & Media Outlook](#)) we've reviewed some of the factors needed to succeed in this environment. Innovating around the product and the user experience, developing seamless consumer relationships across distribution channels, and putting mobile (and increasingly video) at the centre of their consumer offerings will be key strategies for E&M players going forward.

My feeling about threats is if you're worrying about threats you're probably going to be disrupted, it's too late. Actually your focus should be solely on your customers and understanding where they're at because they're changing rapidly, and keeping up and understanding their habits is really important.

Nicole Sheffield
CEO,
NewsLifeMedia, Australia.

Figure 1: Entertainment and media CEOs are less confident about global economic and business growth prospects

Q: How confident are you about your company's prospects for revenue growth over the next 12 months? Do you believe global economic growth will improve, stay the same or decline over the next 12 months?



Base: All respondents (Entertainment and media, 2016=76; 2015=95; 2014=72; 2013=56; 2012=80)

Source: PwC, Annual Global CEO Survey data

Note: In previous years, respondents were asked 'Do you believe the global economy will improve, stay the same or decline over the next 12 months?'

Partnering to respond to consumer needs

Looking further ahead, the picture for the industry gets much brighter. 61% of E&M CEOs say their companies have more opportunities for growth today compared to three years ago. And most E&M CEOs (89%) are confident about their company's growth prospects over the next three years, in line with the global CEO population.

Customers and clients stand out as the most important stakeholders for E&M CEOs; 95% say they have a high or very high impact on their company's strategy. But they are far from the only stakeholders impacting business strategy. Nearly three-quarters of E&M CEOs (72%) say that industry competitors and peers are impacting their business strategy. We think that reflects two trends: increased partnership and the importance of new entrants.

E&M CEOs plan to use key partnerships to help drive growth. More than two-thirds of E&M CEOs (68%) say their company will enter into a new strategic alliance or joint venture over the next year, dramatically more than across our sample as a whole (49%). This focus on alliances reflects the need to be nimble and responsive to changing consumer behaviours. As users demand more personalised and engaging experiences, it becomes increasingly important for companies to explore alliances that support new combinations of advertising, subscriptions and transactions.

Nicole Sheffield, CEO of Australia's NewsLifeMedia describes the situation like this: "What I'm seeing is the role that you potentially had as a publisher, as a media owner, as a content creator is completely changed because your relationship with what was once your client is now actually your partner. And often their digital strategies, technologies, and plans actually work in synch with you, and often enemies in the past are actually now no longer even frenemies. They're actually partners because whilst half your business might be competing, there's another part of your business where working together improves the end result."

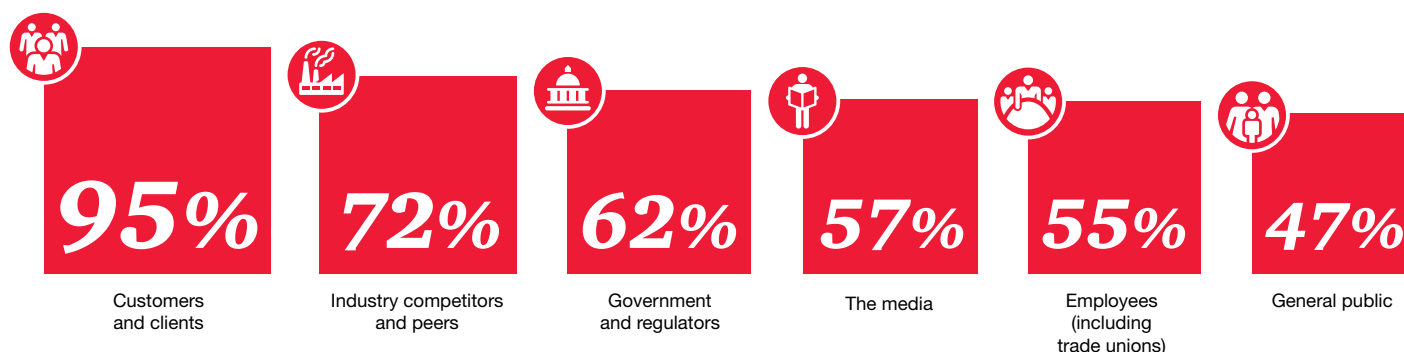
E&M companies are also collaborating with external parties to streamline their own operations; about one-third of CEOs say that they plan to outsource a business process in the next year. That's more than in other related industries like Technology (23%) or Communications (24%).

