Outlook

The Australian Entertainment & Media Outlook

pwc

2022 | 2026

Contents

Riding the wave of growth

WELCOME TO THE 21ST EDITION OF PWC'S ANNUAL AUSTRALIAN ENTERTAINMENT AND MEDIA OUTLOOK.

Our most recent editions have focused on the COVID-19 pandemic's immediate impact on the entertainment and media (E&M) industry, which was a period of never before seen uncertainty and accelerated change. Given this rapidly evolving environment, we introduced a range of forecasts — based on a high, expected (mid-point) and low ongoing sector performance — rather than a single forecast. This approach is continued this year, and provides our audience with a range of potential outcomes, based on Australia's progress against factors largely outside the control of the industry. These factors include the ongoing challenges of COVID-19, regional and overseas geo-political instability, and their effects on supply chains, plus the impact of macro economic turbulence in Australia having the potential to affect business and consumer confidence.

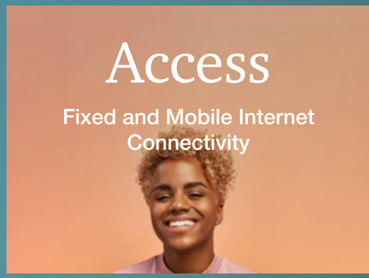
In 2021, Australians spent more on entertainment, media and internet access services than ever before. Supercharged by subscription services and gaming, and boosted by the return of in-person entertainment, by the end of 2022 each household will be spending A$510 more per year than in 2019 before the pandemic hit. This was despite being a period when in many parts of the economy it was reported that discretionary consumer spending was being held. It is expected a further A$7.2 billion, in consumer spend will be on the table for entertainment, media and internet access companies to challenge for.

Similarly, in the second half of 2021 advertising revenue accelerated beyond all predictions as marketers sought to capitalise on positive consumer sentiment as lock down measures eased, reaching A$19.7 billion, an increase of 20.3 percent.

This year's Entertainment and Media Outlook examines where this growth is being delivered, where it will and will not continue, and how market participants — be they entertainment and media business, marketer or regulator — can capitalise on the growth to come.

Additionally, our special feature in this year's report looks at Retailer Media: a breakout area of the industry which has been gaining increased attention in recent times. This special report explores what is covered under the umbrella of retailer media — across both eCommerce and physical retail media assets — the drivers of growth and how retailers of all kinds might generate new revenue. As a market first we have also created a market size and five year growth forecast. While our research has found a broad range of views and approaches to retailer media, we have aimed to create a concise view of the market as it currently operates and as it will evolve over time.

As digitisation continues to blur the lines between many channels, marketers and media companies are also evolving how they describe and define channels. This year, we too have evolved the Entertainment and Media Outlook. For the first time, we have regrouped our traditional 12 sectors, and the sub-sectors therein, into a new format, more accurately describing how consumers consume the content and advertising provided. Introducing: **Watch - Read - Listen - Play - Access.**



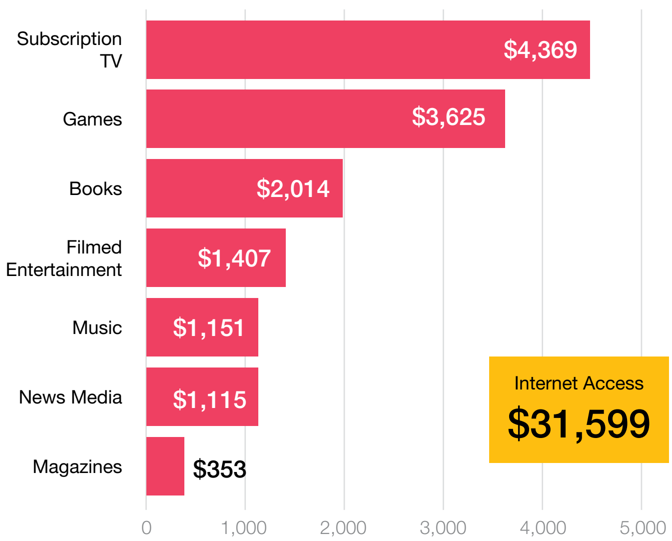
Consumers Turn to Entertainment and Media

Consumers turn to E&M delivering a record leap for the Outlook

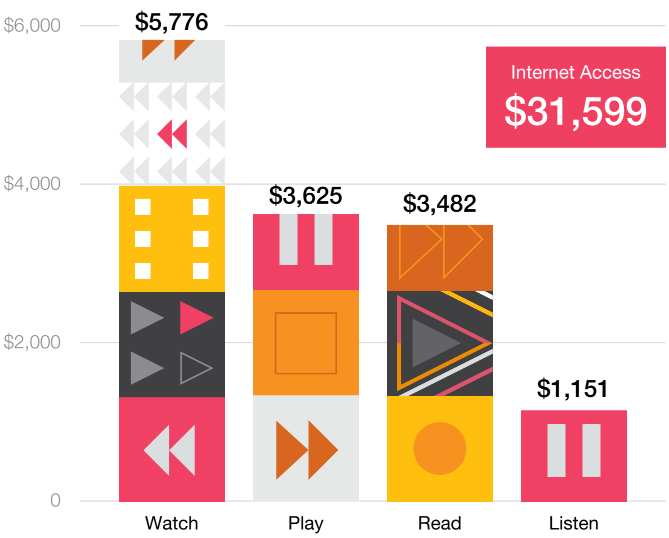
2021 was a year of unprecedented growth in the E&M industry with consumer spending up 6.23 percent from the prior year, reaching A$45.6 billion. The highest single year leap in the history of the E&M Outlook. The largest contributor to consumer spending remains internet access followed by Games and Subscription TV which made up nearly 60 percent of the remaining A$14.0 billion, both of which are expected to see significant continued growth through the forecast period.

Where the initial wave of the pandemic may have been characterised by households reigning in spending and being unable to visit in-person entertainment, the second wave into 2021 saw consumers turn to entertainment and media to help alleviate the boredom of extended lockdowns, taking a more confident approach to spending.

Total 2021 Consumer Spend by Entertainment & Media Category (A$m)



Total 2021 Consumer Spend by Entertainment & Media Sector (A$m)



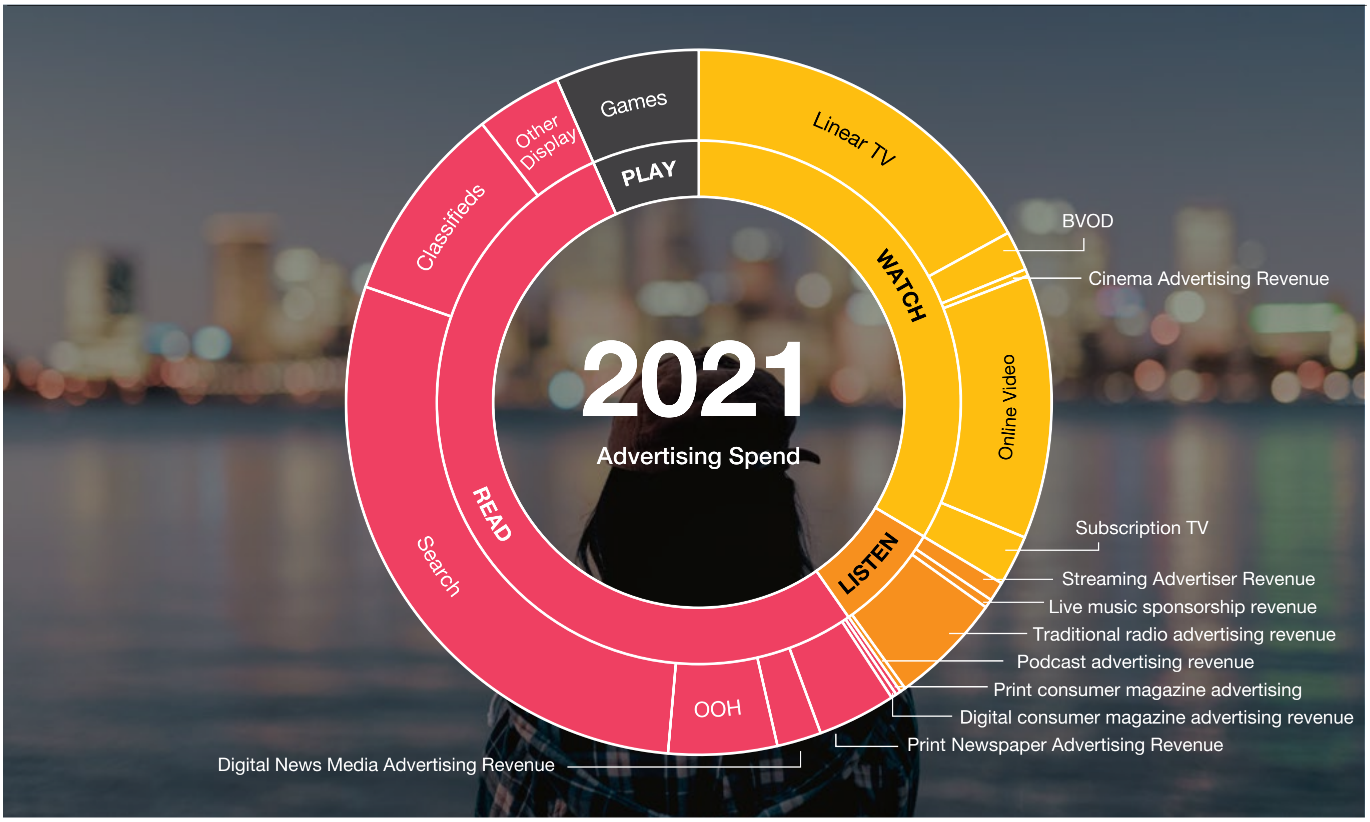
Our forecast indicates that growth will continue through the 2022 calendar year at 5.5 percent, reaching A$48.3 billion. This represents a lift since the height of the pandemic in annual household spend into the E&M sector of A$512 per annum with households in 2022 spending over A$4,500 on average annually - a 12 percent increase on pre-pandemic times.

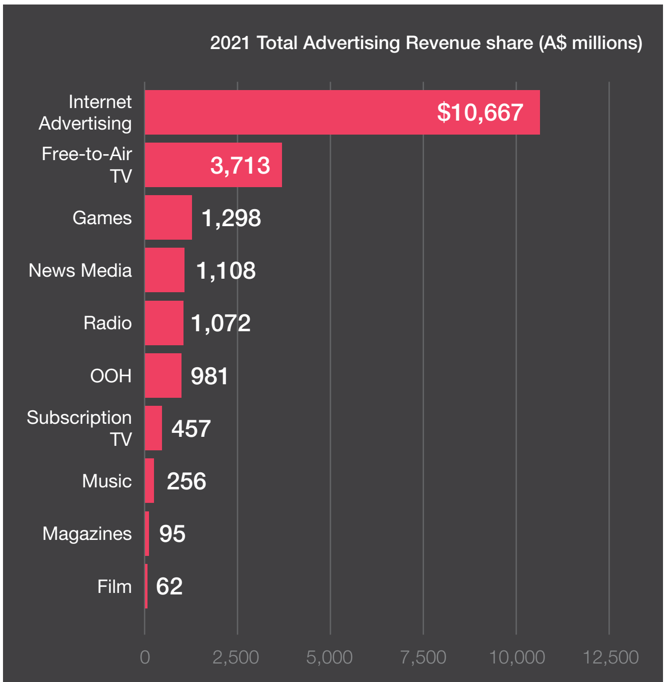
Consumer spending is forecast to continue to grow at a compound annual growth rate (CAGR) of 4.0 percent over the next 5 years, reaching a total of A$55.5 billion in 2026 based on PwC's midpoint forecast. This equates to a further A$7.2 billion in consumer spend per year by the end of the period.

Whilst we may have thought we were saving during lockdowns, that was certainly not the case in terms of entertainment & media, and this was despite in-person and live events only slowly returning.

The Ad Market Roars Back

Ad market roars back, breathing health into the sector… but will it slow?





Note: Internet advertising spend covered within 'traditional' channels has been deduplicated from the Internet Advertising total for visualization and accuracy purposes in this chart.

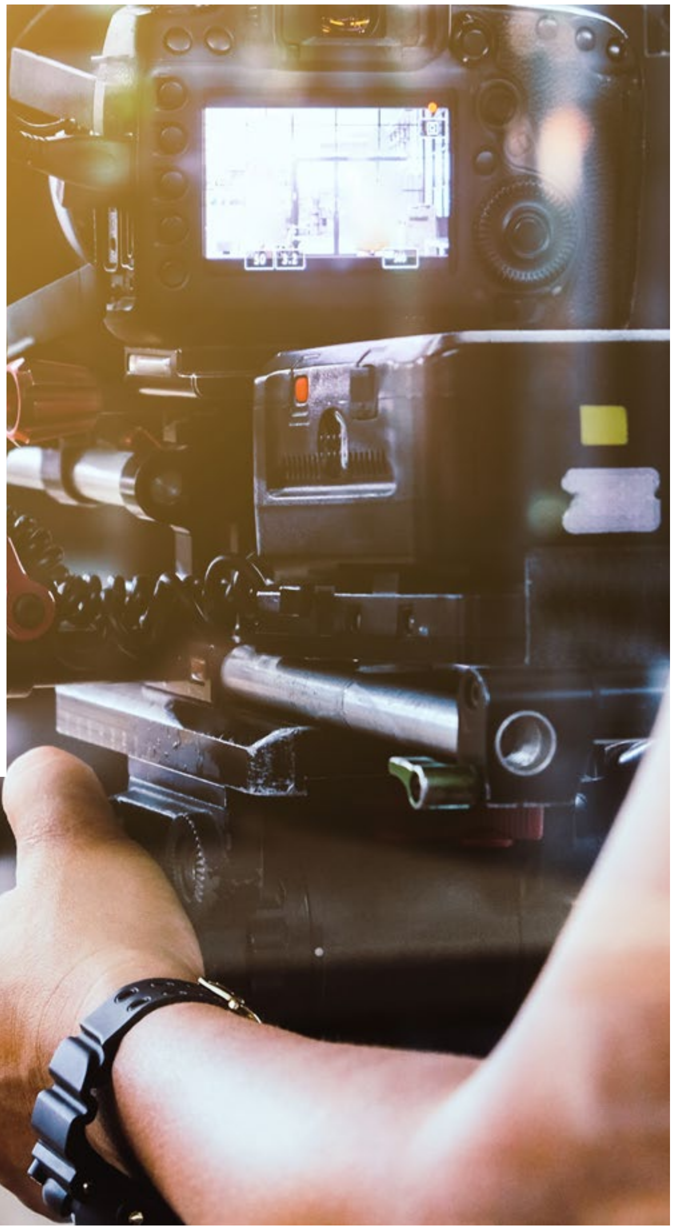
While 2021 saw a return to the lockdowns first experienced in 2020, the response from Australian advertisers was very different. The rebuilding, change to greater flexibility, digitisation and growth in eCommerce that took place in 2020 laid the foundation for advertiser confidence, and with it spending accelerated as 2021 progressed. This acceleration, ultimately took advertising spend to A$19.7 billion, a year-on-year increase of 20.3 percent and 17.3 percent up compared to 2019's previous 'normality'. This was a year of advertiser spending growth like no other seen in the history of the Outlook.

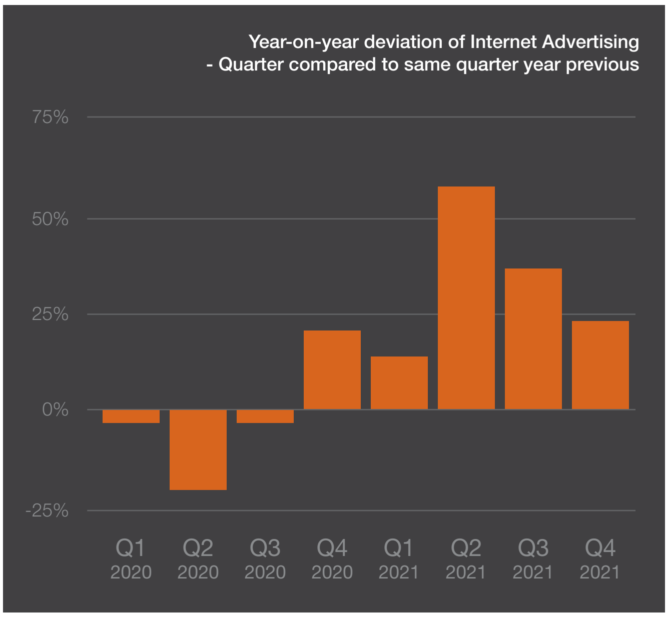
Our forecast indicates that this spending will continue throughout the 2022 calendar year, with advertising spend growing a further 8.3 percent to reach A$21.5 billion based on the mid-point forecast scenario. Where the first half of the year was supported by government and election-related revenue, as the year progresses other pandemic-hit sectors such as travel are expected to boost the market. As such, 2022 would then be the second-highest annual growth in the history of the Entertainment and Media Outlook swiftly following the 2021 growth.

While the rebound of advertising spending was at a markedly higher rate than consumer spending provides positivity for the sector, our projections indicate that consumer spending will continue to grow solidly until 2026, whereas ad spend growth will flatten across this period.

INTERNET ADVERTISING REMAINS THE DRIVER FOR ALL

Internet-based advertising continues to grow its dominant share of the total advertising market, growing by 26 percent year-on-year to a total of A$13 billion, with an acceleration seen in the second half of 2021, outstripping all previous expectations. 'Traditional' internet advertising sub-segments of Search (+35 percent to A$5.70 billion) and Display (+57 percent to A$2.75 billion) posted large gains. In addition, digital variations across all segments showed significant growth, with Broadcast Video on Demand (+56.8 percent) supporting growth in the Free-to-Air TV segment. Similarly, music and podcasting streaming advertising and digital advertising in news media and magazines saw growth in 2021. Based on a midpoint forecast to 2026, strong growth rates in Internet Advertising are expected to continue at a 6.6 percent CAGR over the forecast period, reaching A$17.9 billion when collated across all internet-related advertising segments.





Even in the most traditional of channels, digital advertising is driving sector growth. In 2021, digital advertising in newspapers made up 36 percent. This is forecast to grow at a 2.7 percent CAGR to a total of A$458 million. While print newspaper advertising in 2021 still takes up the majority share of total advertising revenue, this is expected to decrease by 6.0 percent CAGR to 2026 at which point digital advertising in news media will account for 47 percent of the total. Similarly, forecasts suggest digital OOH (DOOH) advertising revenue to increase by a CAGR of 10.3 percent to 2026 compared to physical OOH advertising decreasing by -1.5 percent CAGR to 2026. Where DOOH accounts for 53 percent of Out-of-home revenues in 2021, it will rise to 66.3 percent by 2026, growing the sector at a CAGR of 5.4 percent.

Shaping the Market Future

Though momentum and confidence has risen, macroeconomic pressures and regulatory oversight could lead to turbulence

While the recent return to consumer and marketer confidence has been positive, our forecasts for the advertising market indicate that these high levels of growth may not last. Into 2023, we expect growth to slow to 4.5 percent (from 8.3 percent in 2022), dampening further to near-flat in the subsequent forecast years. This will, however, equate to A$7.2 billion more being spent annually on advertising in Australia than pre-pandemic: a total forecast increase of 42.8 percent.

As with previous iterations of the Outlook, this year our forecasts once again provide upper and lower bands of forecasts. With much uncertainty remaining in the world, particularly around geo-political instability, tested supply chains and rising costs of living, our worst case scenario predicts a total decline in consumer spending of 11 percent to A$43.0 billion with further growth stifled.

Moreover, the advertising market could be hard hit should the worst case come to fruition. Already predicted to flatten from the post-pandemic bounce towards the end of the forecast period, a worsening of the economic outlook could lead to declines totalling -19 percent in 2023, with the market falling to A$15.6 billion. However, some of this could be mitigated by revenue moving across channels rather than leaving the market entirely.

Overall, we see two compoundings risks which have the potential to soften the forecast:

1 AN ECONOMIC DOWNTURN AFFECTS CONSUMER SPENDING ON E&M

Australia emerged from the COVID-19 shocks of 2020 and 2021 with households now employed at record levels. With unemployment below 4 percent and 400,000 more people employed than pre-COVID, Australians were awash with cash due to wage increases and the wealth effect of rising house prices. Households have an estimated A$250 million of additional savings which have underpinned strong retail spending, and have supported growth in many E&M sectors

The downside to this has been the emergence of inflationary pressures, first from the extended impact of supply chain disruptions, and more recently and pervasively because of rising fuel and energy costs connected to the Russian invasion of Ukraine. The Reserve Bank of Australia's Governor expects headline inflation to hit 7 percent by the end of 2022,[1] triggering a series of interest rate rises, with expectations of the cash rate hitting 2 percent by the end of 2022 – up from the COVID-19 low of 0.1 percent.

Continuing price pressures, higher mortgage rates and more attractive savings rates could put pressure on discretionary expenditures currently directed at E&M goods and services. For some E&M segments, this reduction in spending will be exacerbated as consumers continue their reorientation away from the purchase of 'things' – which has boomed during 2021 and 2022 as restrictions limited access to many services. Households may, for example, reconsider the utility provided by retaining an array of subscription video services becoming both more price and content sensitive, while the return of in-person experiences could falter as people reduce 'special occasion' purchases.

2 PRIVACY CHANGES AND REGULATORY INTERVENTION

As E&M consumption, content and interactions become increasingly digital, data becomes ever more central as the currency and raw material for consumer experiences. The treatment and protection of personal and commercial data are now also driving a wedge between consumers and technology providers, and in turn drawing the eye of regulators.

A growing number of consumers are choosing to spend more time in places that don't allow tracking. Apple launched the App Tracking Transparency (ATT) framework in April 2021, which mandates that iOS users opt in before their identifier for advertisers (IDFA) can be accessed. More than half of users have since chosen to opt out of tracking through IDFA, which means Apple's ATT has had major impacts on the revenues and operations of iOS advertisers, app publishers and even Apple's big tech peers. In response, the industry is having to adopt new processes, place greater emphasis on first-party data and develop new ad-measurement and targeting technology to maintain the effectiveness of in-app advertising.

Google, as part of its Privacy Sandbox initiative, is set to phase out third-party cookies from its Chrome Web browser in the second half of 2023. As money continues to flow into online advertising, it will push marketers to rethink how they run campaigns, target messages and measure results.

Similarly, regulators around the world have turned attention in recent years to technology vendors' practices, examining their businesses with a stated aim of boosting consumer protection and market fairness. Australia made global headlines with the News Media Mandatory Bargaining Code in 2021, mandating that global tech players should pay for news content that is hosted by or linked to on their digital platforms. Other global regulators have looked at the collection, storage and usage of consumer data, put forward antitrust recommendations and further inquiries are likely in the coming years.

While technology and regulatory change is ultimately aimed at protecting consumers and improving the ecosystem for participants, it has the potential to vastly overhaul the advertising marketplace, in its current form. Should this create uncertainty for marketers it may remove confidence and, with it, spend on advertising.

PREPARING FOR POTENTIAL MARKET TURBULENCE

With these issues in mind, the key issues all E&M industry participants must grapple with and look to differentiate fall into two main areas:

BEING A 'MUST HAVE'

Being seen as a 'must have' (i.e. essential) purchase rather than being a 'nice to have' (i.e. discretionary) purchase

- Reinforcing/enhancing the value derived from the product/service via UX and customer comms plus external marketing
- Providing difficult-to-get experiences e.g. leading international acts in live concerts; differentiated local journalism
- Locking customers into an ecosystem, or at the very least showing clear value of a connected loyalty program
- Bundling different products cohesively that are cheaper to provide together so that the cost of dropping one part of the bundle seems particularly large
- Invest in brand building to ensure your logo is the one people understand the value in

DELIVERING VALUE

Offering value-priced options to enable people to scale back spending without losing them as a customer:

- Subscription products with different (i.e. lower cost) bundled attributes e.g. a subscription tier with fewer channels (subscription pay-TV) or a subscription option for newspaper home delivery with fewer delivery days
- Advertising-supported products as an alternative to subscription/ paid products
- Minimising trust concerns around privacy and data — proving the utility value exchange of data and ads for 'free'
- Continuous testing of the trial period value equation to maximise 'stickiness' in acquisitions

Catching the Growth Wave

There are seven defining factors for growth through 2021 and beyond.

The late-pandemic confidence is providing growth in a variety of forms, and as these innovations continue to develop, they provide a variety of opportunities for market participants in their quest to garner a greater share of what's to come.

THE SUBSCRIPTION ECONOMY

As media digitises, the number one driver of growth across consumer E&M segments is the development (and ongoing uptake) of subscription-based services. Subscription services are expected to deliver more than A$2.4 billion additional revenue across the industry at a 2021-2026 CAGR of 6.7 percent based on PwC's mid-point scenario. In some sectors, this is a transition to digital – the Subscription Video On Demand sector is a build upon box-delivered subscription TV services, while consumers have had access to newspaper and magazine delivery services for decades but are now offered lower cost subscriptions to access content online. In others, the subscription service is wholly new — access to health and wellbeing, vast games and music libraries are all on-demand.

The consumer equation for E&M subscriptions is typically the same across the sector: access to a broader range of content, on-demand, without (or with reduced) advertising at a far lower price point than individual purchasing of content would cost. The nuance between market participants is hard fought between content library, velocity of new and exclusive content delivery, brand perception, and, increasingly as markets mature, price point. The low price point provides easy entry for most consumers, while direct debit payments make revenue generation and average revenue per user (ARPU) 'sticky' and higher than other revenue sources.

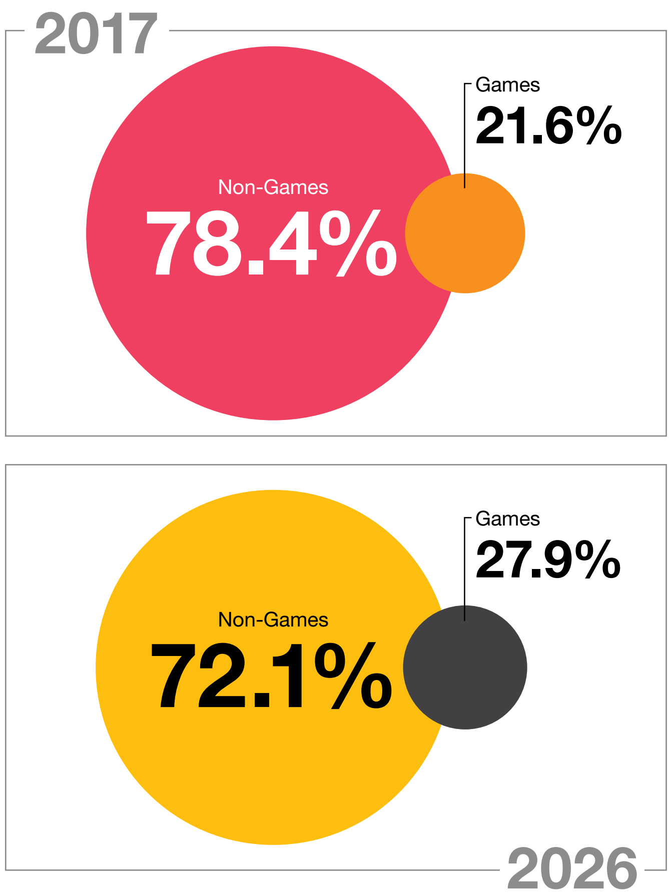
Australians now manage 6.5 premium subscriptions from a selection of the 115 currently available across video-on-demand, audio, news and lifestyle content, gaming and other sources of entertainment. This number is forecast to grow to 10 per household over the next 5-7 years according to Optus research.[2] In some sectors, such as music streaming, subscriber growth is slowing as it reaches saturation of participants but still delivering growth to sectors transitioning from offline revenue sources. Even in highly competitive sectors such as Subscription Video on Demand (SVOD), further revenue growth is expected as players diversify their service offerings to entice new subscribers (e.g. through lower price, advertising-led tiers) or increase prices for more premium offerings.

SOCIAL GAMING

Gaming industry to open $2.3bn 'loot box' in low-friction social gaming revenue and advertising

The growth seen in the gaming sector during the pandemic is unlikely to abate as gaming continues to grow its share via a combination of ever-more immersive experiences and low-friction micro purchases. Revenues will be bolstered by rapidly increasing consumer spend, particularly in mobile (boosted by the expansion of 5G devices) and social gaming where low friction in-game purchases to unlock levels, buy personalised items, and access different content are the leading sources of revenue. This subsegment is forecast to add a further A$900 million to the gaming sector in Australia over the forecast period, at a CAGR of 7.6 percent. In 2017, Australian video games made up 21.6 percent of consumer spending (excluding access). In 2021 this stood at 26 percent and will continue to gain share: by 2026, gaming will account for over 37 percent of consumer E&M revenues as the niche becomes more mainstream.

Games Segment as Share of 2017 versus 2026 Australian Entertainment & Media Market (excluding Access)



Similarly, given the growth in audience and further transition to digital and live gaming within the sector, in-game advertising presents itself as an opportunity area. In-game advertising reached A$1.3 billion in 2021, growing 8.8 percent. The midpoint forecast suggests a CAGR of 9.8 percent across the forecast period to A$2 billion by 2026, building on the expected development of increasingly immersive, metaverse-type experiences. The metaverse itself presents the ability to incorporate out-of-home advertising into virtual worlds, such that the advertisements actually lend to the immersion of the user in the virtual space. This will offer opportunities for E&M businesses to stitch advertising into the action in real time.

RECONVERGING CHANNELS

Driven by a combination of ongoing broadcaster technology development and consumer habit change, the lines previously drawn between linear (or 'traditional') media consumption and the newer, digital variation are blurring. Where the two may previously have been at odds for consumer attention, and with it advertiser dollars, they are now fully converging. Consumer habits are changing – people watching linear, live broadcasts through their Connected TV and within the Broadcast Video on Demand (BVOD) apps, not simply on-demand catch up content. In Audio, the lines are blurring between linear radio and streaming and podcasts with many of the top podcasts being catch-up versions of top rating radio programming, and interestingly, radio networks increasingly giving air time to podcasts – to both create new audiences for the podcast or bring audiences to linear radio.

Underpinning this is the ongoing developments in measurement across TV (VOZ, launched initially in mid-2021), Radio (GFK's Radio360 announced in September 2021)[3] and even Out-of-Home (Move 1.5) aim to give buyers a more complete view of consumption. Media businesses are increasingly representing their media as 'Total' TV, Audio or Publishing, with media buyers able to deliver more seamlessly across offline and online environments. In many cases, the digital variation of channels remains the dominant revenue growth area, but the ability to measure audiences and advertising delivery on- and offline should result in a less dire outlook for traditional channels than previously expected, softening the transition to full digitisation.

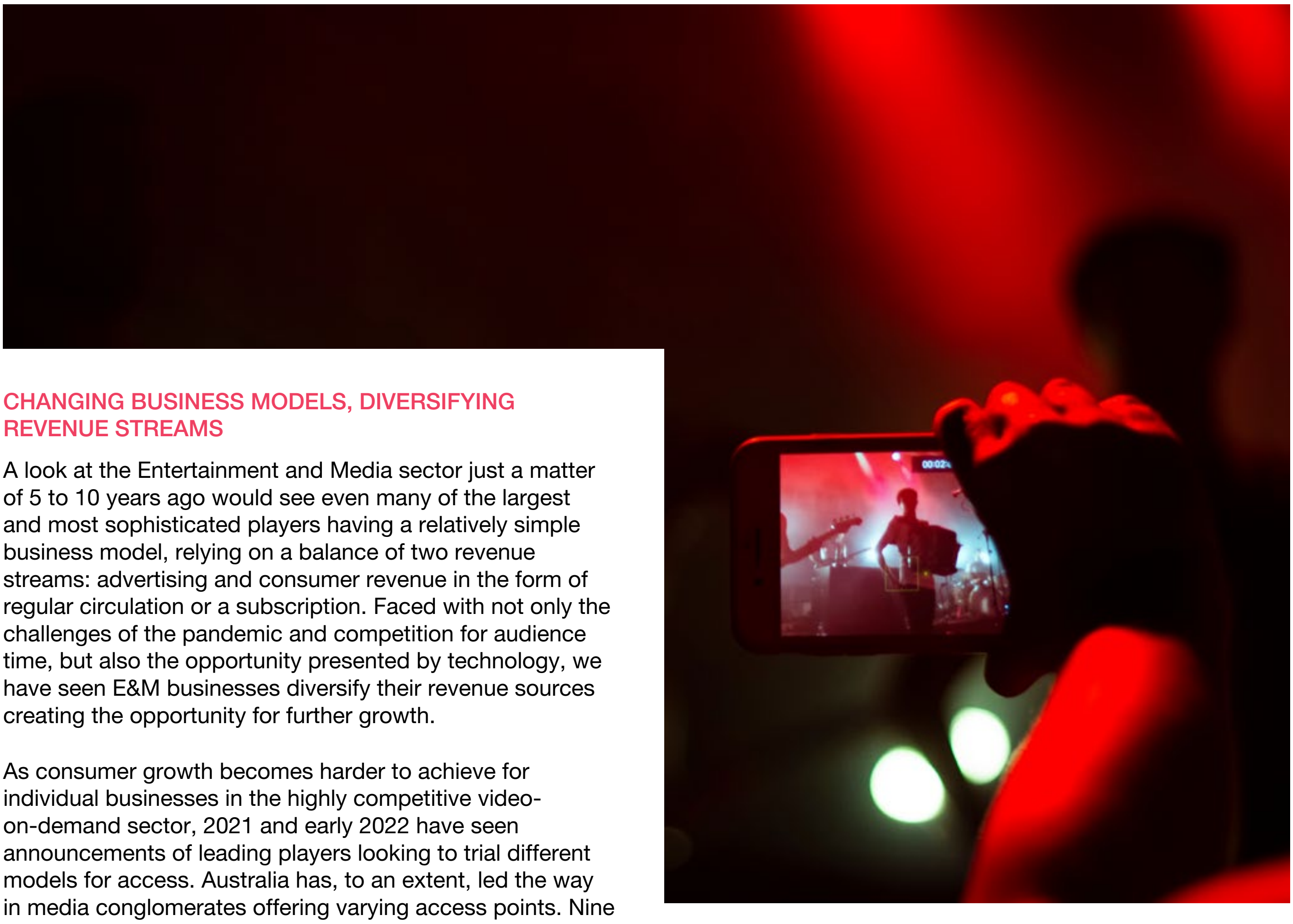
BLURRING OF ADS AND MEDIA

Shoppable ads and retailer media growth

The rapid rise of e-commerce spurred by the ongoing pandemic, has further raised the importance of tying advertising investment to purchases and, as a result, has seen the rise of "shoppable" advertising units. In the US, NBCUniversal has developed NBCU Checkout, which allows viewers to purchase products without leaving its video player. In 2021, YouTube announced 'brand extensions', a new ad type for Connected TV devices, which are the platform's fastest-growing screen in terms of watch time. Brand extensions allow viewers to use TV remotes to send a notification to their smartphone containing a link to a product being advertised on the screen.

More broadly, there have been releases of purchase-in-ad offerings within Facebook, Google, Instagram and Pinterest, with the latter offering shoppable pins that allow the user to buy the products featured in the image. This in-ad shopping reduces friction between advertising and purchase than previous click-throughs, while offering greater measurement of an ad's effectiveness, and as such should lead to further revenue growth in channels which can offer this type of click-to-purchase.

In another example of the blurring of the lines between media and commerce, some of the largest e-commerce platforms have become major forces in advertising. These are the new malls, places where people go with the intention of shopping, not entertaining themselves. And because of their scale, they now have the ability to monetise audiences with search and promotions. Amazon, Walmart and a number of US retailers are selling advertisements on their platforms, growing into truly large advertising businesses in their own right. Amazon's global advertising revenue in 2021 rose to US$31 billion.[4] In China — and increasingly elsewhere — advertising dollars are going to e-commerce on short videos. Australia too has not only seen a focus on retailers starting to develop their media offerings but growth from Amazon, albeit as a later entrant to the market than elsewhere. As these offerings which couple rich customer data with proximity to purchase grow, they will increasingly challenge other media channels for advertiser revenues.



CHANGING BUSINESS MODELS, DIVERSIFYING REVENUE STREAMS

A look at the Entertainment and Media sector just a matter of 5 to 10 years ago would see even many of the largest and most sophisticated players having a relatively simple business model, relying on a balance of two revenue streams: advertising and consumer revenue in the form of regular circulation or a subscription. Faced with not only the challenges of the pandemic and competition for audience time, but also the opportunity presented by technology, we have seen E&M businesses diversify their revenue sources creating the opportunity for further growth.

As consumer growth becomes harder to achieve for individual businesses in the highly competitive video-on-demand sector, 2021 and early 2022 have seen announcements of leading players looking to trial different models for access. Australia has, to an extent, led the way in media conglomerates offering varying access points. Nine has free-to-access ad-funded video within Nine and Nine Now, and subscription via Stan. Similarly, Paramount offers its content in varying forms and access prices, across 10, 10Play, 10 All Access and, Paramount+, which launched in 2021. Foxtel too has diversified: offering its subscription service and low-no-ad versions within Kayo and Binge. The launch of Kayo Freebies in 2021 also creates a different entry point for consumers.

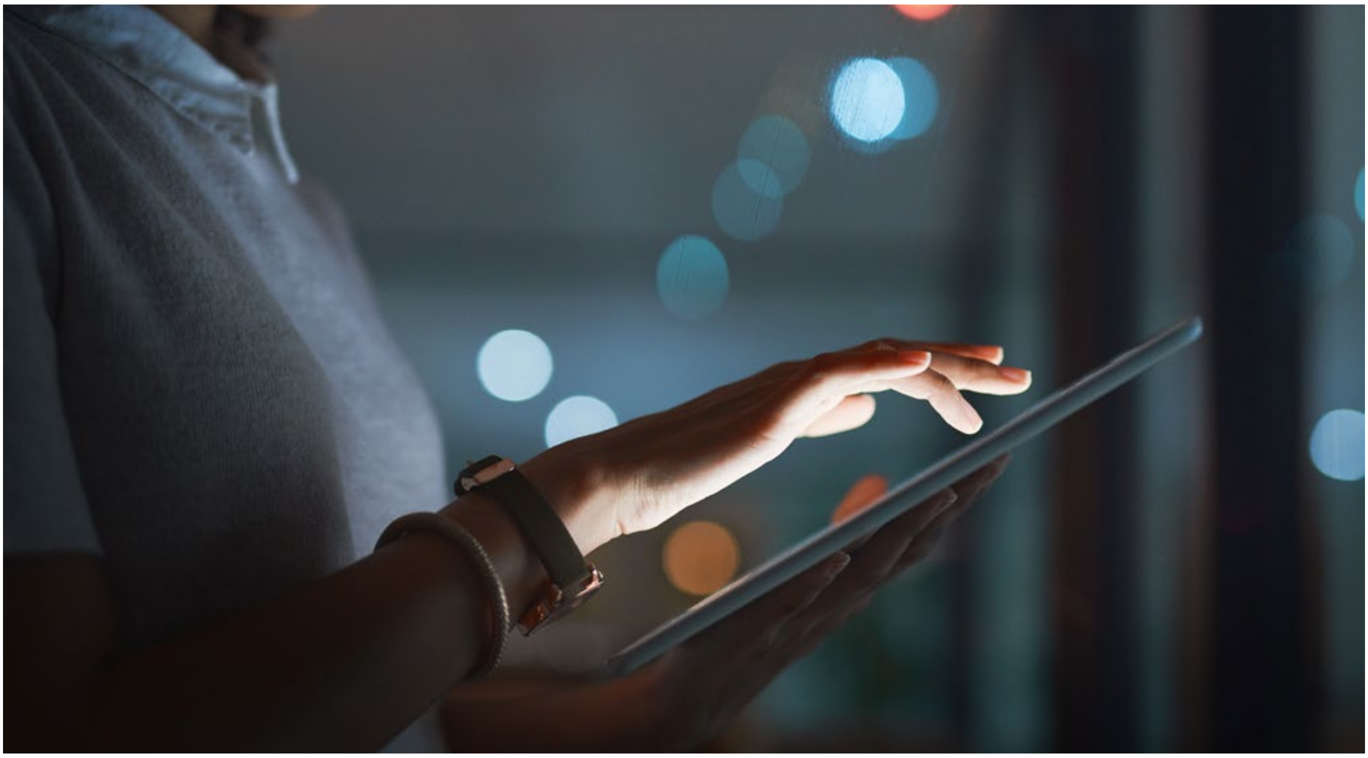
Internationally, Netflix and Disney are believed to be launching ad-supported offerings, and Peacock and Hulu already have variations (free and lower-priced respectively). It is expected these services will play a variety of roles within their businesses, though it is unlikely all will be made free to the consumer, creating the opportunity to capture new revenue from another market segment. The potential for large-scale audiences coupled with premium content will draw in ad revenue, while also serving as a captive audience to upsell to the more premium service. SVOD services will need to tread a line to balance retaining scaled audiences to entice advertisers in a significant way, while also using this as a hugely effective, and cheap, marketing asset for their more premium service.

As noted earlier, across sectors, businesses are finding ways to incorporate advertising and e-commerce. For example, ARE Media acquired the e-commerce platform Hard to Find in early 2022 to bolster its technology capabilities as it diversifies under its magazine titles. Similarly, News Corp has developed offerings covering advertising, consumer subscription, affiliate marketing and audio to further support digital-led growth.

RETURN TO AND 'PREMIUMISATION' OF IN-PERSON

The pandemic-induced lockdowns resulted in instant and prolonged closures for the in-person entertainment markets. Pent-up demand, and particularly in the case of cinema, held-back content supply and will continue to provide a boost to these sectors as doors reopen and tours are rebooked. Moreover, investments in hardware, theatres and event spaces made within the pandemic will result in consumers returning to new and updated experiences. Live entertainment increasingly competes against home-based channels to gain share of the consumer wallet and needs to work even harder to entice consumers off their sofas. In cinemas, we are seeing the creation of a more premium experience, coupling capital improvement and innovative marketing campaigns to create a more enticing theatrical proposition for consumers. Exhibitors are doing so on the understanding that while individual consumers may visit less regularly than previously, they can draw in bigger crowds, spending more for theatrical 'must see on the big screen' titles delivered in improved settings.

Similarly, while streaming does not replace the experience of attending live music in person, and the sector will benefit from a longer runway of artists rebooking shows and tours to Australia given the extended lead times, the extension of live events online opens up new revenue opportunities. Augmented reality and the nascent metaverse will also blur the lines between in-person and technology-enabled engagement for the music sector creating growth opportunities through the forecast period.



THE "NEXT NEW THING"

If the prior line of division separated the analogue/physical world from the digital/virtual world, the next big technology paradigm shift is forging a new one: between the current digital/virtual world and the next one. Companies are investing in creating new metaverse experiences and, though definitely nascent, NFTs have the potential to put power and control over rights and assets back into the hands of creators.

The concept of the metaverse, coined in a 1992 sci-fi novel, has been gaining steam in the broad computing complex for several years. But it stepped thoroughly into public consciousness in October 2021, when Facebook rebranded itself as Meta. Though the term itself is still evolving, the metaverse can be simply defined as the convergence of physical and virtual worlds. In metaverses, users can access immersive virtual experiences, through a VR headset or other connecting device, and there is the potential for users to co-attend live events despite geographic separation. They can remotely see and shake hands with other fans, join in singalongs and move around the venue to see the performance from different vantage points.

Such applications are already available today. In the forecast period, much of the opportunity will be realised within the gaming sector where platforms such as Epic Games's Fortnite, Roblox and Minecraft offer metaverse-like experiences for users to socialise as they play together. In the not-too-distant future, as these applications and others, such as Sandbox, Decentraland and Meta itself, continue to develop the metaverse could be a stunningly realistic world where individuals and organisations sell goods and services, sign and enforce contracts, recruit and train workers, and interact with customers and communities.

For businesses—especially entertainment and media organisations—the implications of this immersive, persistent and decentralised digital world seem, at this point at least, wide spread. There is the possibility of creating digital identities that consumers and organisations can fully own (via NFT technology), setting new rules for governance and creating more immersive digital experiences that capture attention and, ultimately, revenues.

For all of the hype, there should be a note of caution. Though gaining widespread attention, and some visible and successful executions, 'the metaverse' is still yet to break into full consumer uptake. Individual metaverses currently lack connectivity to each other meaning an avatar created in one, and purchases made therein, is not free to move across applications. Early hype, and highly-publicised traded pricing of NFTs has, in the first half of 2022, subsided. Technology too will need to both further develop as well as come down in price – the global active installed base of stand-alone and tethered VR headsets is projected to grow from 21.6 million in 2021 to 65.9 million in 2026,[5] but would still be dwarfed by other connected devices ahead of gaining widespread consumer adoption.