68%

of E&M CEOs say their company will enter into a new strategic alliance or joint venture over the next year.

Figure 2: Entertainment and media CEOs see customers, clients and industry competitors as key stakeholders

Q: What impact do the following wider stakeholder groups have on your organisation's strategy?



Base: All respondents (Entertainment and media, 76)
Source: PwC, 19th Annual Global CEO Survey

Technology trends are redefining customer and stakeholder expectations

Last year, our survey results showed that E&M CEOs were one of the sectors facing the greatest amount of disruption, driven especially by technological advances. This year's survey shows that technology continues to drive major changes in the industry. 89% of E&M CEOs say that technological advances are the trend most likely to influence stakeholder expectations. And nearly three-quarters of E&M CEOs (74%) are concerned that new market entrants could threaten growth prospects. That's more than any other industry and reflects the pressure that ubiquitous mobile devices and other new competitive threats are placing on the industry. As we've shown in our [2015-2019 Global Entertainment & Media Outlook](#), monetising mobile will be a critical success factor for some segments like [newspaper publishing](#).

Technology also stands out as an area where CEOs are actively promoting change – 59% say their companies will make significant changes to how they use technology to assess and deliver on wider stakeholder expectations. In doing so, it will be vital to keep the customer in mind and not use technology for technology's sake.

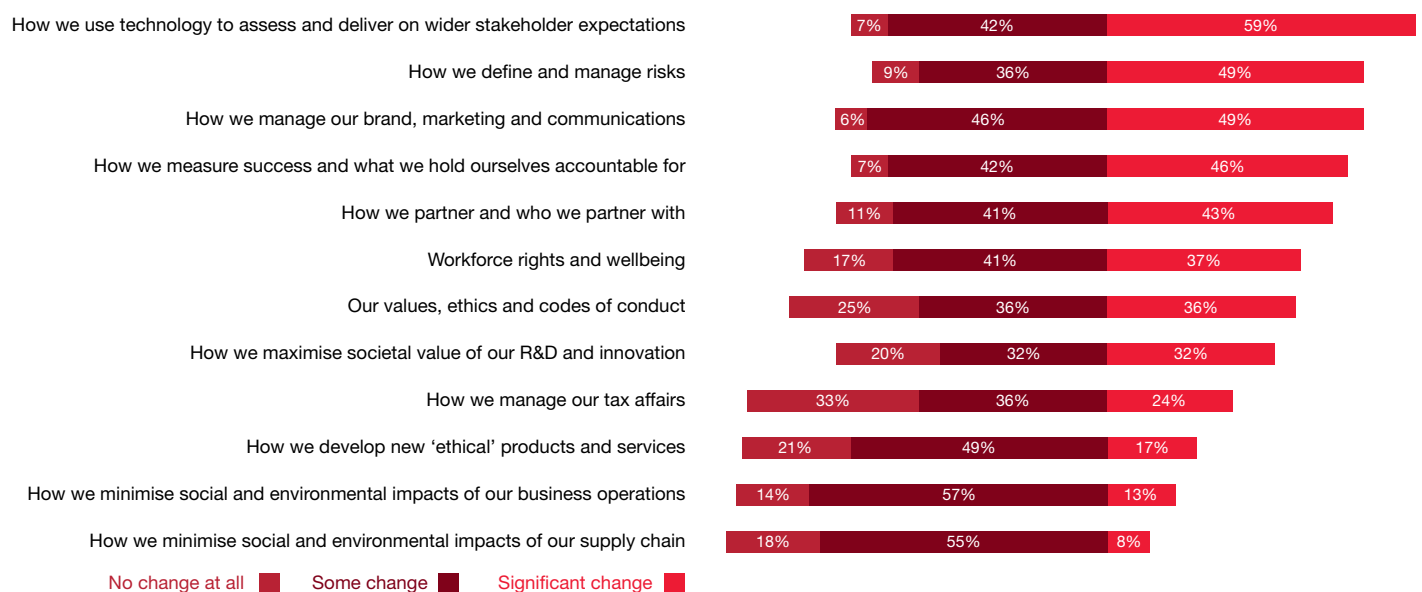
E&M CEOs are also more concerned about cybersecurity this year; 66% think it could threaten growth, up from 60% last year and 43% in 2014. That's no surprise, given the increasing scale, complexity and frequency of cyber breaches reported over recent years, both within and outside the E&M industry. Technology can have benefits too. Many E&M CEOs say their organisations are using it to engage stakeholders. More of them see data and analytics along with social media communications and engagement as good ways to understand and reach stakeholders – especially customers – as compared to CEOs across the sample as a whole.