In Australia, we have seen early, interesting use cases such as the Australian Open releasing a series of exclusive NFTs celebrating iconic moments to coincide with the 2022 tournament, and *Rolling Stone Australia* magazine offering an NFT store via parent, The Brag, and its debut issue as NFTs signed and numbered by Australian singer, Tones And I. Even law firm Moulis Legal has offered its services via NFTs.[6] Despite the interest these and other launches have delivered, it remains a clamorous space and one where the ultimate value to brand, media and consumer is still yet to be fully understood.

Riding the Growth Wave

Despite all the unpredictability, and rapid change affecting all parts of the industry,there is clarity about the defining factors of growth in 2022 and beyond.

Trust between consumer, media, and advertiser, and the development thereof, should be seen as a cornerstone for this industry to continue to thrive. Despite unprecedented spending by both consumers and advertisers, consumer trust in media, as measured by Edelman's Trust Index, has fallen back to its pre-pandemic levels, rated below Government, NGOs and other general business sectors. This presents an opportunity for those who differentiate on trust, thinking and acting differently in the service of customers

On one hand, this presents a strategic opportunity – to ensure you are on the right side of trust and value. By contrast, it also presents an executional challenge – confidently lining up behind the things that matter most and bringing ideas to life in the market requires commitment, investment and consistency.

Gone are the days of single-rule strategies. E&M leaders are simultaneously grappling with disruptive external forces, volatile competitive dynamics, rapid internal change, rising customer and employee expectations, and expanding fiduciary, social and environmental responsibilities.

Moving forward requires:

COHERENCE
A capabilities-driven strategy for growth.

ALIGNMENT
Harnessing the perspectives of business, experience and technology.

RESPONSIBILITY
A structured approach to responsible business.

COHERENCE: CAPABILITIES-DRIVEN STRATEGY

In these rapidly changing times, and with constant pressure to compete, it's easy for business leaders to overlook a basic principle: build from your strengths. E&M business leaders need to think about how to orchestrate their strengths and capabilities to coherently respond to major industry shifts, for example:

IMMERSIVE, INTERACTIVE EXPERIENCES: 1

The lines between gaming, entertainment and media have grown fuzzy, as personalised content traverses platforms and channels in blended, interactive realities. The use of augmented and virtual reality is inextricably tying together the physical and digital world, ushering in the metaverse. How will you line up your brand, marketing, sales, customer data and creative content behind these immersive E&M experiences?

DECENTRALISED, DEMOCRATISED PLATFORMS: 2

Social media represents a powerful, distributed channel, and user content reigns supreme. Demand for original content and greater incentives for creators is on the rise. Curation can prove a valued service, and AI-powered content and advertising captures audiences with pinpoint precision. How will you responsibly align your revenue models and customer acquisition principles to these new power dynamics?

A capabilities-driven strategy involves focusing on what you're great at to create lasting success. When you understand what you're great at, and design your capabilities and strategy accordingly, you can define how you want to compete, and shape your own future.

ALIGNMENT: BUSINESS, CONSUMER EXPERIENCE AND TECHNOLOGY IN HARMONY

Today's problems require strategy, savvy, customer-centric design, and technology all in one – and moving from idea to launch faster. Getting this formula right builds confidence to try new things and can create iterative over one-off transformational growth, which is what E&M's next wave of growth is all about.

We see a long list of challenges requiring the strategic coordination of business imperatives, customer and employee experiences, and novel data and technology integration which E&M industry participants will need to solve:

- Tackling the customer and employee trust deficit
- Facilitating a creator economy
- Devising balanced shoppable content
- Monetising consumer interactions
- Hosting real and virtual influencers
- Mastering the Metaverse
- Seizing control of iOS
- Content ownership and provenance with NFTs
- Premiumisation of in-person experiences
- New M&A and partnership objectives

RESPONSIBILITY: ESG

As our industry builds back trust, customers, employees and community stakeholders are interested not only in 'what' you do, but 'how' you do it. The climate crisis, a global pandemic and polemic public and international affairs have driven community ambition for more responsible, socially and environmentally connected businesses.

The drive to act on Environmental, Social and Corporate Governance (ESG) is increasingly recognised not only as a question of value protection, but as an opportunity for value creation. ESG is an opportunity – a means for executives and boards to build greater trust with employees, shareholders and communities in which they operate.

Businesses are coming to grips with the energy intensity of digital channels, and to wrestle with the carbon footprint of technology and ecological waste in digital supply chains. E&M digital growth has a carbon footprint which, though different to traditional channels (for example, printed material), must not be overlooked as digitisation across channels continues at pace.

The ESG challenge extends beyond environmental issues like climate change, to encompass the full breadth of social, environmental and economic impact a company generates. Entertainment and media businesses need to contemplate:

- Sustainable media production and distribution
- Inclusive representation across voices, characters, leaders
- Responsible advertising and paid for content
- Responsible AI, and algorithmic justice
- Accountable journalism
- Indigenous Reconciliation – showcasing talent and honouring stories
- Customer data protection and privacy
- Digital decarbonisation and electronic waste reduction
- Good governance spanning competition, fraud, corruption, equality and anti-discrimination.
- Transparency, accountability, and real action

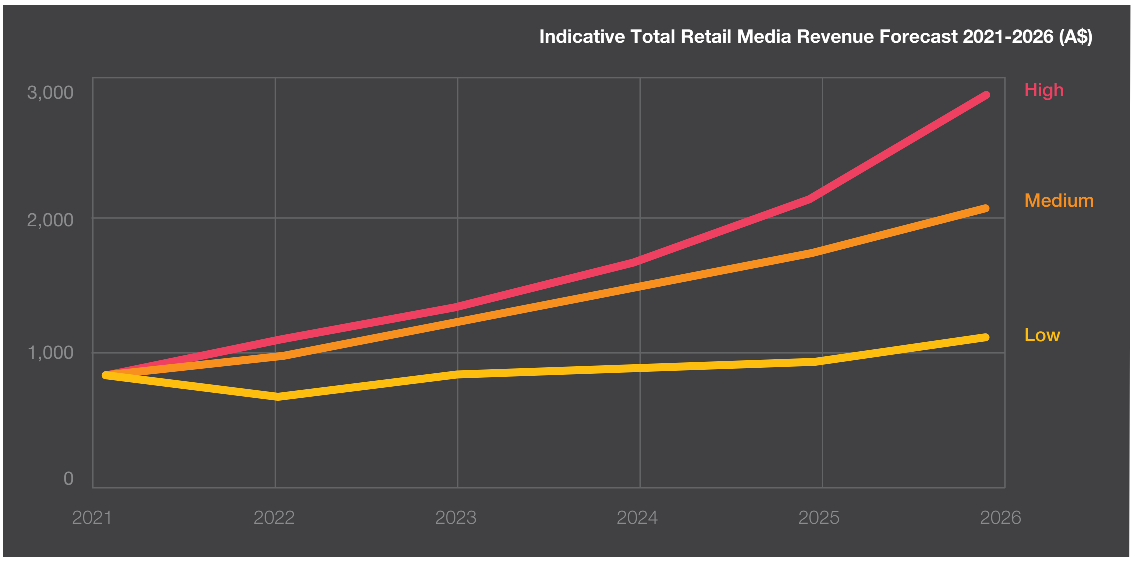
Spotlight on

Retailer media

20 | 20
22 | 26

Retailer Media

Led by a combination of traditional retailers and Amazon Retailers will build a $2bn segment in the coming 5 years. For the first time, this year we look into the drivers of growth in this burgeoning area which is creating new revenue for traditional and eCommerce retailers alike.



In early 2022, Amazon included its ads business in its annual revenue reporting for the first time, reporting US$9.7 billion in global revenue in the fourth quarter of 2021, a 32 percent year-on-year increase.[7] At the same time, Walmart also reported revenues from its advertising business of over US$2 billion in 2021.[8] This is part of a trend that, though not new, has come to stark prominence over the two years — the rise and rise of Retailer media.

PwC forecasts up to A$1.2 billion in 'new' revenue will enter the Australian advertising market over the coming five years, taking a relatively nascent market from A$850 million to A$2.14 billion at a CAGR of 20.1 percent based on the mid-point forecast. Growth will be accelerated by eCommerce players led by Amazon, but will also be driven by Australian retailers further developing and growing their media offerings. This revenue will come from a variety of sources — taking from other forms of traditional supplier trade spend, by competing for the media budgets of non-FMCG advertisers and, with the potential for most disruption, taking from other media channels.

It should be noted from the outset that the forecasts delivered in this report are an estimate only, based on PwC research and assumptions rather than third party industry sources. The nature of this sector is such that all retailers treat their media businesses differently with no standardisation of which assets are considered 'media' or otherwise. A breakdown of inclusions and exclusions would need to be agreed upon should this sector look to standardise as others have previously.

Overseas, large retailers have been building out their media businesses since the late 2010s, developing them around a centralised data capability, combined with broad store footprints and high traffic eCommerce platforms. Many have taken their data offering and made it available outside of their own network, being used for both audience targeting and measurement of purchase. Grocers including Walmart in the US — often seen as the leader given its size — Loblaw (US), Kroger (US), Tesco and Asda in the UK, and Carrefour (FR), have been at the forefront of retailer media development, and more recently other non-food retailers have also launched: CVS Media Exchange, Macy's Media Network, Home Depot's Retail Media+, and Instacart Ads.

RETAILER MEDIA > ECOMMERCE

'Retailer media' is not a wholly new phenomenon, nor should it be seen as limited to online ads on eCommerce sites. Since the earliest days of product catalogues, in-store radio and point of sale displays, retailers have offered their suppliers access to advertising spots in their owned-media assets. What has changed in the last few years is a combination of focus on external commercialisation and technological development.

Retailer focus: Retailers have identified the high margins (up to 90 percent) that can be realised by media placements when traded as a standalone offering. This has led to a greater focus, and even an uncoupling of these assets from their traditionally merged sale within broader merchandising trade negotiations. Where these assets are coupled with a customer data offering or a means to link the delivery of ads to sales outcomes, the offering to media buyers has the potential to be all the more enticing. In Australia, this approach to fully commercialising media assets within a standalone unit was first visible with the launch of Woolworth's Cartology business in 2019, and more recently Coles has stated its intent to grow its footprint with a Coles Media business unit. Similarly, others including Endeavour Group are also thought to be developing a media division, and Chemist Warehouse has traded media assets through its Stratosphere agency partnership.

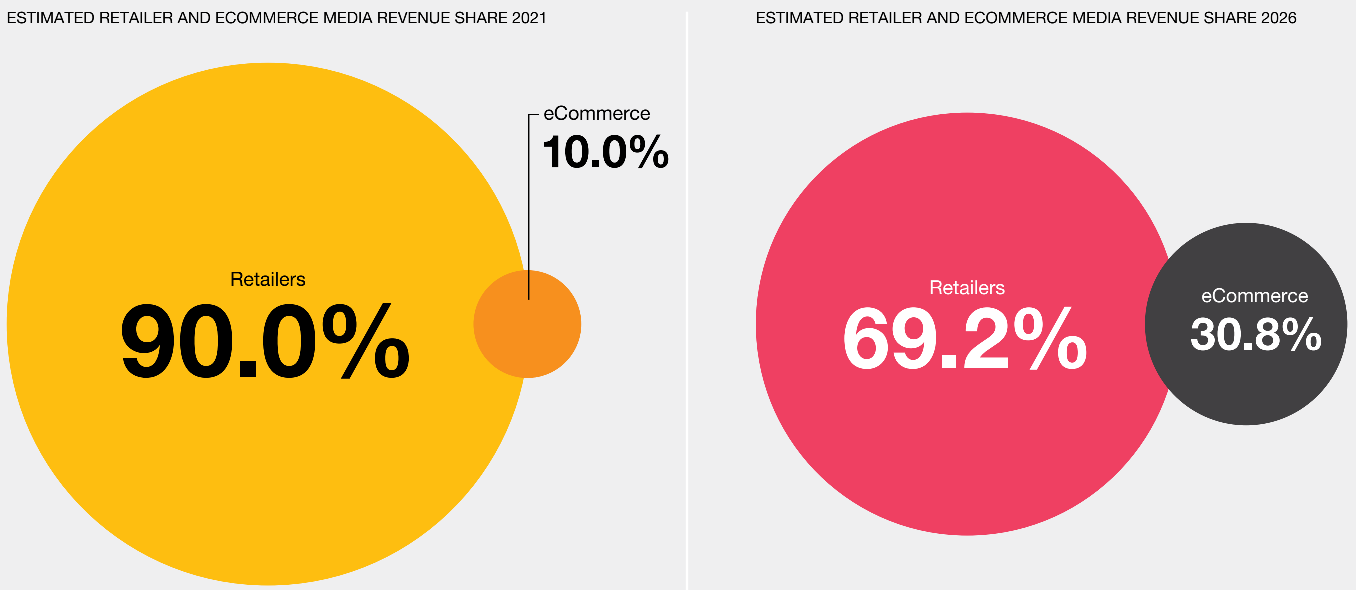
With this growing focus, 'traditional' Retailer media is expected to grow to A$1.48 billion by 2026, at a CAGR of 14.1 percent based on the midpoint forecast.

Technology driver: Previous to, but accelerated by the COVID-19 pandemic, Australia has seen rapid growth in eCommerce, and developments in online marketplaces. Comparative to Google's offering of sponsored listings within its search engine results pages, eCommerce aggregators and marketplaces have created spaces to sell media spots. With more people choosing (or needing) to purchase online, advertisers demand for these placements has grown. As noted earlier, Amazon's advertising business, which comprises on-site sponsored listings and other ad products, has seen rapid global growth and, as its Australian presence has grown, so too has its local media business.

The pure-play online growth has been coupled with the development of technology. Australian start-ups CitrusAds and Zitcha have offered greater access to Retailer media — be that online or increasingly offline for media buyers offline for media buyers.

Given technological advancement, and eCommerce's rapid growth in Australia it is expected the pure-play eCommerce portion of Retailer media will outstrip traditional Retailer media over the forecast period, with a midpoint forecast CAGR of 50.8 percent to reach A$660 million by 2026.

Retail vs eCommerce 2021 - 2026



SHORT-TERM GROWTH IS EXPECTED TO COME FROM KEY ESTABLISHED PLAYERS

Whilst PwC has forecast rapid growth, it should be noted that it is not expected this will be wholly 'new' revenue into the Retail sector. The nature of this sub-sector and its connection to parent retailers means we are unlikely to have completely new entrants into the market over the forecast period. Rather, current players will develop their offerings further and compete more aggressively for both trade spend (not reported within the Media industry) and/or from other media channels.

With Australia already having two leading supermarkets developing their offerings and Amazon expanding theirs, it is expected much of the growth will come from these three players, however we anticipate others across retail categories will build upon their media assets. As has been the case in other developing segments, we may see the launch of some network businesses, connecting and creating scale for groups of retailers the launch of some network businesses, connecting and creating scale for groups of retailers. This may come from within an existing holding company such as Wesfarmers, or an external standalone business.

RETAILERS ACTING LIKE MEDIA COMPANIES CAN CREATE GROWTH

Regardless of which individual business wins, we believe this sub-segment will develop via:

Sales sophistication: To compete with traditional media sales businesses, retails will scale or partner with ad sales teams, along with building governance and technology. This will not be a simple, inexpensive road, particularly as media sales is not a core, strategic capbability of most retailers, but may be built over time.

Data sophistication: We are at a point in Advertising's evolution that plays into retailer's hands, namely the disappearance of cookies as the online targeting currency. Retailers with large pools of real, identifiable customers stand to benefit from advertisers looking for options to fill the gap left by cookies.

Measurement through to purchase: Not only might centralised real-world data be utilised for audience targeting, it offers the promise of closed-loop reporting to understand whether consumers went on to purchase. Target cohorts from their datasets and measure sales, thus proving ROI, should win out.

Standardisation and reporting: Historically trade spend on media, co-branding and other collaborative marketing efforts was not tracked under industry reporting. The revenues were, and continue to be, attributed to trade spend budgets and not assessed against standard Media industry measures. Some standardisation would be needed as media agency buyers enter the market, and with standardisation comes lower friction for buyers.

Entry of non-trade buyers: At a time where many advertisers are reassessing their approaches for a cookie-less world, options which target real individuals and can be connected online and offline will be enticing for adjacent brands who are not necessarily stocked in store, but whose audience are captive there.

Price inflation: As more buyers enter online auction-based environments such as within Amazon listings, it is expected that prices per-placement will increase as competition hots up.

Further eCommerce growth: Though broader consumer economic concerns such as rising inflation remain faster mobile internet, entrenchment of online purchasing habits and development of approaches particularly for FMCGs in direct-to-consumer marketplaces, should drive further uptake of paid media listings.

POTENTIAL OPPORTUNITIES FOR ALL

Given these developments, what opportunity does Retailer media present?

For Retailers: Ultimately media assets can deliver high margins —PwC understands 50-90 percent depending on the asset and typically already come with a buyer base (suppliers) and audience (current customers). This presents the opportunities to grow revenue in four ways:

- Extract more revenue from current (typically supplier) buyers via developed sales capability
- Develop new assets and routes to market
- Attract non-trade new ad buyers from relevant adjacent categories
- Create efficiencies via technology and process.

Potential entrants should be aware that building a media company from scratch may be expensive and require integrated resources to deliver effectively. As such, it could be more efficient to explore how current resources can be repointed, how third party partnerships can be developed or if there are marketplaces to join. That said, given the size of the Australian market, there may be space for additional players outside of the nascent incumbents of Woolworths, Coles and Amazon, so long as there is a differentiated offering.

For Marketers: While still in the early stages of evolution, for non-supplied brands Retail media assets may provide new opportunities to reach target audiences at relevant times in their day. Given the rich real-world purchase and interaction data retailers hold, shifting from cookies to real people, this may be a powerful opportunity for both brand and even performance advertising.

For other Media companies: Given their offerings, it is likely many advertising businesses hold some trepidation at the rise of Retailers' media businesses as they will likely compete for traditional ad dollars as they grow. There is, however, an opportunity to partner: to co-produce new media assets bringing together the media company's audience and content production, with retailer audience, data, and transaction capabilities into a powerful multi-platform offering.

Retail media business operating models could take one of three forms

	1 INTEGRATED MODEL	2 STANDALONE MEDIA ASSET BUSINESS	3 OUTSOURCED / PARTNERSHIP MODEL
Description	Media asset management teams embedded in existing Trading Division and/or business units	Separated business unit model with distinct brand and operations	Partnering with external media and advertising service provider to manage media assets
Benefits	▪ Alignment between traditional retail and media service offering ▪ Close proximity to customer and responsive to customer needs ▪ Provides flexibility, allowing for tailored solutions	▪ Standalone brand name perceived as 'independent' ▪ Ability to focus effort on driving media strategy ▪ Optionality to expand offering beyond core assets ▪ De-risk current operations	▪ Leverage established market leader media and advertising expertise ▪ Shorter time frame to scale ▪ No investment required to build capability
Challenges	▪ Heavy investment in resource and effort required in restructuring organisation and building capability ▪ Duplication of capability minimises economies of scale ▪ Media sale may not be core competency / higher risk ▪ Requires discipline to manage performance	▪ Investment in resources required to establish business ▪ Separate management may introduce conflicts of interest ▪ Unable to maximise synergies from existing business	▪ Less direct control and influence over strategy ▪ Higher fixed costs in the longer run ▪ Lack of in-house media asset management capability

Watch

2022 | 2026

Introduction

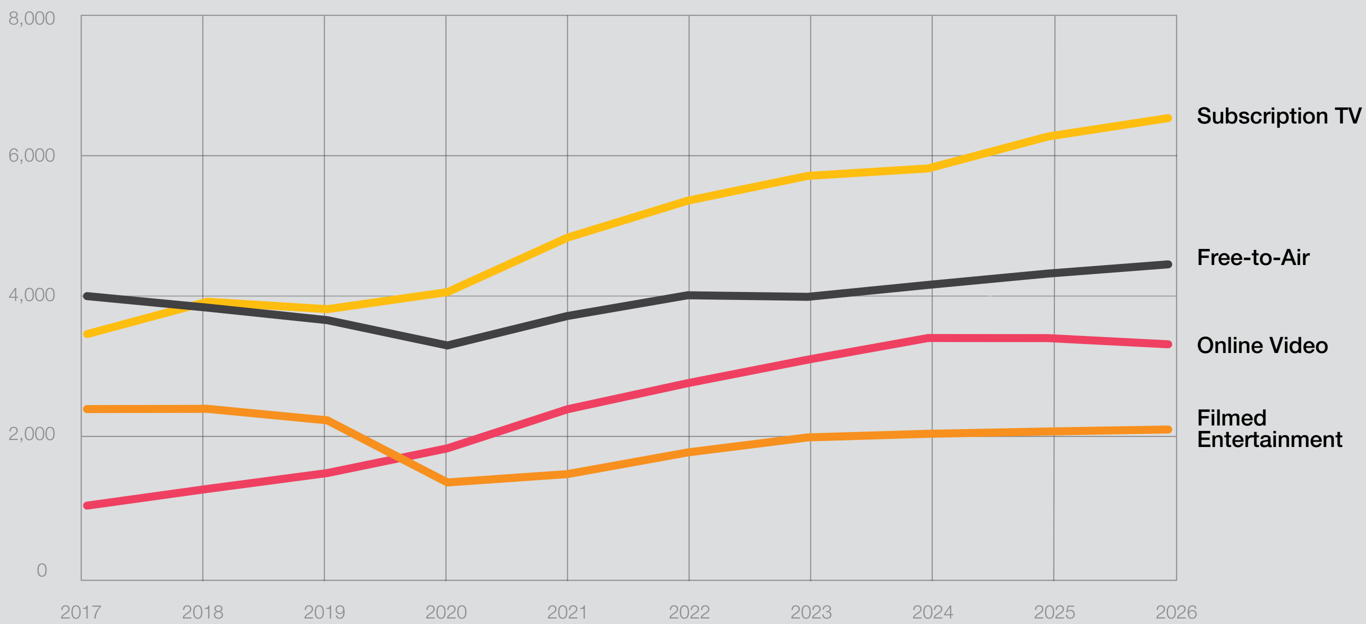
With significant portions of 2021 spent cloistered away at home, consumers' down-time was spent in front of their screens, driving total ***Watch*** revenue to a new high of A$12.39 billion in 2021. Representing year-on-year growth of 17.7 percent, this new record figure was a sign of the times, with the Subscription TV sector leading the way at A$4.83 billion.

As consumers are increasingly turning to personalised, on-demand consumption of online video and Connected TV delivered content, advertisers have been shifting their media spend out of necessity, in order to gain reach across a greater variety of platforms within the industry. Creator-led content has also been a game changer for the sector, competing for audiences' attention, and offering marketers a new opportunity for reach and variation of integrations.

For Free-to-Air (FTA) TV, growth has been underpinned by the rise of Broadcast Video on Demand (BVOD), a medium which is now integral to the planning and buying of TV advertising. Subscription Video On Demand (SVOD) has seen investments in both the quality of content production, the user interface experience and diversification into other offerings such as sports, games and short-form video. Audiences' desire for premium experiences extends throughout ***Watch*** activities, with the Filmed Entertainment sector also seeing significant investments in providing richer experiences to entice people back into theatres and drive growth over the forecast period.

In 2022, there is a continued optimism about the potential for sustained growth in ***Watch*** activities, and the ability for advertisers to shift their marketing strategies inline with changes in consumer behaviour.

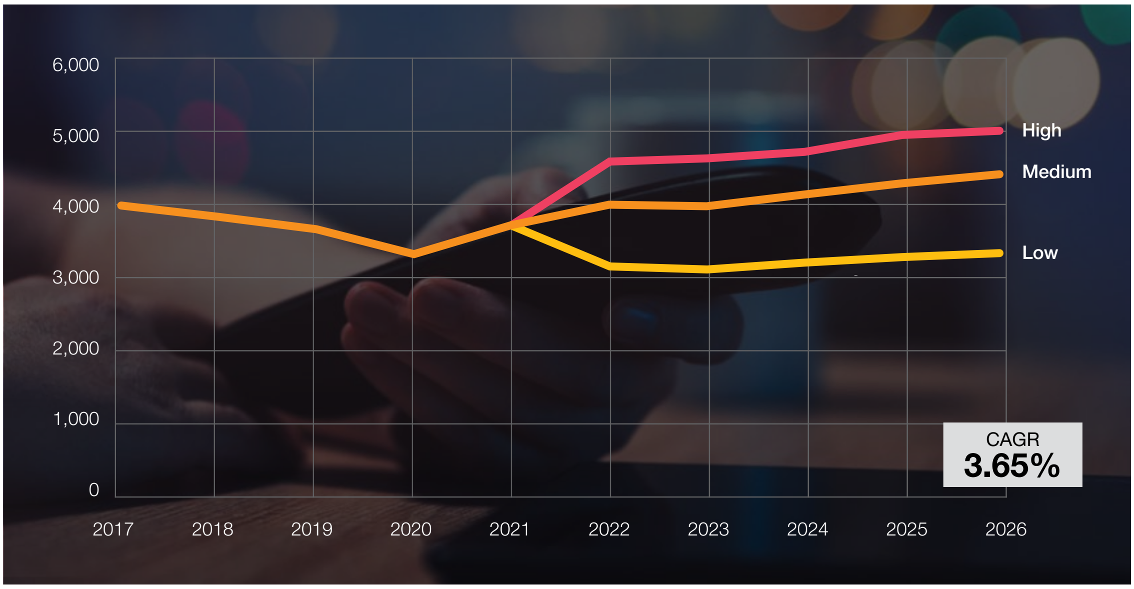
Total Watch Revenue by Segment (A$ millions)



Free-To-Air Television

The Free-to-Air television (FTA) segment continues to experience a shift in audience consumption. A reengineering of how people consume television of any kind continues, with a changing distribution of audiences across terrestrial FTA, Broadcaster and Subscription Video On Demand services, creating a complex, competitive environment for networks to gain and retain viewers' attention.

Total Free-to-Air Revenue (A$ millions)



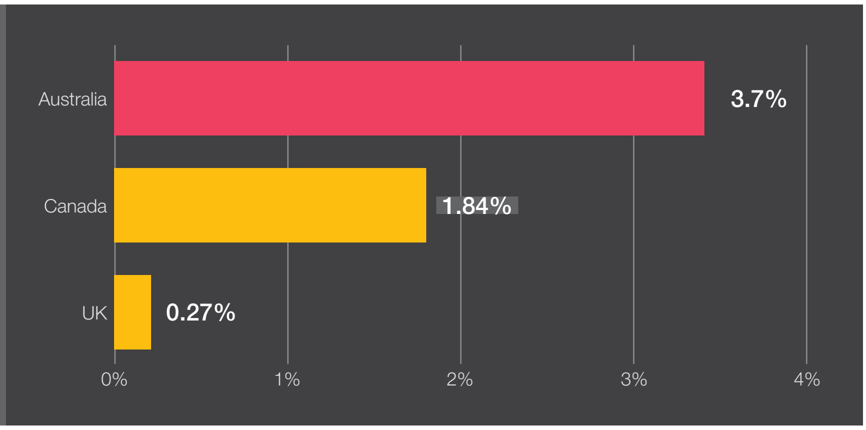
The FTA sector is evolving and has seen a strong revenue resurgence in 2021, and 2022 forecasts suggesting a return to levels not seen since 2017. Underpinning this evolution is the rapid growth of BVOD across all major Australian FTA networks, who continue to invest significant amounts in improving the user experience of digital programming.

Following the pandemic, the FTA TV industry is experiencing a fluctuation of returning spend across categories. TV advertising from the travel and automotive sectors in particular experienced declines of 55.2 percent and 19.5 percent respectively in 2020, according to Standard Media Index (SMI) data. Since then, the total market has seen a resurgence to A$3.7 billion in 2021, a growth of 12.6 percent, however notable categories such as the aforementioned travel and automotive, plus pharmaceuticals and live entertainment are yet to return to pre-pandemic levels.

The revival of the overall FTA market is expected to continue throughout 2022, with a further forecast growth of 7.9 percent. Government advertising from late-2021 through early-2022 in the lead up to the Federal election has been a solid revenue driver for the sector, especially while other key categories are still attempting to re-establish their post pandemic revenue levels. While growth will slow across the forecast period, a CAGR of 3.7 percent will generate revenues of A$4.4 billion in 2026 based on the midpoint forecast.

Total Free-to-Air Market 21-26 CAGR by Country (%)

When compared to similar markets, Australia's forecast FTA 2021-2026 CAGR of 3.7 percent represents a strong position relative to other mature global markets such as the United Kingdom (0.27 percent) and Canada (1.84 percent).

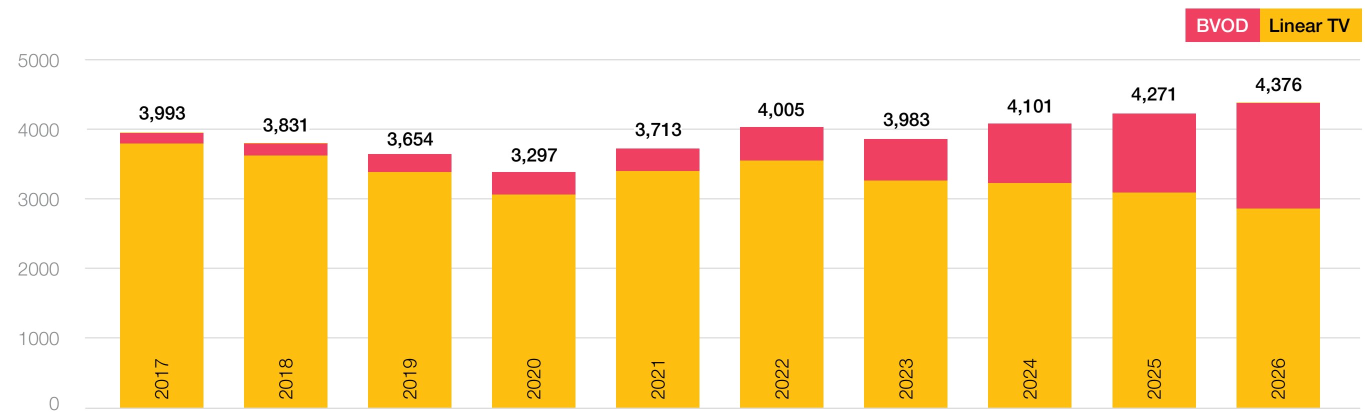


ON DEMAND: THE GROWTH DRIVER

Traditional linear television continues to go through a time of transformation, driven by the changing behaviours of audiences. Linear television is forecast to see a CAGR of -3.0 percent through 2026, falling to A$2.9b billion, based on the midpoint scenario. Whilst linear itself continues its structural decline over the forecast period, a shift to digital content consumption will keep the sector in growth overall.

According to a report commissioned by the Department of Infrastructure, Transport, Regional Development and Communications,[9] Online Video viewership overtook FTA television for the first time in 2021. The report found that last year, 83 percent of Australian adults made use of online video services, while only 77 percent tuned into terrestrial FTA. The shift to digital TV consumption is driven in part by BVOD, strengthening its position in the market as audiences choose on-demand programming, catch up content, and increasingly stream live linear FTA content. BVOD is forecast to see a strong CAGR of 34.2 percent through 2026, as audiences continue to consume Australian broadcaster programming in a transformed digital, customised experience.

Total Free-to-Air Market by Sub-Segment ($A millions)



THE RISE OF TOTAL TV

2021 was a year the phrase 'Total TV' came to greater prominence, with networks no longer referring to a separation between linear TV and BVOD, rather their connection. Modern consumers have the ability to move fluidly between their TV sets, mobile phones and other smart devices. Although providing an agile experience for audiences, this has previously resulted in significant fragmentation and a challenge for marketers to measure reach. A driver for this is believed to be a shift towards people streaming linear through BVOD, while BVOD viewership in general continues to grow.

2021 was also a year dominated by the return of sport, with major events, particularly the delayed 2021 Tokyo Olympics,[10] drawing in viewers. The Seven network utilised their BVOD platform to extend their coverage of the Olympics, giving audiences a broader opportunity to consume live and on-demand content.

Catch-up for reality programing including *The Block, Married At First Sight, Masterchef Australia, Love Island, Survivor* and *The Bachelor* remains as strong draws for BVOD audiences, with networks also looking to differentiate via back-catalogue content.

Underpinning this 'Total TV' transition is the development of industry audience measurement capabilities, with the launch of OzTAMs Virtual Australia (VOZ) paving the way for linear and digital platform audience reporting. While the rollout of this measurement system may have been slightly slower than the industry originally anticipated — delayed until mid-2021– the ability for buyers and publishers to more fully understand cross-platform TV viewership is a welcome development which will likely support advertiser investment into Australian broadcasters through the forecast period.

Popular entertainment shows were once again dominated by reality formats, with *Married at First Sight, The Voice* and *The Block* all having multiple episodes with audiences surpassing the one million mark in linear TV ratings in 2021. This trend is continuing in 2022, with an episode *of Married at First Sight* in early March attracting a linear television Total People audience of 1,672,000 viewers. However, when inclusive of the full watching period, the total viewership increased to 2,212,000,[11] highlighting the importance of cross-platform measurement to deliver an accurate representation of audience scale.

CONNECTED TVS CREATE PROMINENCE CHALLENGE

Whilst Australia's FTA TV networks continue to grow audiences and revenue through their respective BVOD services, a growing area of concern in the industry is that of "prominence". Unlike in the pre-digitised era with simple ABC-7-9-10-SBS on the dial, BVOD apps now must compete with a broader set of apps either pre-loaded or available to download on connected TVs. As such, broadcasters are increasingly required to negotiate with TV hardware providers to ensure their BVOD app's visibility within TV operating systems. The greater competition in this space highlights the importance for BVOD providers to differentiate themselves by providing improved user experiences and content options for audiences to remain top of mind and drive usage.

A government-backed Future of Broadcasting Working Group was launched in early 2022, with the aim of developing an industry view on how this issue may be solved to ensure a fair and level playing field for BVOD and SVOD platforms. Similar reviews have been delivered overseas in recent years with the UK's Ofcom delivering recommendations in 2019 for legislation to ensure viewers can continue to find and access the UK's public broadcasters' linear and on-demand services, across a range of connected devices and protect the prominence of broadcaster content that is made available without charge.

Internet Video advertising

All video remains a driving force within the sector

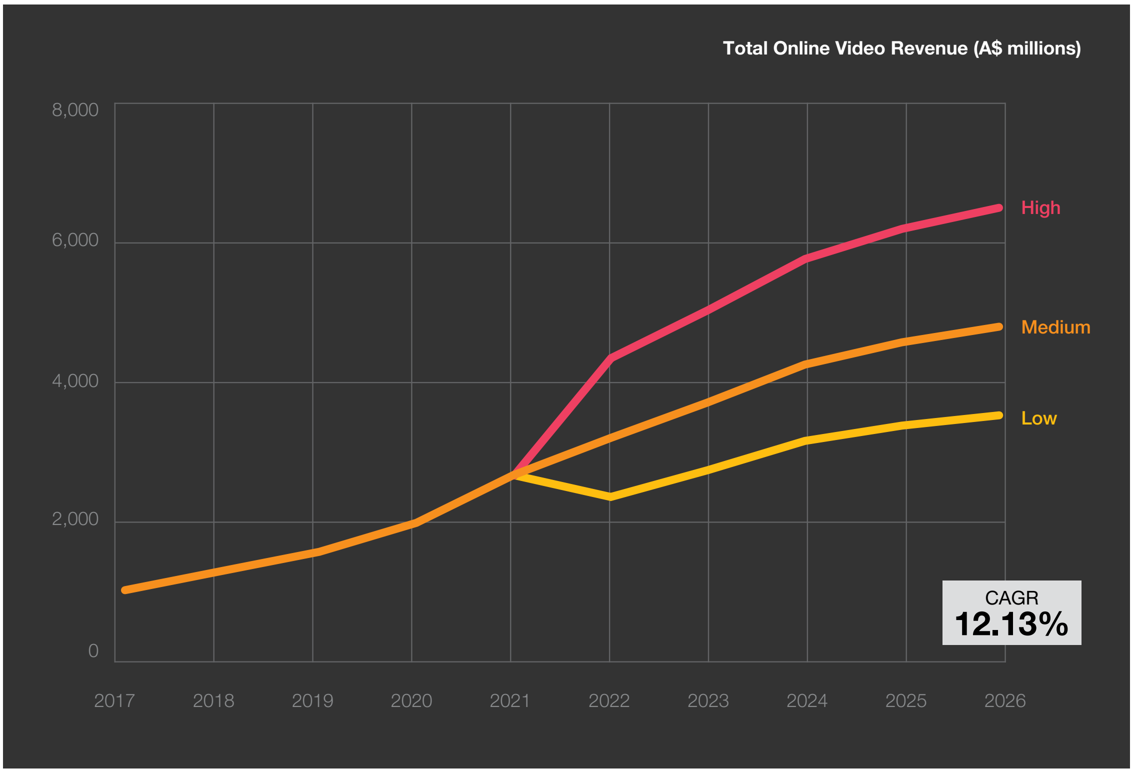
Online video advertising revenue is by no means limited to BVOD. The total online video segment in lept a further 33.1 percent in 2021 to A$2.74 billion and this growth is expected to remain healthy throughout the forecast period. Short form video as an advertising format continues to grow its popularity among advertisers due to typically lower price points and scalability for short term brand awareness.

Forecast growth across both in-stream and out-stream video advertising revenue can be attributed to consumers' increased usage of video streaming services. YouTube, Facebook, Instagram, Snapchat, and relative newcomer, TikTok, remain dominant, though most major internet portals such as news.com.au, Nine and Yahoo! now have significant video revenue streams.

SOCIAL VIDEO BECOMES SHOPPABLE VIDEO

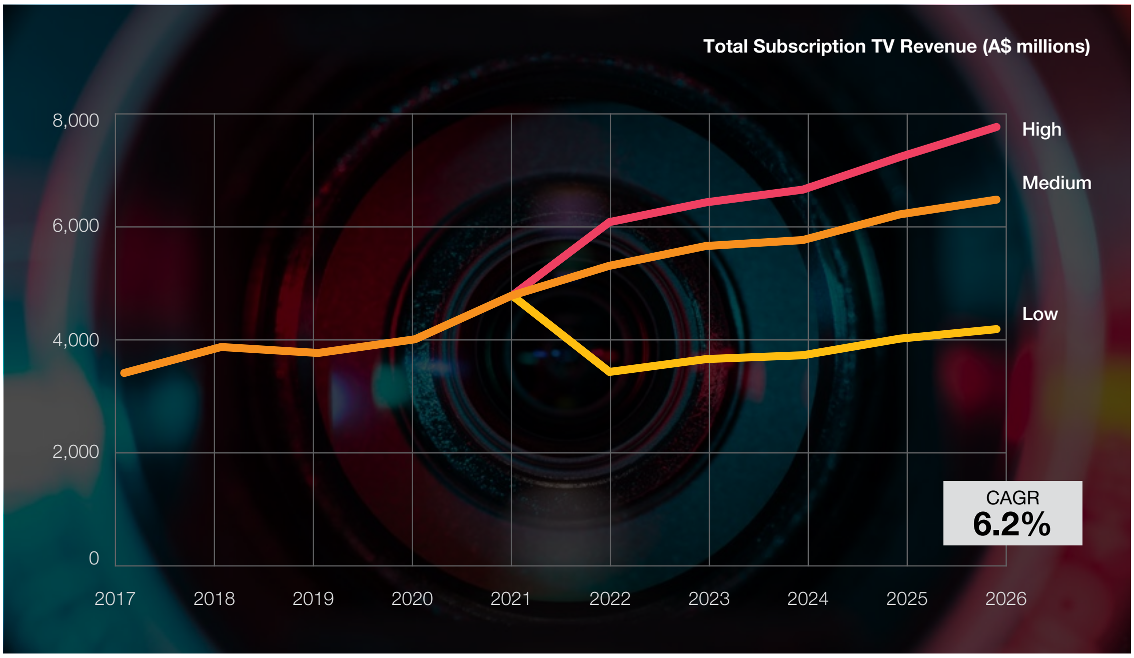
Having only officially launched in Australia in 2019, TikTok now reaches over 7 million Australians over the age of 18, each spending an average of 23.4 hours per month on the app.[12] For comparison, 22.6 trillion minutes of TikTok were watched globally in 2021, more than double the 9.6 trillion minutes of Netflix.[13]

Not limited to TikTok, social video platforms are rapidly becoming a central part of the trend towards 'shoppable ads'. Influencer marketing has been on the rise for some time, engaged by marketers to showcase products to their followers through sponsored posts, reviews and hands-on-demos. Increasingly, technology platforms are offering in-video advertising options — so called shoppable video. These formats within TikTok, YouTube, Instagram, Facebook, Snapchat, Pinterest and others are offering marketers the capability to directly connect consumers to the products they see in marketing videos. In a hark back to shopping TV channels, this reduces resistance between video and purchase and is likely to push further growth in the online video segment through the forecast period.



Subscription TV

The Australian streaming landscape is more diverse than ever, but this isn't always good for consumers who may find the content they want to watch spread across more platforms than they are willing to pay for.

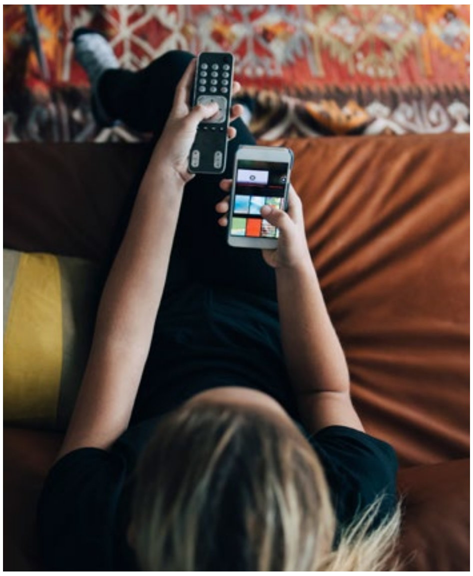


Over 75 percent of households were paying for a streaming service in 2021, which is expected to rise to over 80 percent by the end of 2022.[14] The average household pays for 2.3 subscription television services, spending A$40 per month[15] on video streaming services in 2021, rising to A$55 when all forms of entertainment subscriptions are included.[16] The Australian sector was valued at over A$4.82 billion in 2021, and is forecast to grow to over A$6.51 billion by the end of 2026 at a CAGR of 6.2 percent based on the midpoint forecast.

AUSTRALIANS HAVE EVEN MORE CHOICE WHEN IT COMES TO STREAMING SERVICES

The Australian streaming landscape is more competitive than ever, with Netflix, Stan, Binge, Amazon Prime Video, Apple TV+, Disney+, and more recently launched in 2021, such as Paramount+. This is on top of more niche streaming services, such as BritBox, Shudder, AMC+, Hayu, and the recently launched news-specific service, Flash.

Despite this, Netflix was still the number one streaming service in Australia reaching over 12.8 million Australians (14+) according to Roy Morgan research released in early 2022.[17] Foxtel's portfolio of services retains the second spot, growing 23 percent to reach over 7.1 million citizens when compared to October-December 2020. Stan, Amazon Prime and Disney+ are each watched by over 4 million Australians on a monthly basis according to the research.



NETFLIX INCREASES PRICES AND AIMS TO CRACK DOWN ON ACCOUNT SHARING

Netflix further increased its local prices at the end of 2021, with its most expensive tier now priced at A$22.99 per month. This makes Netflix the most expensive non-sport streaming service available in Australia.

For the first time in a decade, the streaming giant lost subscribers. Its first-quarter earnings showed a loss of 200,000 subscribers globally, and it expects a loss of a further two million subscribers by the end of the second quarter.[18] Netflix didn't provide information as to how many of these losses occurred in Australia, and it remains to be seen if this was simply a blip or a sign of things to come.

It is believe Netflix hopes to counteract these reported subscriber declines by addressing account sharing – which the platform estimates occurs in over 100 million households globally. A new feature is currently being tested in markets such as Chile and Peru, and adding on a sub-account could cost Australians an extra $3 or $4 per month if the feature launches locally.[19] Local research suggests 24 percent of Australians are using a friend or family member's Netflix account.[20]

NETFLIX INCREASES PRICES, LOOKS TO AD-SUPPORTED SERVICES AND AIMS TO CRACK DOWN ON ACCOUNT SHARING

Furthermore both Netflix and Disney+ are reported to be introducing more affordable, ad-supported price tiers this year. In addition to making these services more accessible to price sensitive customers, advertising creates a new revenue pillar for these businesses. Analysts estimate that Disney+ will generate US$1.8 billion US ad revenue by 2025, and Netflix[21] US$1.2 billion.