66%

of E&M CEOs are concerned about cybersecurity this year.

Figure 3: Entertainment and media CEOs see technology as the best way to assess and deliver on changing stakeholder expectations

Q: To what extent are you making changes in the following areas in response to changing stakeholder expectations?



Base: All respondents (Entertainment and media, 76)
Source: PwC, 19th Annual Global CEO Survey

Winning with a sense of organisational purpose

E&M companies have strong skills in measuring and monitoring consumers' preferences and behaviours. But how are they doing when it comes to measuring their own organisations? The top area where CEOs say they want to do better at measuring value and impact is in innovation and R&D (mentioned by 71% of E&M CEOs vs. 55% of CEOs overall). New business models continue to break new ground in areas like OTT ("over-the-top" content), content creation, and audience measurement. Tracking innovation is critical to meeting clients' needs and staying ahead of the competition.

Non-financial indicators like brand strength (mentioned by 54% of E&M CEOs vs. 44% of CEOs overall) is the second most important category where E&M CEOs want to improve their ability to measure impact. Nearly every E&M CEO says their company will make changes to how they manage brand, marketing and communications and it will be important to track their success moving forward.

When it comes to communicating better, organisational purpose tops the list, followed by innovation. E&M CEOs who see the need to communicate more around their organisational purpose and values most often want to reach their employees, while CEOs looking to share more about innovation efforts are focused most on customers and clients.

CEOs tell us that customers will increasingly judge companies based on how they help greater society and how they live up to their own values. More than a quarter of E&M CEOs said that their company has changed its purpose in the last three years to take into account the broader impact it has on society. Many E&M CEOs believe that their sense of purpose will pay off when it comes time to recruiting – 54% say that top talent choose their organisation because its social values align to their own.