SPORTS STREAMING IS BECOMING INCREASINGLY FRAGMENTED

Sports-focused streaming services have gone through a major upheaval over the last two years, thanks to new entrants in the space. Foxtel (Kayo), Stan Sport, Optus Sport, Paramount+, and Amazon Prime are now all competing for local sporting rights.

This saw Optus spend A$600 million to retain its *Premier League* rights until 2028, making it the biggest international sports right acquisition in Australian history.[22] As a result, Optus will no longer offer Optus Sport to its mobile and internet customers for free. Optus customers will instead pay A$6.99 per month, while non-Optus customers will pay A$24.99 per month, up from A$14.99 per month.

Foxtel's Kayo also increased the price of its basic plan from A$25 per month to A$27.50 per month. This fragmentation of rights across services creates challenges for consumers to both know where they can access their favourite sports, on top of increased costs. Where a Foxtel Sports bundle may previously have cost A$30 as part of a wider subscription and cover the majority of non-free to air sports coverage, consumers are now faced with up to A$80 in stand alone or add-on fees for sports coverage accesses.

STREAMERS COULD FACE LOCAL CONTENT QUOTAS

A Federal Parliament report from late 2021 recommended that streaming services should be forced to spend at least 20 percent of their local revenue on Australian content, including drama, documentaries, and children's programs.[23] This is similar to what is expected of streaming services in markets such as Europe and Canada and would be targeted at redressing a noted imbalance between the perceived low demand for Australian content, despite relative high supply following Government funding, and a positive response to the COVID-19 pandemic in the film production industry in Australia.

PIRACY IS BACK ON THE RISE

In 2021,[24] 30 percent of Australians consumed some content online unlawfully, up from 15 percent in 2019.[25] The wider availability of legal alternatives such as Netflix was attributed to piracy's initial local decline, but experts are concerned that the growing number of streaming services has customers returning to illicit content consumption.

TRANSITION AND BLURRING LINES IN SUBSCRIPTION ENTERTAINMENT

Foxtel's latest set-top box allows customers to access the pay TV's content without the need for a cable or satellite connection, further supporting the business's digital transition. Foxtel will no longer have access to the Telstra cable network as of June next year, and as such, has been migrating customers to satellite connections since 2018. Satellite installation isn't always practical so an internet driven set-top box is a natural solution.

Moreover, Foxtel has seen continued growth in subscribers to its Kayo, Binge and recently launched Flash services.

In another example of blurring of models, Netflix started offering its subscribers access to mobile video games at no extra cost late in 2021, playable on iOS and Android devices. The streaming service has acquired three game developers in less than a year and currently offers 23 games as of mid-2022.

Subscription services are also becoming increasingly common with Microsoft and Sony now both ostensibly offering "Netflix but for games" options for their respective consoles, where players get access to a large pool of titles for a small monthly fee.

Filmed Entertainment

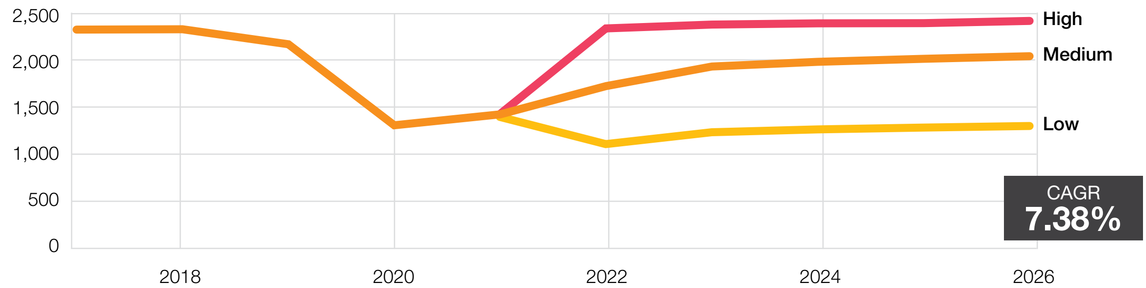
In what was another year hampered by disruption and forced closures, the industry has moved to a period of 'fluid recovery', as the sector normalises after two turbulent years.

With tentpole releases either delayed, having release windows shortened, or for some, sent straight-to-streaming, 2022 is set to deliver the cinematic content consumers and exhibitors alike have been waiting for since the pandemic began.

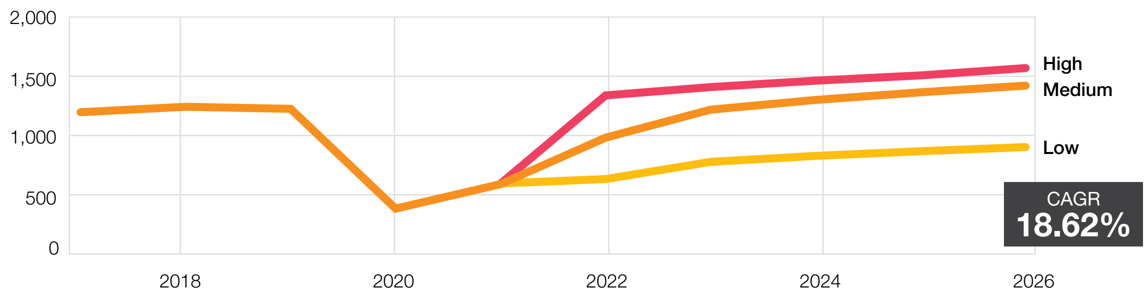
Despite the challenges of 2021, government support and the investment in Australian film production continued,[26] as production resumed on *Elvis*, and commenced on *Thor: Love and Thunder*,[27] with the respective films slated to hit screens in June and July 2022.

With film-watching largely taking place at home over the past two years, exhibitors have felt pressure now, more than ever, to create unique and premium theatrical propositions that entice people out of their homes, and can compete in this streaming age.

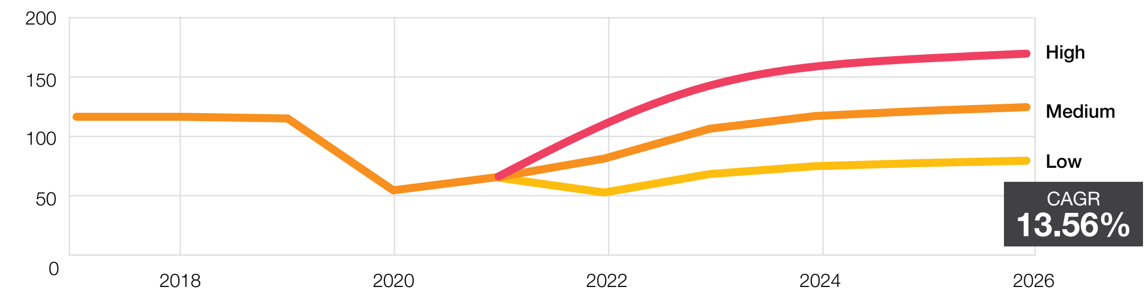
Total Filmed Entertainment Revenue (A$ millions)



Total Box Office Revenue (A$ millions)

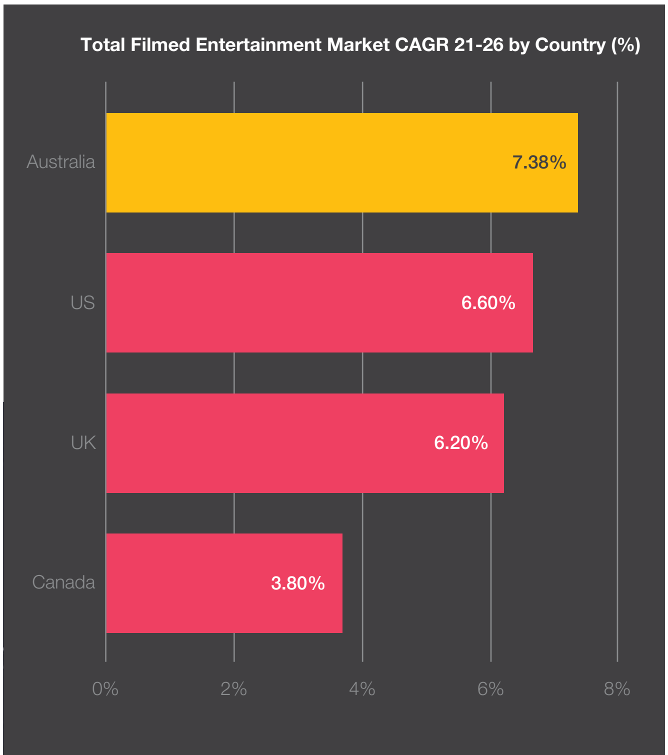


Total Cinema Advertising Spend (A$ millions)



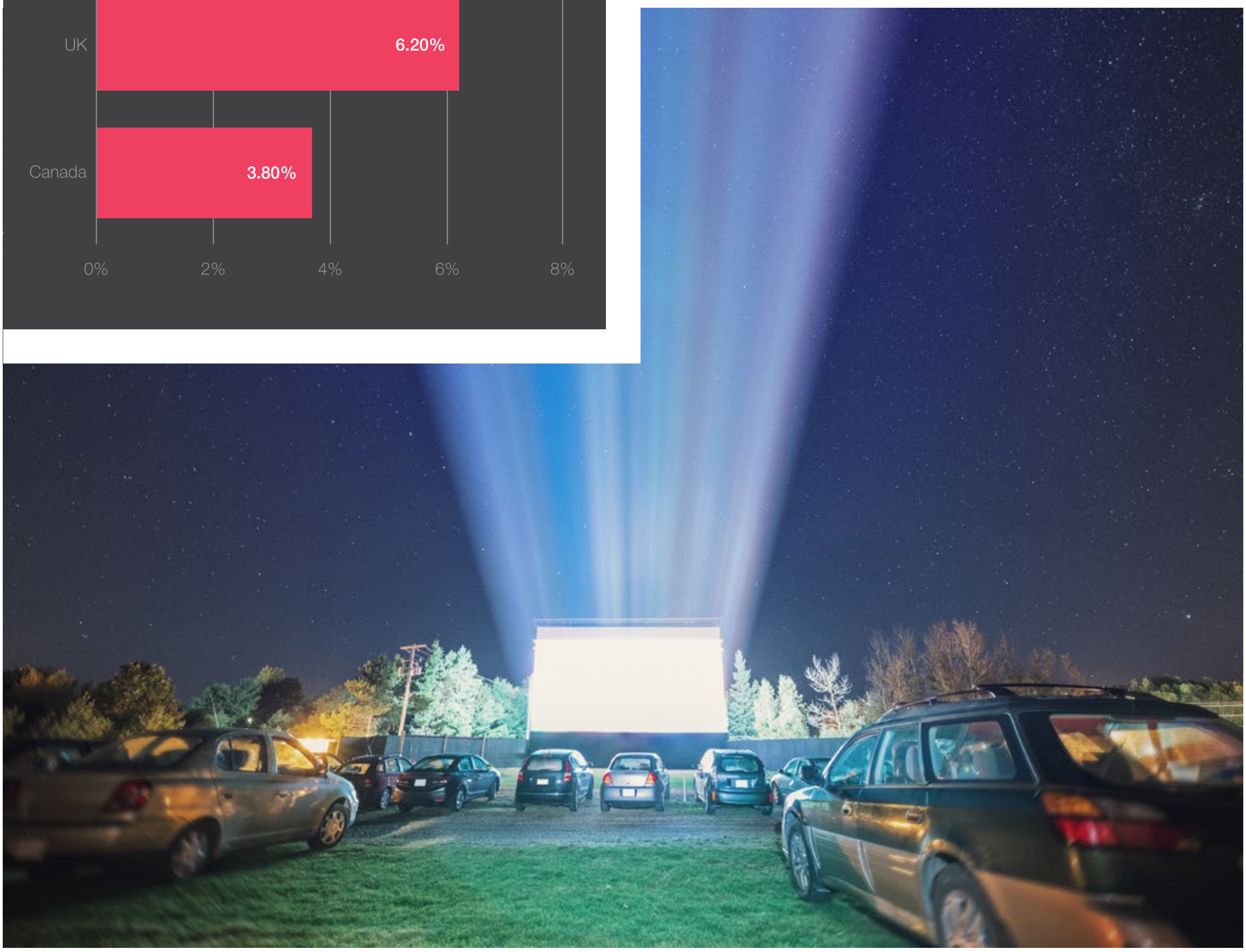
WITH A BACKLOG OF SUPPLY, THE SECTOR'S RECOVERY WAS SUPPORTED BY THE PROGRESSIVE ROLLOUT OF NEW RELEASES, AND THE INNATE ABILITY OF CINEMA TO TAP INTO CONSUMERS' SENSE OF NOSTALGIA

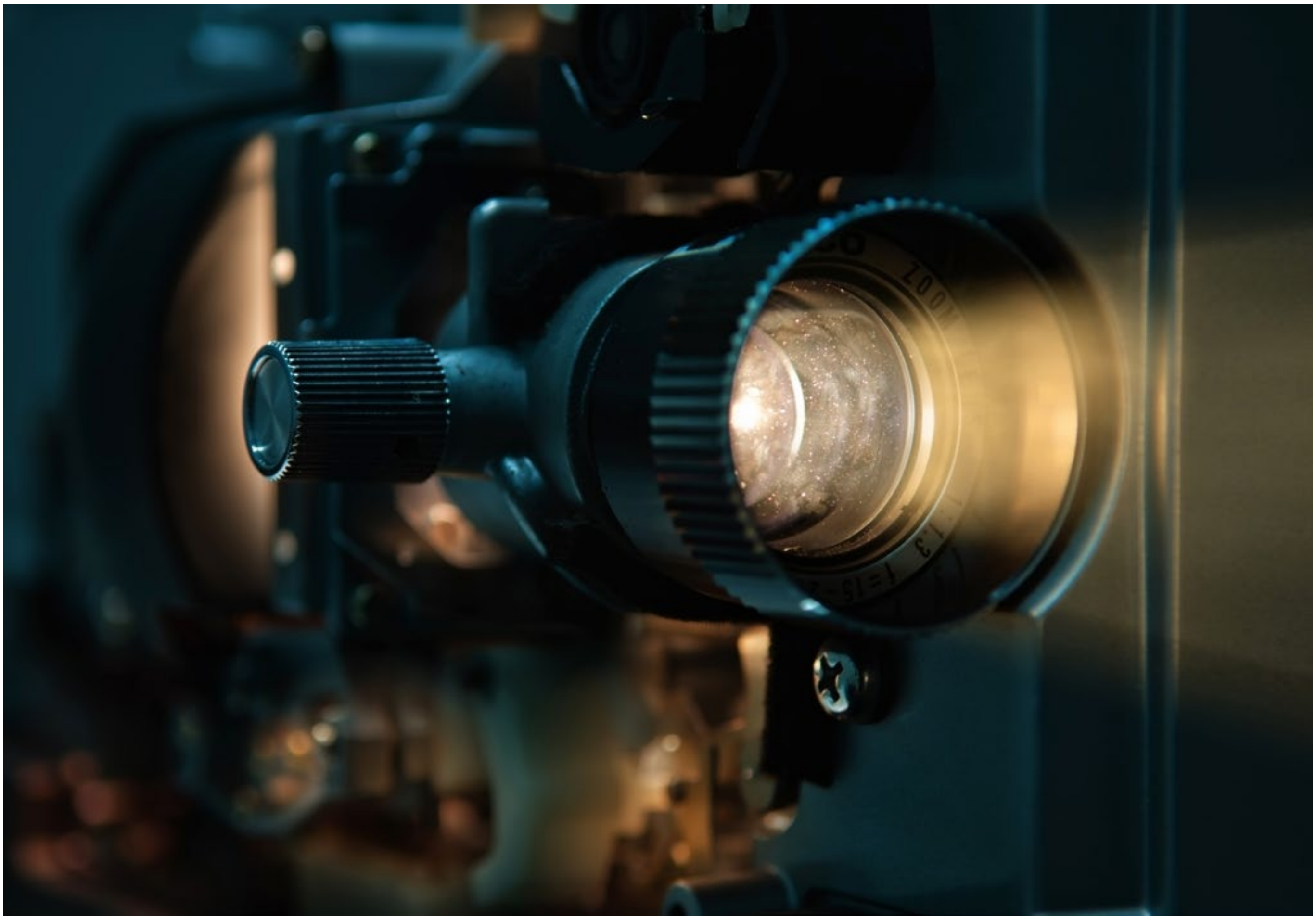
After slumping in 2020, the past year saw the industry start to climb back, growing 8.7 percent on the previous year. Though box office revenue took the sharpest dive in 2020, falling 67.3 percent year-on-year, it grew 50 percent in 2021 to A$605 million, and it's tipped to reach A$1.22 billion by 2023 — a return to pre-pandemic levels. This optimism in the industry is shared by all major markets, with forecasted 2021-2026 compound annual growth rates for Australia, the US, and UK all exceeding six percent.



Theatres are seeing supply continue to build, with both studios and distributors working through the pandemic-induced backlog, and audiences are finally getting to experience an array of heavily anticipated titles such as *No Time to Die, Dune* and *Top Gun: Maverick*. The wait did not disappoint, with *No Time to Die* coming in second in the 2021 Australian box office with A$34.3 million, following *Spiderman: No Way Home* which amassed A$55.27 million over the year. Australian film *Peter Rabbit 2* brought in A$21.96 million, pipping the Screen Australia-supported film, *The Dry,* on A$20.12 million.[28] In 2022, *Top Gun: Maverick* has pulled in A$59.5 million in four weeks (as at 23 June 2022), leading the 2022 Australian box office by A$20 million.[29]

Cinemagoers have, initially at least, returned to theatres, with exhibitors citing up to 90 percent of frequent moviegoers have been back, albeit on a less frequent basis. In making this return, exhibitors have noted relative increases in food and beverage spend per head, even rising above pre-pandemic levels with consumers seemingly excited by the chance to leave their living rooms and treat themselves to the nostalgic things they used to, including movie popcorn and choc tops on a night out. However, engaging lower-frequency consumers and older audiences continues to remain a challenge for exhibitors, though the increased diversity of the 2022 movie slate may change this.





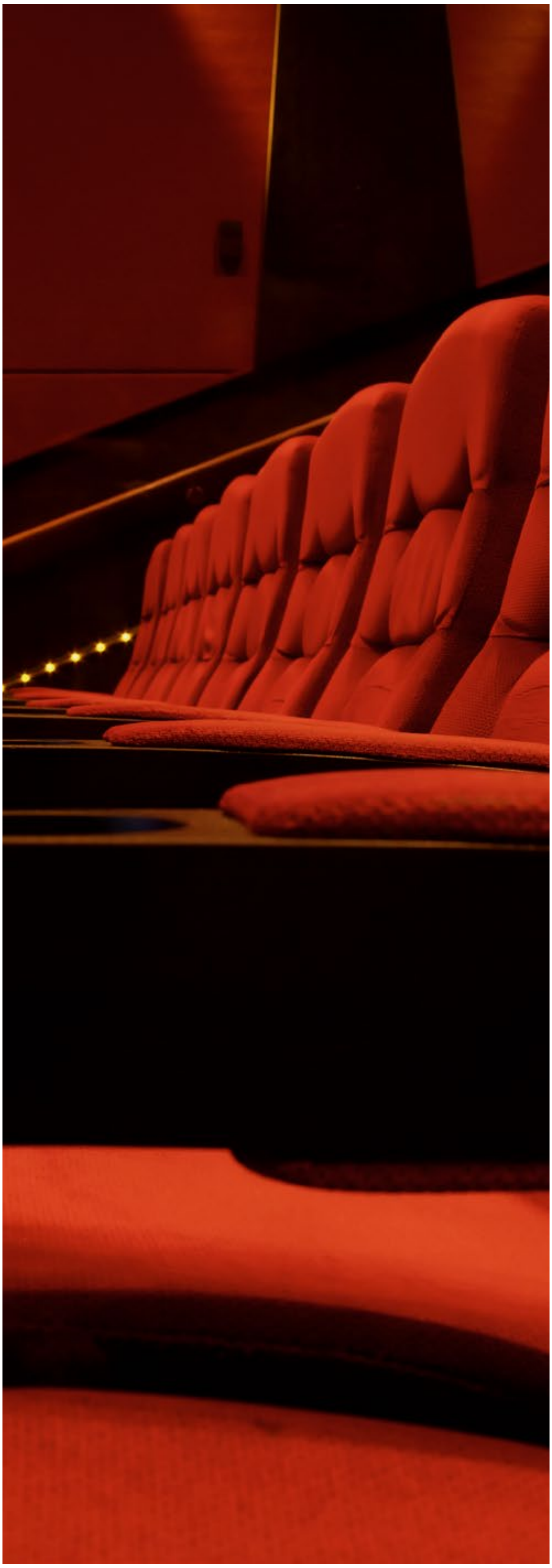
THEATRES AND STREAMING PLATFORMS: RIVALS OR PARTNERS?

During the heights of the pandemic, the approach to film releases was turned on its head. A number of studios that had straight-to-consumer offerings were able to pivot their planned theatrical releases to these platforms, and this approach has lasted as late as March 2022, with Pixar's *Turning Red* being released direct to Disney+ despite the picture's expected widespread appeal.

For films that did make it to the silver screen, many did so with shortened release windows before moving to streaming services. Despite gaining global recognition via award wins in early-2022 — including the Academy Award for Best Picture — Apple's *CODA* received only a limited box office release in mid-2021. With a same day release on *Apple TV+*, the award-winning film only managed to pull in US$1.6 million from the box office.[30] Whilst the straight-to-streaming model provided new content to consumers at a time when many were confined to their homes, in emerging from the pandemic, uncertainty remains about whether traditional theatrical release windows will return in the new world.

Industry leaders have contended that those studios with straight-to-consumer offerings understand that keeping a theatrical release window is imperative, with the revenue source likely too great to forgo.[31] Theatrical release window length is expected to fluctuate for the foreseeable future as some exhibitors opt for longer windows to maximise potential gains, particularly in the case of blockbusters, while others will shrink to 45 day windows to quickly transition to streaming platforms. This was the case with 2022's *The Batman* moving to US streaming service *HBO Max* after approximately 44 days, despite it still playing in theatres.[32] Conversely, 2021's *Spider-Man: No Way Home* and 2022's *Doctor Strange in the Multiverse of Madness* both extended their planned theatrical release windows. With more blockbusters to come — including *Avatar: The Way of Water*, the sequel to the highest grossing film of all time — it is expected that release windows will remain fluid for the foreseeable future.

The accessibility and widespread distribution power of streaming platforms remains a legitimate challenge for theatres, with industry leaders feeling strongly that unless a film has a theatrical proposition it will struggle to get people out of their homes. Though consumers may choose to watch a film, answering the '*why do I need to see this in the cinema?'* question will be fundamental for studios and distributors alike.