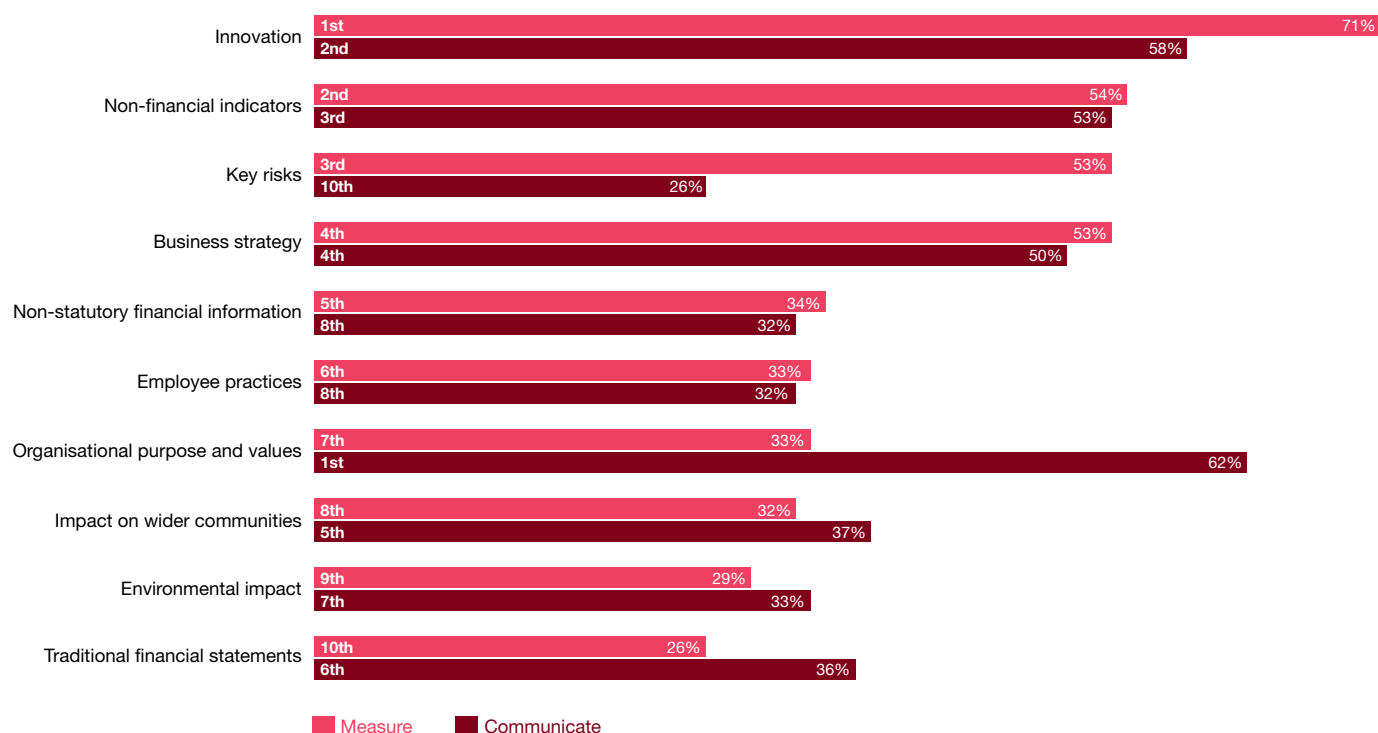
E&M CEOs are already on their way; 79% of E&M CEOs say that business success in the 21st century will be defined by more than just financial profit.

Well, technology is the greatest enabler of change, and I think a lot of people get confused and think technology is the answer. The answer is still understanding the products you're creating, and the customer need, and ensuring that's developed.

Nicole Sheffield
CEO,
NewsLifeMedia, Australia.

Figure 4: Entertainment and media CEOs are seeking to better measure innovation and to better communicate organisational purpose

Q: In which of the following areas do you think business should be doing more to measure/communicate impact and value for wider stakeholders?



Base: All respondents (Entertainment and media, 76)
Source: PwC, 19th Annual Global CEO Survey



Tough questions to ask about addressing greater expectations

Have you adjusted your operational model to adapt to changing consumer expectations and behaviours?

As customers, employees and other stakeholders increasingly care about what companies stand for, how are you demonstrating your organisation's purpose and values?

How are you ensuring you're investing in the right technologies to enable open engagement with your customers and wider stakeholder groups?

Are there valuable intangibles that you haven't found a way to measure yet, which you think you should measure? And are there things that you think shouldn't be measured at all?

Contacts

Deborah Bothun

Global entertainment and media leader
Tel: +1 213 217 3302
deborah.k.bothun@us.pwc.com

Chris Vollmer

Global advisory leader, Entertainment and media
Tel: +1 212 551 6794
christopher.vollmer@strategyand.us.pwc.com

Pauline Orchard

Global entertainment and media marketing leader
Tel: +44 0 20 780 49783
pauline.orchard@uk.pwc.com

Explore the data

See for yourself what else entertainment and media CEOs told us about leading in complicated times.

www.pwc.com/ceosurveydata

And follow #ceosurvey on Twitter to learn what your colleagues are saying about it.



Acknowledgments

PwC gratefully acknowledges the contribution to *Redefining business success in a changing world: Entertainment and media industry key findings* provided by the CEO who participated in our in-depth interview programme, listed below. Watch the CEO video interview for more great insights.

Nicole Sheffield,
CEO,
NewsLifeMedia,
Australia

www.pwc.com/ceosurvey

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2016 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Design Services 30015 (1/16).