THE 'PREMIUMISATION' OF THE CINEMA EXPERIENCE

With the world of movies available from our living rooms, consumers are demanding more from out-of-home activities, wanting both the content and experience quality to be worth their while. Coming out of the 2021 lockdowns, exhibitors have seen a greater uptake of more premium in-cinema experiences, such as *HOYTS LUX* or *Event Cinemas' Gold Class*. Perhaps initially driven by the desire for social distancing, cinemas continue to see consumers choosing these experiences, with many inclined to 'treat' themselves.

This desire for rich experiences extends beyond the physical to the sensory. With 'at home' consumer audiovisual technology reaching new heights, consumers are expecting more from their out-of-home experiences. Exhibitors are responding, with industry players committing further investment in audiovisual infrastructure to ensure a differentiated viewing experience. Hoyts in particular is reported to have spent A$250-300 million in the last eight years on capital improvement, readying themselves for the 'streaming era'.[33] Technologies including Samsung Onyx and DOLBY ATMOS have been embraced by some cinemas, offering far more advanced visuals and sound than anything consumers could experience at home, with exhibitors using these experiences to set themselves apart.

Capital improvements and audiovisual technology aside, exhibitors continue to focus on ways to reinvigorate and enhance the cinemagoing value proposition for consumers, and heighten the sense of occasion in a cinema visit. Whilst exploring alternative content is not new for cinemas, exhibitors continue to experiment with hybrid experiences, mixing film with live music, trivia, or karaoke, and live screening concerts. *BTS' 'Permission to Dance on Stage'* beamed direct from Seoul, Korea in early 2022 and achieved box office success, with bands such as *Twenty One Pilots* also releasing 'one night only' cinema experiences this year.[34]

The summer of 2021 saw Sydneysiders getting to experience *Wonderdome*, an immersive cinematic 'pop up', which showcased films in a 360-degree dome[35] that felt more planetarium than it did theatre. While in the US, the *Sundance Film Festival* has held a 'metaverse' version of the event for the past two years, where attendees could 'sit' in a virtual 'cinema', and enjoy the screened films. Reportedly, this felt incredibly similar to an in-person experience, so much so, attendees could see heads bobbing and hear people talking.[36]

Though cinemas largely play in the physical space, the industry remains vigilant of the digital world, and how they can continue to provide the unique, sensory, and premium cinematic experiences to differentiate themselves and give reason to consumers to continue visiting in person.

Read

2022 2026

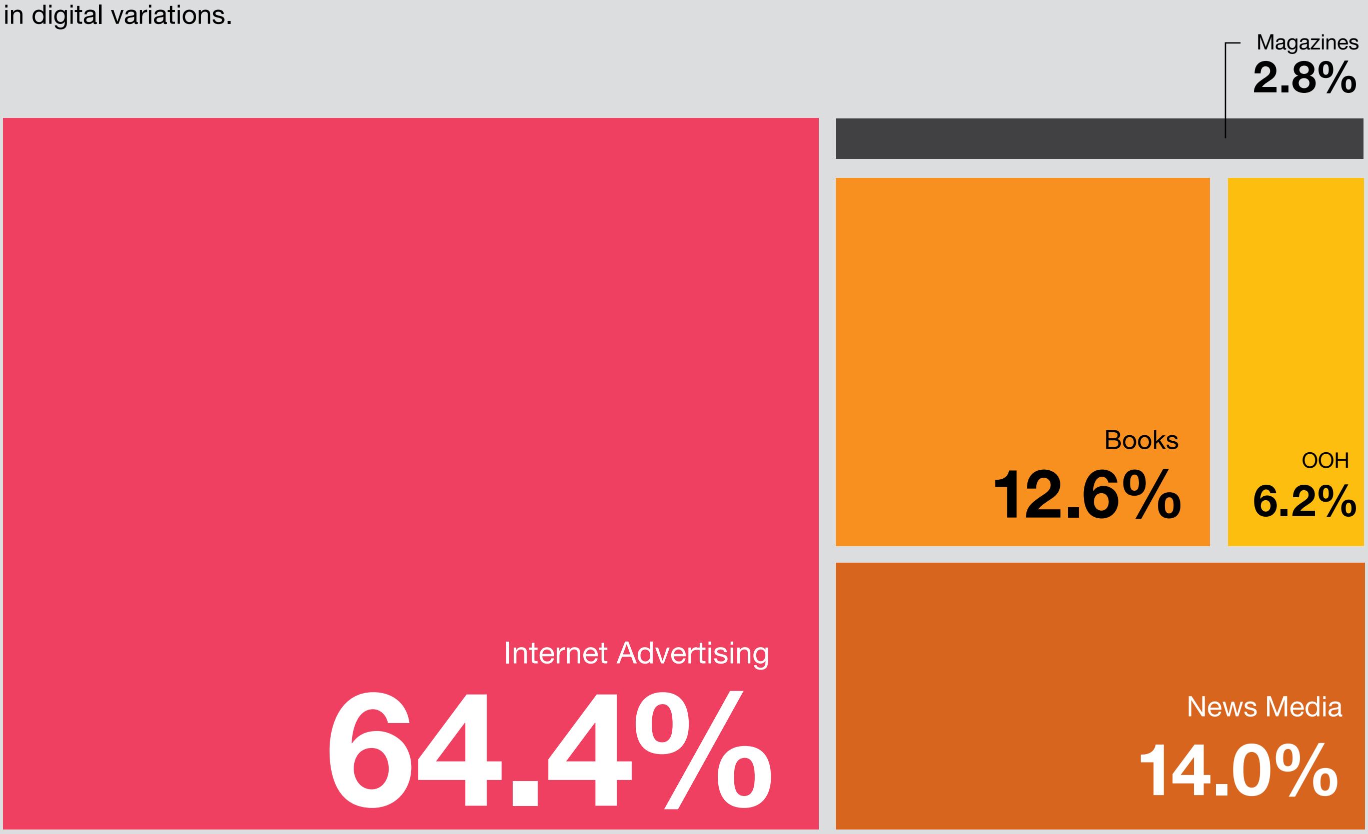
Introduction

Read segments continue to push the boundaries of their channels, as new technologies and consumer distribution approaches blur the lines between medium, channel and content. Traditional segments such as Books, Newspapers and Magazines continue to diversify how their content is distributed and packaged to attract new audiences. Out of Home continues to drive significant revenue growth from their digital placements, with increasing innovations into creative technologies building their inventory and revenues in more dynamic formats for advertisers.

Internet-based advertising channels accelerated further in 2021, taking a greater share of total advertising revenues and, though further growth will be delivered via e-commerce and shoppable formats, concerns over privacy and changes to audience targeting and measurement capabilities will need to be addressed.

Changes to traditional consumption of print material will maintain the shift to digital publications across Newspapers, Consumer Books and Magazines. Publisher innovation will provide a driving force in shaping the Read category, with connection to cultural movements and digital innovation keeping traditional readership publications moving forward.

Traditional Segments within the Read category are likely to experience flat to moderate growth or declines within the forecast period, as declines in print-based revenue are offset by growth in digital variations.



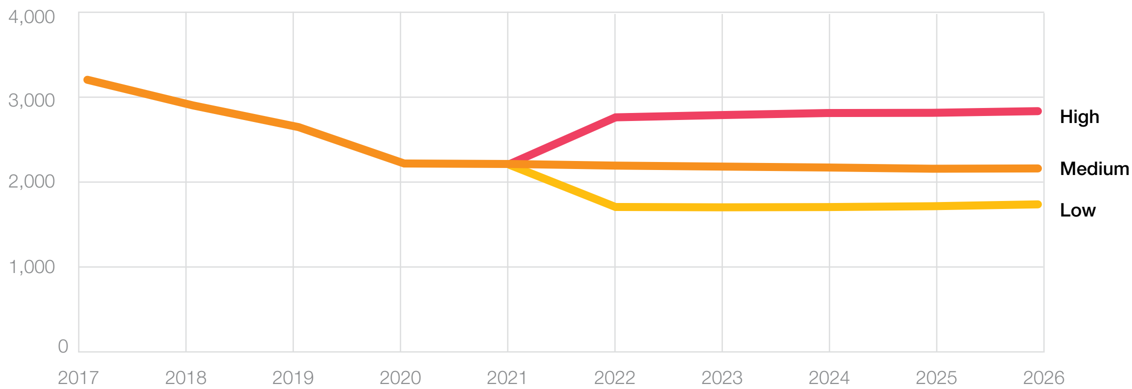
News Media

A balancing of traditional and digital revenue sources is seeing digital growth supplement declines in other areas.

Revenues across subscription, advertising and circulation are forecast to see a balancing of declines in print, with growth in digital sources of revenue causing a level revenue forecast for the segment of A$2.22 billion in 2021, declining at a CAGR of -0.47 percent to A$2.17 billion based on the mid point forecast scenario.

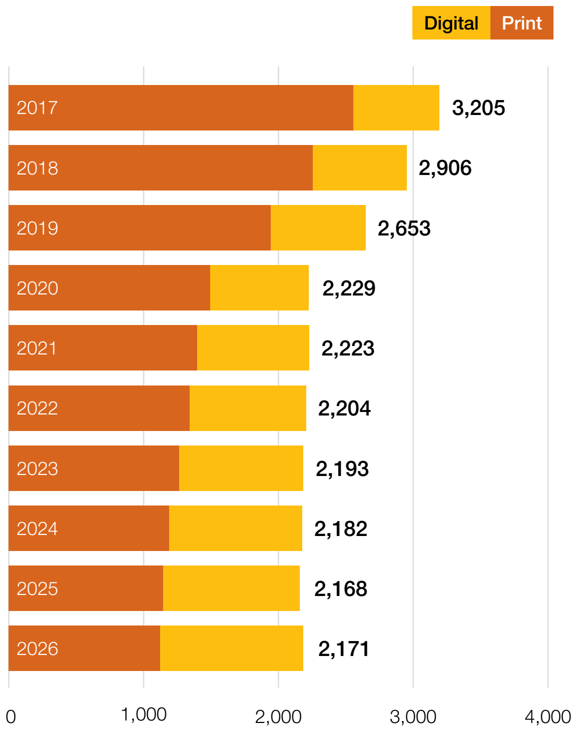
This is seen in printed circulation revenue dropping -3.7 percent in the forecast period to A$582 million, and print advertising revenue dropping by -6.0 percent to A$518 million, whilst digital advertising revenue is expected to grow by 2.7 percent to A$458 million and digital subscriptions to grow 8.2 percent to A$613 million based on the midpoint forecast scenario.

Total News Media Market ($A millions)



Though revenues are not all reported in this segment, News Media companies in Australia have broadened their digital advertising product offerings in recent years. Now offering advertisers an array of advertising products and services including affiliate-type product comparison content, audio and video content, and off-network audience targeting. Digital banner advertising revenue on News Media sites saw a strong post-pandemic bounce in 2021, returning 13.6 percent to reach pre-pandemic levels of A$401 million. Moderate growth is expected at a CAGR of 2.7 percent based on the mid point forecast.

Digital versus Print Revenue (A$ millions)



THE INTRODUCTION OF THE NEWS MEDIA BARGAINING CODE HAS SEEN A WORLD FIRST IMPLEMENTATION OF PUBLISHING LEGISLATION

In early 2021 Australian regulators, in a global first-of-its-kind, introduced policy requiring technology giants, Google and Facebook to enter into negotiations for commercial agreements with publishers for the use of Australian content on their platforms.

This 'News Media Bargaining Code' sought to provide publishers with recompense for revenue perceived to be lost to the technology platforms, leaving each publisher open to negotiate directly with each platform. This move has since been reviewed and replicated in markets including the US, Canada and New Zealand. Across 2021 publishers large and small, with the latter often in the form of group bargaining, announced deals with both Google and Facebook, though the specific terms have remained private. The ACCC has since announced a further review of the 'News Media Bargaining Code' with a report due for release in September 2022.

RESURGENCE IN REGIONAL AND LUXURY TITLES

One of those to use collective bargaining was Country Press Australia, which negotiated a deal for 70 of its local members to join Google's News Showcase and more recently has struck a new deal with Facebook for a number of members.

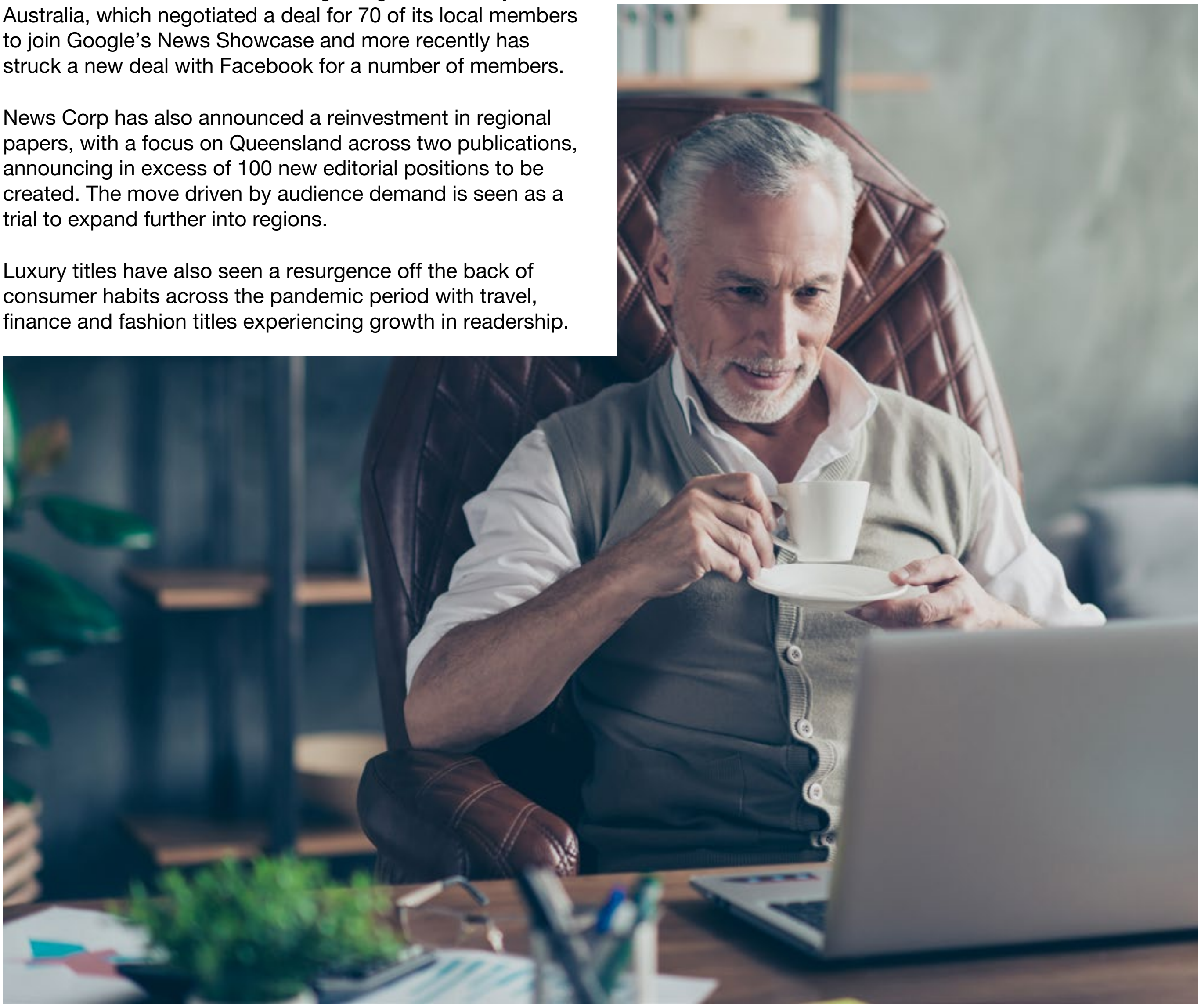
News Corp has also announced a reinvestment in regional papers, with a focus on Queensland across two publications, announcing in excess of 100 new editorial positions to be created. The move driven by audience demand is seen as a trial to expand further into regions.

Luxury titles have also seen a resurgence off the back of consumer habits across the pandemic period with travel, finance and fashion titles experiencing growth in readership.

IN CONTRAST TO GLOBAL MARKETS, AUSTRALIA'S SUBSCRIPTION REVENUE IS INCREASING, DRIVING AN OPPORTUNITY FOR PUBLISHERS TO DELIVER MORE TAILORED CONTENT ACROSS TITLES AND PLATFORMS

Research conducted by N&MRC found 18 percent of Australians are paying for News Media content compared to the 17 percent global average, with Australia one of few markets to see growth this year. This revenue growth is predicted to compensate for forecast declines in print revenue with digital news media subscription revenue in Australia forecasted to grow at an 8.2 percent CAGR, reaching A$613 million in 2026 based on the mid point forecast scenario.

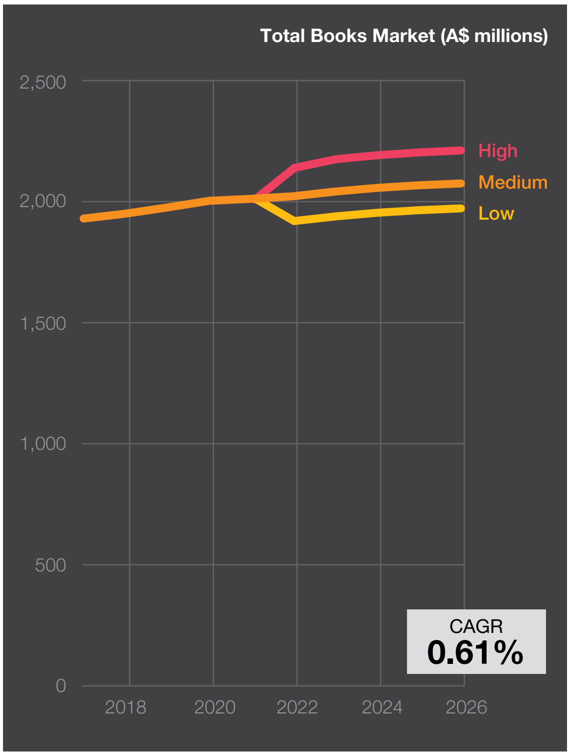
Publishers are capitalising on the influx of subscribers and developing personalised offerings across titles and platforms allowing readers to be served relevant content as well as providing advertisers with targeted placements.



Books

Printed books aim to preserve the pandemic upswing, with the sector's biggest challenge being to retain rediscovered readers.

The desire to escape the boredom of lockdowns saw a rediscovery of books during the pandemic, after largely stagnant historical growth rates. As the globe has begun to emerge from lockdowns and people have started to return to their daily routines, equally, there has been a downturn of print book sale growth, attributed to the reduction of spare time. Retaining rediscovered readers is the biggest challenge the sector is currently facing, with year-on-year revenue growth of printed books expected to decline to 0.51 percent in 2022 from the 1.63 percent 2020 peak. Australia's deceleration of book sale revenue growth is consistent with the forecast trend in other English-speaking nations. The sector is turning to the likes of new occasions for audiobook listenership and new go-to-market strategies.



TIKTOK IS A KEY DRIVING FORCE BEHIND NEW AUDIENCES AND A REVITALISATION OF TITLES

TikTok has lit-up the industry by attracting young readers and reviving old novels. The *#booktok* hashtag initially began to grow in 2020, and has since become a thriving virtual book club with over 43 billion views.[37]

TikTok has inspired a new generation of Gen-Z readers, a generation that many feared to be captivated by screens, video games and social media. Young readers are turning to influencers on TikTok for book recommendations, the platform acting as a consumer-led, real-time, personalised best-sellers list.

#Booktok has also catalysed the resurgence of old novels such as *'They Both Die at the End'* (published in 2017) by Adam Silver and *'It Ends with Us'* (published in 2016) by Colleen Hoover. Authors have noted experiencing sudden and significant spikes in book sales, despite being published years earlier. According to Publishers Weekly, Colleen Hoover's book sold about 21,000 copies in the first month of release, however sales flattened once the initial hype died down. The novel was rebirthed by *#booktok* in 2021, with sales peaking at over 29,000 copies a week in August 2021.[38]

SOCIAL MEDIA PLATFORMS ARE POSITIONING AUTHORS AND CONSUMERS FRONT AND CENTRE OF FUTURE GO TO MARKET STRATEGIES FOR TITLES

Author discovery has traditionally been driven by publisher-led research into cultural and market trends, and titles were launched through traditional book launches. Authors and consumers are now more connected to social media platforms than ever before; everything from author discovery to title launches is being driven directly by authors and their fanbases.

The previously mentioned *#booktok* culture is an example of this shifting author behaviour, as consumers are now able to access personal interaction with their favourite authors. TikTok has also become a platform for publishers to mine talent. Influencers such as Astro Kirstin (an astrophysicist with over 342k followers) have been offered book deals off the back of their success on the platform.

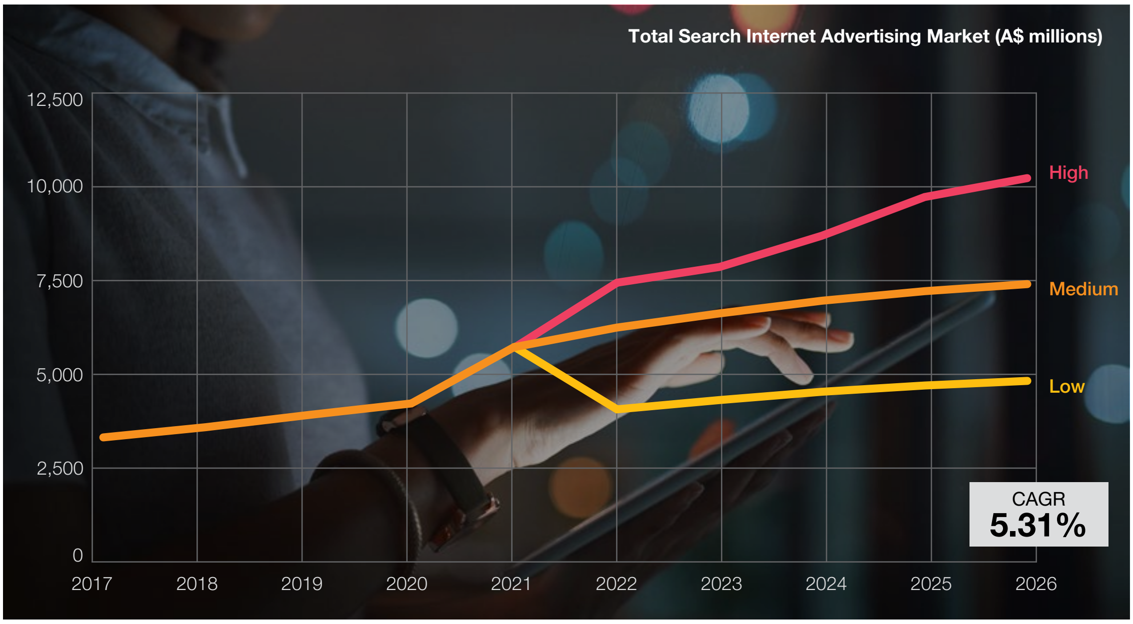
Internet Advertising

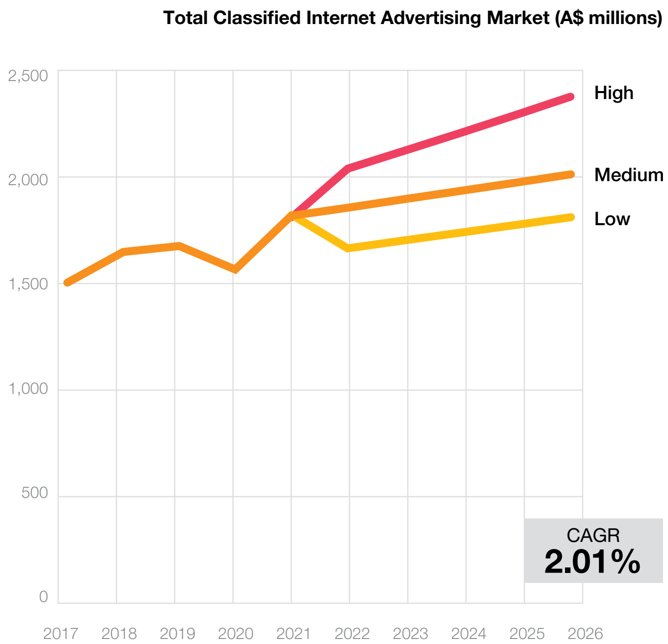
Search, Classifieds and Display all accelerated in 2021 at 35.7, 15.7 and 57 percent respectively. It is expected that these segments will combine for a 4.8 percent CAGR to 2026 based on the midpoint forecast.

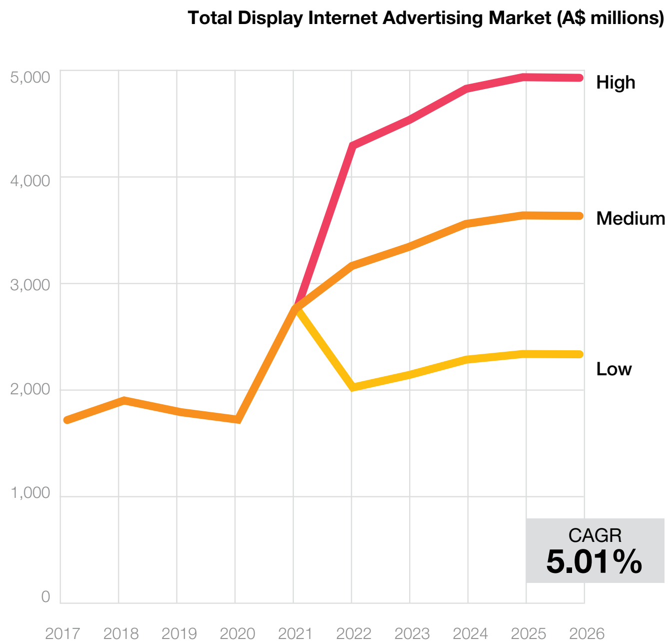
The global Internet advertising market experienced significant growth in 2021, and Australia was no exception. As online media continues to grow its share of total advertising revenue, Australian Internet advertising revenue is forecasted to grow by a further 11.4 percent in 2022, underpinned by digital-based media, providing advertisers with short term, and immediacy of direct responses. Sustained growth is driven largely by businesses' investment in digital transformation, and fast growth in e-commerce and commerce-led channels. Marketers continue to invest revenue in Internet channels, due to its ability to return short term value for brands and provide measurement capabilities other industries are developing.

GROWTH OF SEARCH HAS BEEN DRIVEN BY THE E-COMMERCE SECTOR, WITH BRANDS ALIGNING THEIR STRATEGIES TO DIGITAL TECHNOLOGIES TO DRIVE GROWTH AND RESILIENCE

New contexts are emerging and becoming more important in the search ads market, the most notable being e-commerce search. The pandemic accelerated the uptake of e-commerce among consumers, leading to growth in Search revenues of 35.7 percent reaching A$5.70 billion in 2021. This growth has not been limited to Google but is increasingly being delivered by retailer owned sites, including Amazon. Further growth of 9.2 percent is forecasted in 2022, as short-term shifts towards e-commerce. In particular mobile e-commerce during the height of the pandemic has become permanent for many consumers, and this continues to shift more advertising budgets further down the marketing funnel. As Amazon's footprint in Australia continues to grow, alongside greater focus from Australian retailers to commercialise their online media assets, so too will advertising in sponsored listings in a diversified group of search engine results pages. The mid point forecast scenario will see Search reach A$7.38 billion in Australia by 2026, at a 5.3 percent CAGR.



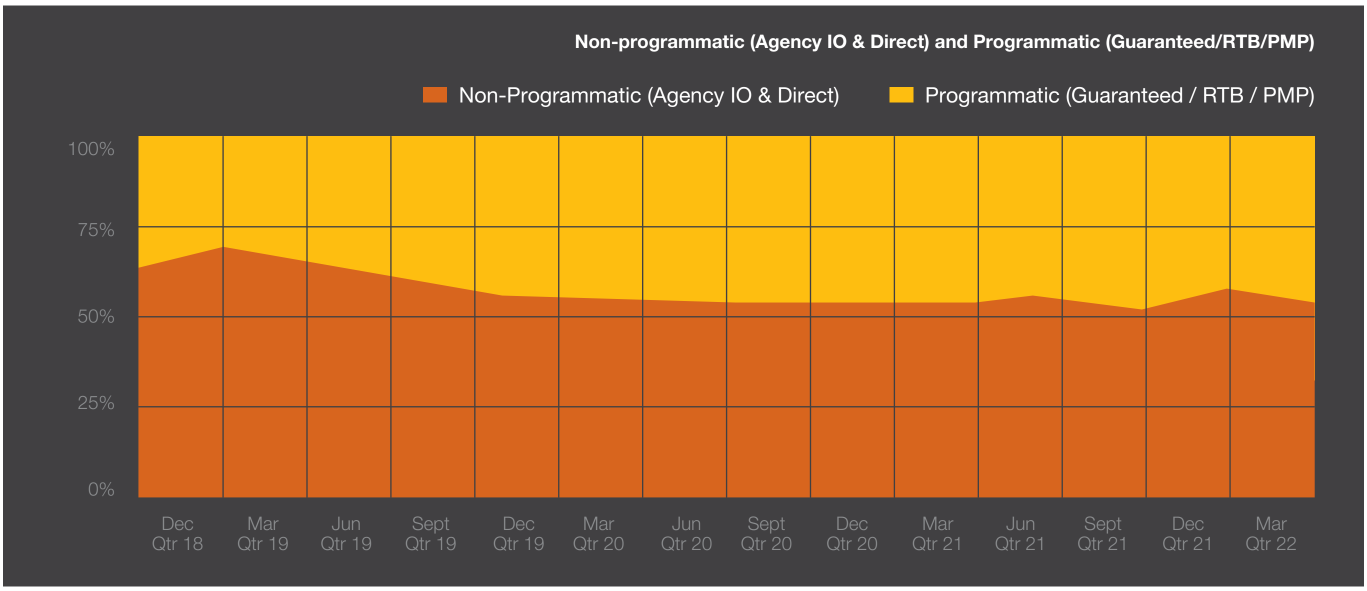




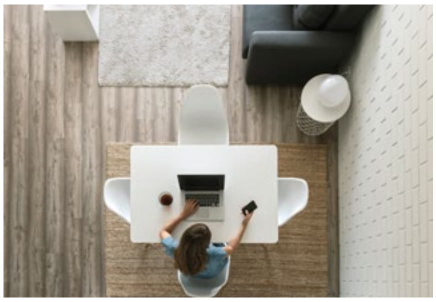
MAKING A COMEBACK TO POSITIVE GROWTH, CLASSIFIED ADVERTISING GREW BY 15.67 PERCENT IN 2021 WITH A STABLE CAGR OF 2.01 PERCENT EXPECTED OVER THE FORECAST PERIOD

Classified advertising has rebounded following a decline in 2020 due to pressures associated with the pandemic, to post growth of 15.7 percent in 2021. This came following a spike in the housing, home renovations and used car market which saw a surge in demand to align to the bounce in consumer sentiment and general spending. Meanwhile, job listings have also grown substantially, as companies look to rebuild their teams to accommodate post pandemic pressures. As companies, employers and individuals continue to emerge from the pandemic, online Classified revenue is expected to expand moderately at a 2 percent CAGR between 2021 and 2026 based on the midpoint forecast to reach A$1.99 billion.

Banner and in-feed display experienced a strong return in 2021 with 57 percent growth on 2020 numbers, with an increase of 14.2 percent forecasted for 2022. This growth is expected to continue to 2026 with a CAGR of 5.5 percent. The trading of display placements via programmatic technology remains key in the segment, though previous growth in share for this buying method has flattened, suggesting the market has found its level between pre-agreed inventory buying and real-time trading.



Source: IAB Australia Online Advertising Expenditure Report (OAER) March 2022 -
General display advertising for content publishers' inventory comparing buying methodologies



PRIVACY CHANGES ARE HAVING A PROFOUND IMPACT ON THE WAY MARKETERS ARE ABLE TO REACH THEIR AUDIENCES AND TRACK THEIR ROI. SHIFTS WITHIN THE SECTOR ARE BEGINNING TO APPEAR AS THE INDUSTRY BEGINS TO TRANSITION TO A POST COOKIE WORLD

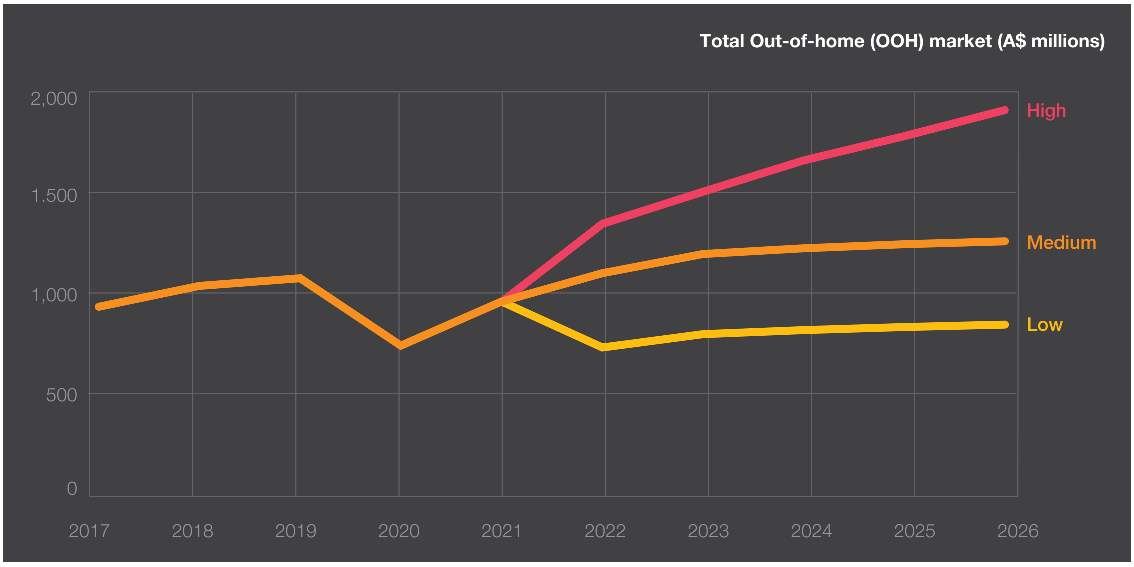
Customers' increased expectations for privacy is driving rapid change in digital advertising, particularly in regards to how companies collect, use and disclose personal information. Following the announcements in 2021 outlining the impending regulatory changes to be introduced to improve consumer data, industry bodies have been starting to communicate their plans to shift the Internet advertising sector into a post-cookie environment, towards a first party data centric focus. At the forefront of these conversations are the likes of Google and Yahoo, who are looking to set a precedent in the industry and for their clients, to ensure a smooth transition once the regulation is enforced. In 2021, Apple introduced iOS 14, allowing customers to opt out of tracking and content targeting, while also requiring apps to request a users permission before collecting their data. While this presents a challenge for publishers to find a solution, equally it poses a challenge to marketers, who will be compelled to redesign their marketing effectiveness strategies to align to the new data regulations, while also being able to adhere to strict internal ROI reporting metrics within their organisations. The extent of what will happen when the power of data is handed back to the consumer is yet to be seen, however to reduce the impact on the market, publishers need to act fast to implement strategies adhering to the new changes before time runs out and marketers turn to other sectors for their revenue spend.

AUSTRALIAN REGULATORS TAKING WIDE RANGING REVIEW

The Internet advertising market continues to be dominated by global digital giants Google and Meta, which has drawn increasing regulatory scrutiny across global markets as Governments question the power of big tech companies and protect revenues of independent publishers across the open Internet. Indeed, Internet advertising's growth has changed the competitive landscape in the Media Ad sector, with regulation largely struggling to keep pace with big tech's increasing dominance. There are, however, signs of a change in this dynamic. The ACCC's Digital Platforms inquiry has sought to review various parts of the digital ecosystem and the competition dynamics therein. Across 2021 and early 2022 the ACCC has released reports covering app marketplaces, consumer choice in search services and web browsers, digital advertising services supplied by digital platform service providers and the data practices of both digital platform service providers and data brokers.[39]

Out-of-Home

The sector continues to return to growth as the nature of consumer mobility returns to pre-pandemic habits, increasing demands for pedestrian placements while measurement developments encourage advertisers to explore new ways to engage audiences.



The Out-of-Home (OOH) sector has seen steady recovery, reaching A$981 million in 2021, a recovery of 27.9 percent and expected to pass pre-pandemic levels in 2022. The industry is expected to grow in the forecast period by 5.3 percent CAGR, based on a mid-point forecast. This is in line with Western Europe and North American markets which expects 5.2 percent and 5.3 percent CAGRs, respectively.

DOOH continues as one of the fastest growing advertising sectors, experiencing a 21.5 percent year-on-year growth rate and expected to grow faster than its physical counterpart at a CAGR of 10.3 percent in the forecast period as operators continue to invest in digitisation of sites and advertisers increasingly take advantage of programmatic buying capabilities.

Given that advertisers' reliance on roadside placement subsided during the pandemic, the return to pre-pandemic mobility trends has given advertisers confidence to return to traditional pedestrian placements such as bus shelters and public transport.

Despite this return, some challenges with mobility remain, particularly in office environments as working from home habits continue to linger.

MEASUREMENT REMAINS A CORE AREA OF INNOVATION FOR THE SECTOR, WITH MOVE 1.5'S RELEASE DRIVING BETTER TRACKING FOR ADVERTISERS

With the Outdoor Media Association's (OMA) January 2022 release of Move 1.5, the industry has a new, more sophisticated standardised metric allowing advertisers to measure both quantitative and qualitative consumer interactions with campaigns. This data tracking has enabled better audience profiling and segmentation, and is seen as one of the driving factors in the increasing shift to digitisation and, to a lesser extent, programmatic advertising. Investment in data and the digital landscape continues to be an important trend for the sector, with the release of Move 2.0 reported to launch in mid-June 2024. This release is expected to build upon existing use cases of Move with greater accuracy, by measuring more formats, geographies and data variables.

ADVERTISERS ARE EXPLORING CREATIVE NEW WAYS TO ENGAGE AUDIENCES, DRIVEN BY DIGITISATION AND CONFIDENCE IN NEW PLACEMENTS

The increased digitisation and tracking abilities in conjunction with growing advertiser confidence in new placements, has brought an ever-important emphasis on creativity. Whether through the increased usage of QR codes, capitalising on real time data or experimenting with new creative technologies, this emphasis has driven an adoption of innovations in placements and advertisement interactivity. This was seen in Mecca's Christmas 2021 billboard ad which allowed pedestrians to purchase gift cards directly from the display, or CGU's use of anamorphic technology to bring to life their Tall Poppy campaign.

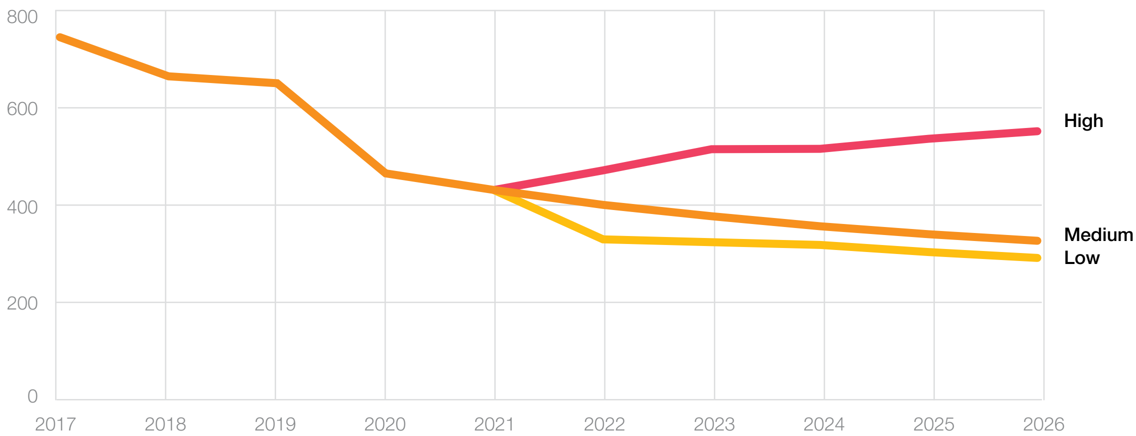
Magazines

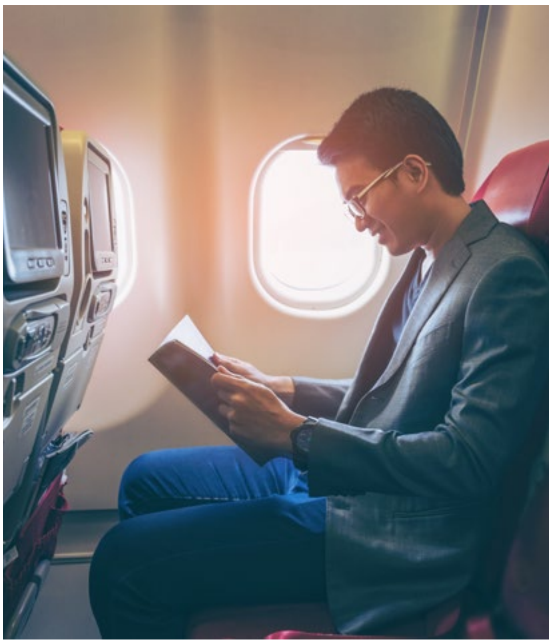
The Australian magazine industry, in its traditional form, continues to decline, experiencing a drop in overall revenue to A$448.33 million, a 7 percent decrease from last year. In the face of declines, the print magazine industry in Australia continues to evolve to adapt to an increasingly digital world.

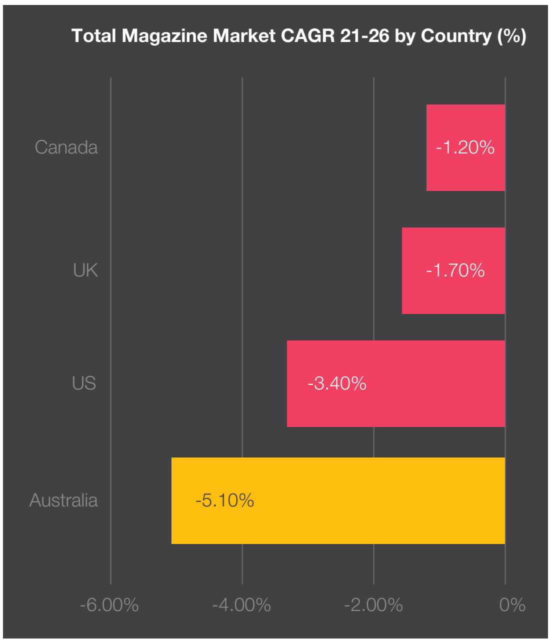
While both print advertising revenue and print circulation continue to shrink, digital mediums are showing a growth trajectory. Revenue from digital circulation and digital advertising is predicted to rise, with forecast 2021-2026 compound annual growth rates of 4 and 3.8 percent respectively, based on the midpoint forecast. Australia is predicted to lead the way in digital revenue growth compared to other English-speaking nations.

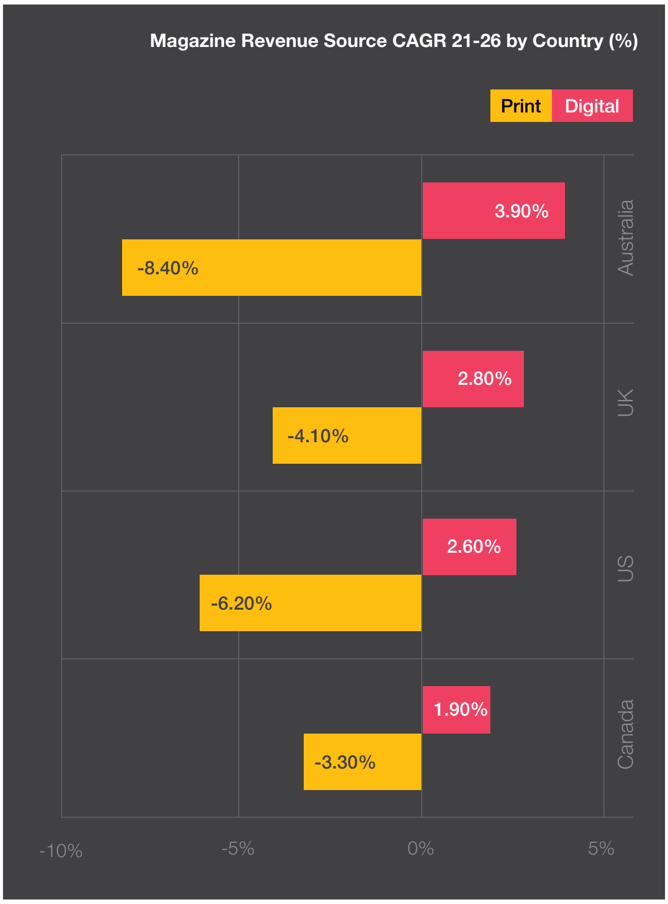
Though overall revenue for the sector is forecast to decline by 6.7 percent in 2022, publishers are becoming increasingly innovative to adapt to changing consumer preferences.

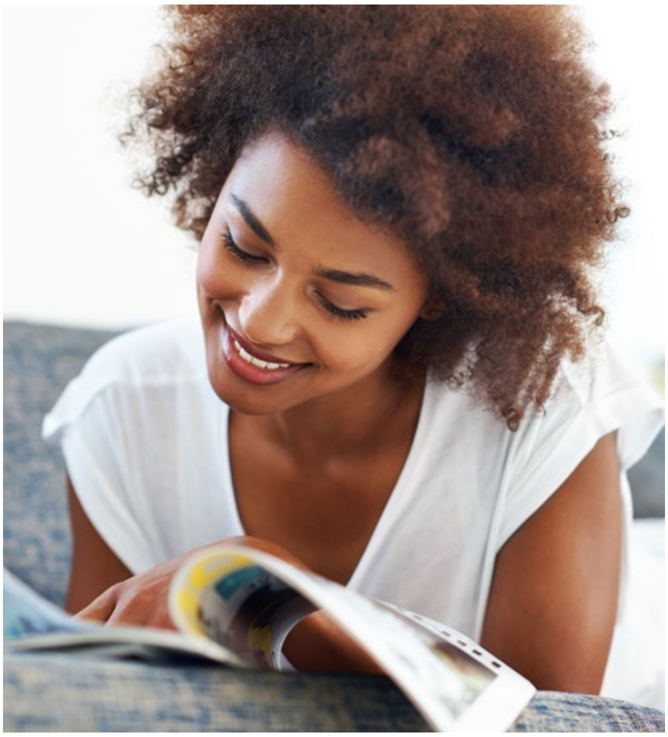
Total Magazines Market (A$ millions)











DIGITAL TRANSFORMATION IS REDEFINING THE MODEL INTO "MULTI-CHANNEL CONTENT"

With digital mediums now representing the majority of readership across all major magazine titles,[40] industry focus has pivoted towards digital offerings as part of their longer-term strategy.

InStyle Australia magazine is one example of this shifting model, after it was revived in early 2022 under a purely digital model.[41] Transitioning away from print circulation and subscription revenue as an income source, the publication pivoted to an entirely online ad revenue-supported approach with live events and branded content, and the incorporation of paywall provisions should they wish to pursue this in the future. Whether it's ad-supported, subscription based, or a mixture of both, the ability to more quickly deliver content and syndicate it through social media (among other benefits), may make the digital-only model appear a viable option for many players moving forward.

However, despite the forecasted continual decline, the printing presses aren't stopping any time soon. According to stakeholders in the sector, the key to the survival of print magazines is in the quality of experience it can provide. *Rolling Stone Australia* magazine, for example, views print magazines not as a key source of revenue generation, but rather a tangible, sensory aspect of their larger media brand portfolio. Moving forward, it appears that print magazines have the opportunity to become a premium product within a suite of content, where high quality production offerings will continue to be a sought after commodity and purchased by consumers eager to enjoy a heightened sensory experience.

THE ROLE OF THE TRADITIONAL MAGAZINE PUBLISHER IS EVOLVING, DIVERSIFYING THEIR OFFERING

Are Media, who, in early 2022 announced the acquisition of e-commerce platform, *Hard-to-Find*,[42] continue to explore adjacencies to their magazine brand, establishing a platform which enables consumers to purchase exclusive products that have been curated and recommended by editors through scanning product specific QR codes from within their physical magazines. This new innovation is providing Are Media with new insights on buying behaviours in addition to a new revenue stream.

Rolling Stone Australia launched a non-fungible token (NFT) cover of their July 2021 issue, featuring Australian singer, Tones & I. Though this foray into the metaverse began as an experiment, the publication sees this as far from a gimmick. Instead, it's part of a longer-term play to create a deeper connection and sense of community amongst their audience.

Though revenue for traditional glossy magazines may be slowing, diversification and innovation have brought benefits to both consumers and publishers. Looking beyond traditional offerings, new opportunities exist for publishers to leverage digital mediums and create multi-channel content, providing new experiences for consumers to interact and engage with.

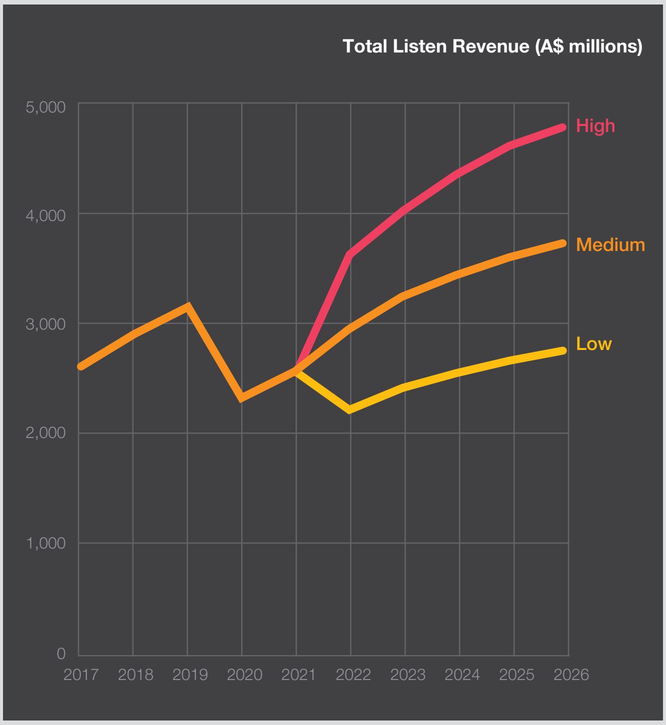
Listen

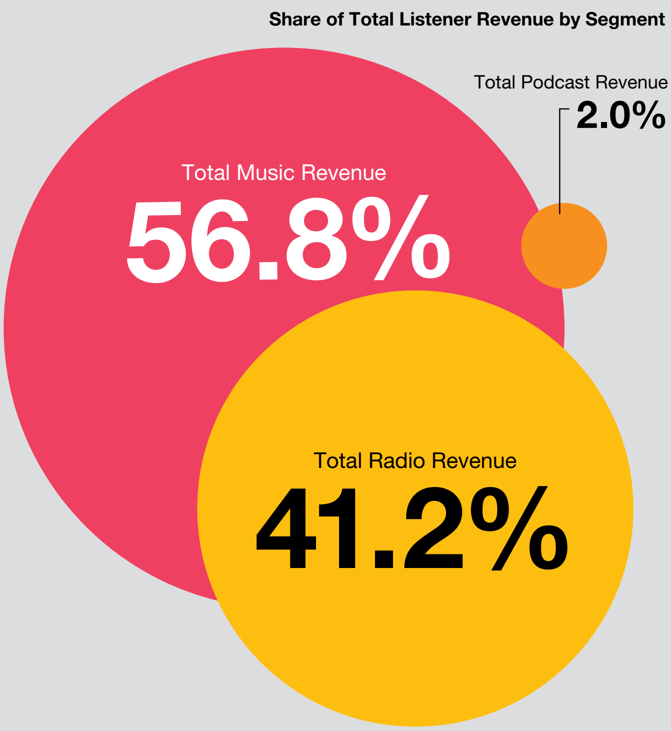
2022 2026

Introduction

The year 2021 proved that the listening behaviours adopted during the COVID-19 pandemic are cemented in Australian society. Despite some perceived uncertainty, consumers are continuing to habitually use online streaming platforms for music, radio, podcasts and audiobooks at high rates, supporting a year-on-year increase of total Listen revenue of 11.4 percent. The embrace of these technologies is not only supporting the recovery of Listen's sectors, it has formed the foundation for significant future growth with total Listen revenue forecast to reach A$3.7 billion by 2026.

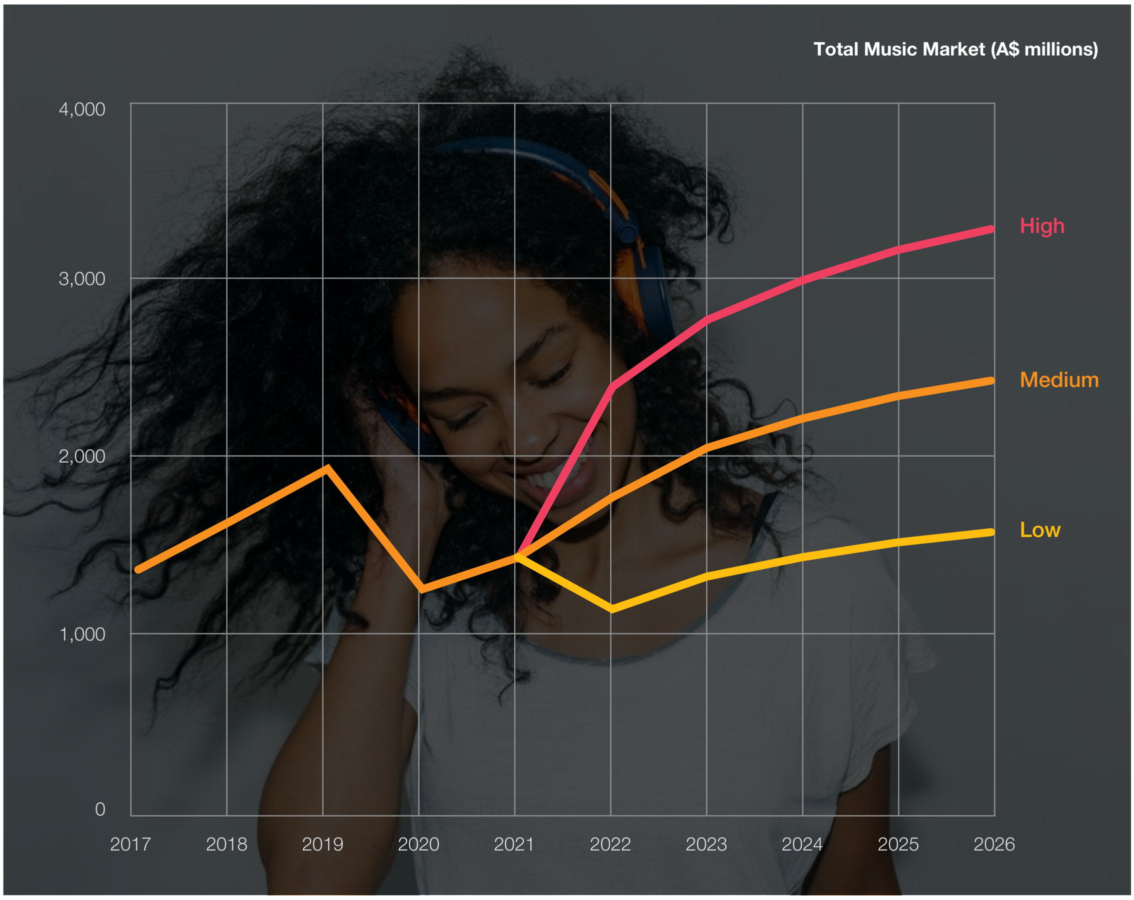
Australia's Live and Recorded Music sector is gradually recovering from the impacts of the COVID-19 pandemic, buoyed by the Digital Music Streaming sub-sector, with a return to pre-pandemic revenue levels expected in 2022. To thrive, the sector is embracing new, technology-driven mediums to grow listenership, launch artists and discover emerging talent. In the face of an increasingly competitive market, broadcast radio continues to successfully transform itself to maintain listeners' attention. 2021 was the year where what was traditionally referred to as 'radio' transitioned to 'audio', as digital streaming and podcasts drove revenue growth and listenership extension. Australia's Podcast sector continues to grow significantly, driven by ongoing expansion to the listener base and diverse content library. In turn, podcast advertising is now one of the fastest growing channels in audio media, spurred by recent innovations in advertising technology. Audiobooks are also seeing strong growth as authors and publishers find new ways to engage their audiences, including choose-your-own-adventure stories and shared family listening experiences.





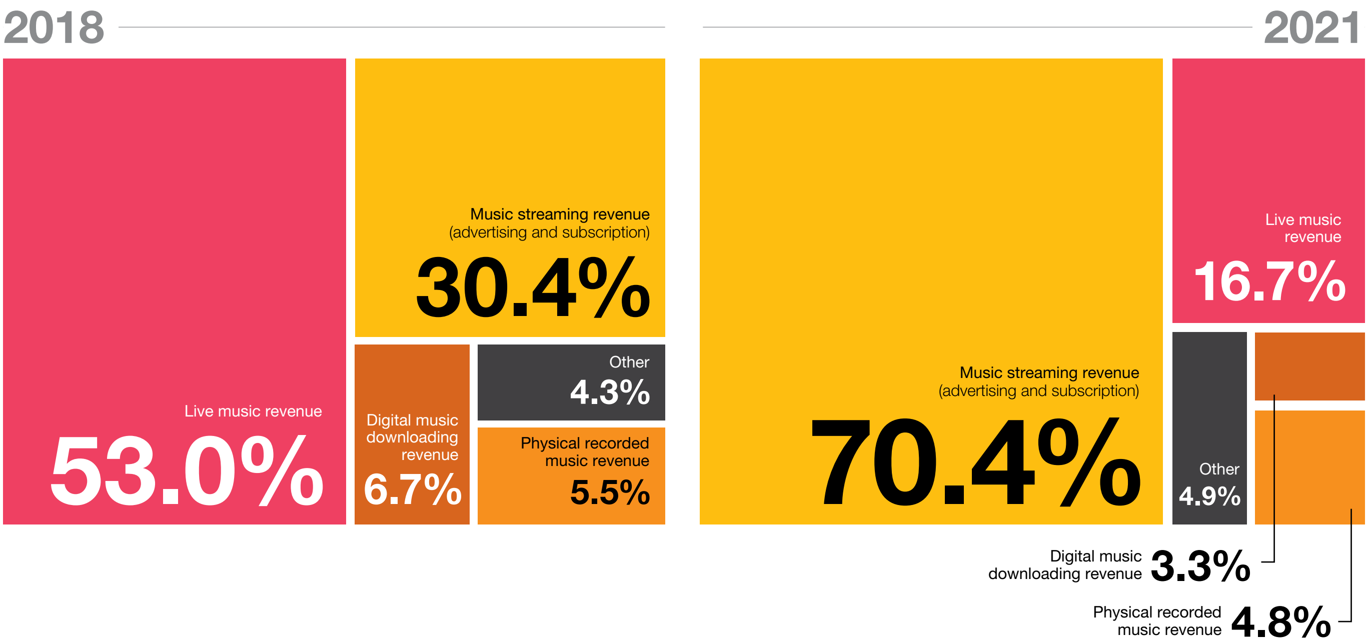
Live and Recorded Music

Digital streaming is fuelling the recovery of Australia's Live and Recorded Music sector, with total revenue expected to return to pre-pandemic levels in 2022. New technologies are driving the growth of listenership, and better enabling market players to launch, promote and discover talent.



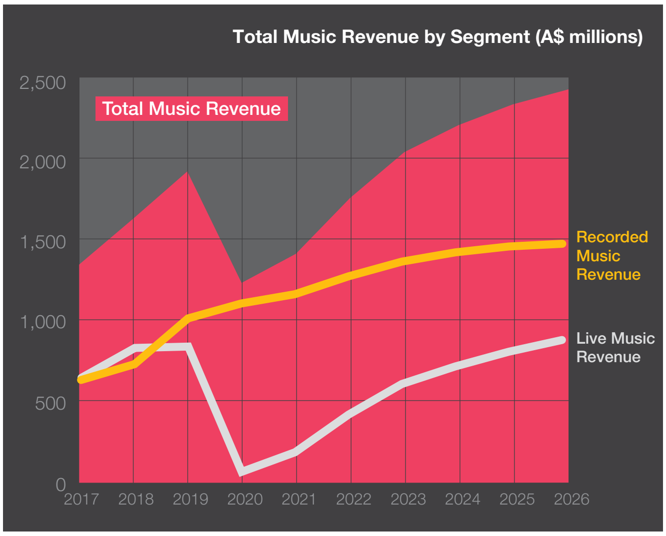
The Live and Recorded Music sector was valued at A$1.41 billion in 2021, an annual increase of 13.8 percent, and is forecast to recover to pre-pandemic levels by 2023 driven by the continued expansion of the Digital Music Streaming sub-sector as well as the return of live music. As the Streaming sub-sector continues to grow, total revenue is expected to rise to A$2.37 billion by 2026 at a 11 percent CAGR, based on the mid-point forecast. The continued growth of the Music sector within the forecast period contradicts the concern that post-pandemic economic downturns may significantly impact consumers' willingness to pay for music services and that, though the return may be slightly slower than other in-person segments, consumers will also return to live concerts at pre-pandemic levels.

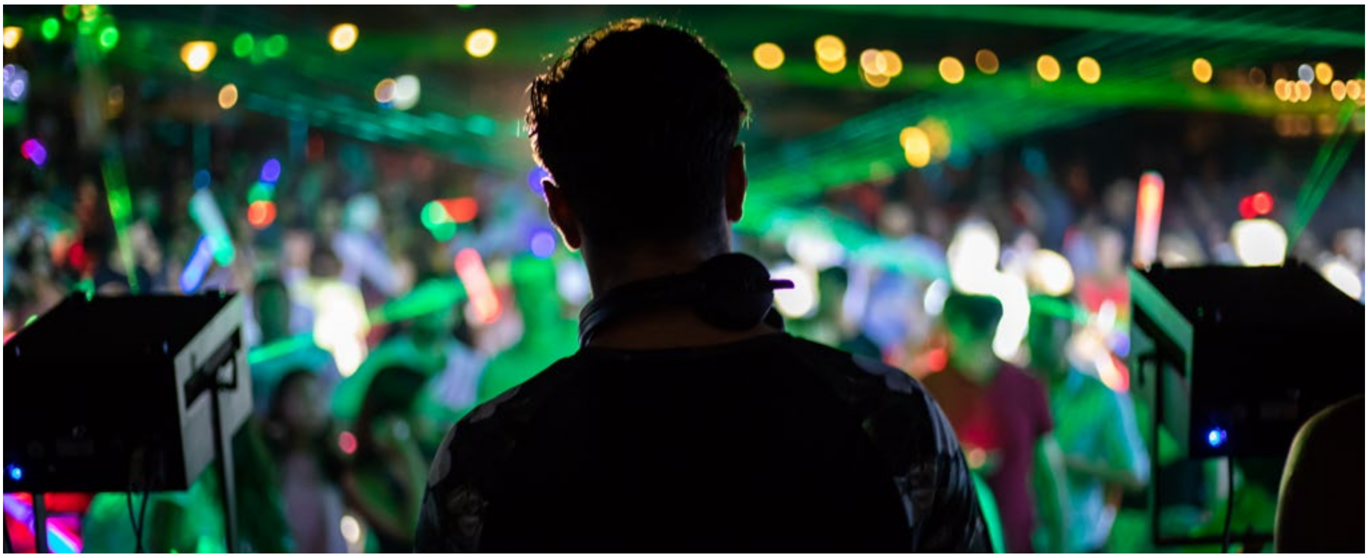
On-demand streaming continues to support the Music sector, comprising 70.2 percent of Music sector revenue, up significantly from 30.4 percent prior to the pandemic in 2018. Spotify, YouTube Music and Apple Music continue to dominate the streaming space, supporting an 8.1 percent year-on-year growth in the Digital Music Streaming sub-sector in 2021. However this rate was slower compared to previous years and is not expected to exceed the significant 59.5 percent year-on-year growth experienced in 2019 within the forecast period. This is likely due to maturation of the three services, coupled with a growing quantity of other digital entertainment and media services and products for consumers to purchase.



THOUGH THE LIVE MUSIC SUB-SECTOR IS NOT EXPECTED TO FULLY RECOVER UNTIL 2024, IT EXPERIENCED THE FASTEST CONSUMER SUB-SECTOR GROWTH IN 2021 AS RESTRICTIONS LIFTED

While the Live Music sub-sector is not expected to return to pre-pandemic levels until 2024, Australia's live music revenue grew by a significant 97.4 percent year-on-year, and is expected to grow by a 30.8 percent CAGR from 2021-2026 based on the mid-point forecast. This makes Australia one of the fastest growing live music sub-sectors in the world, second only to Saudi Arabia. The return of live music in Australia was bolstered by the national COVID-19 vaccine rollout as well as sector support through government grants and initiatives. The Victorian *Music Works* grant was designed to fund music creation and recording and to host live virtual music events across 2021. Similarly, New South Wales' *Play the City* and *Great Southern Nights* encouraged people to attend live performances and support local artists.





THROW OUT THE PLAYBOOK: MUSIC CONSUMPTION HABITS HAVE BEEN PERMANENTLY TRANSFORMED BY EMERGING TECHNOLOGIES

Social media platform TikTok further established itself as an essential partner in Australia's Music segment. Sydney-based Masked Wolf's *Astronaut in the Ocean* rocketed to the top five of the Billboard Global 200 and number one on TikTok, boosted by TikTok users pairing his song to videos showcasing welding, driving and stunts.[43] *STAY* by Indigenous rapper The Kid Laroi and Justin Bieber became Australia's longest-running number-one single of 2021 and reached number one on the Billboard Global 200 chart, attributed in part to its virality on TikTok where the song has been used in nearly nine million videos, driven by a popular dance challenge.[44] In 2021, TikTok was the most downloaded mobile entertainment app in Australia.[45] Australian users spent 39 percent more time on the platform and the annual number of users increased 43 percent compared to the previous year, far outpacing the total rate of social media uptake in Australia (4.6 percent).[46] For major record companies, TikTok is seen as having a powerful proposition: launch, promote and discover talent all within a single platform.

The Australian Music sector is also further exploring the profitability of music synchronisation licensing through the video gaming sector. Australians are not only replaying their favourite songs whilst gaming but also discovering new music, which is translating into new revenue for artists. Based on PwC reporting, German sound designer and composer for Minecraft has earned a total of A$3.4 million for his album Minecraft - Volume Alpha in Spotify artist revenue alone, since its 2011 release.

AUSTRALIA'S LIVE AND RECORDED MUSIC SECTOR MAY BE CONFRONTED WITH A NEW SET OF CHALLENGES AS ESG CONCERNS GAIN INCREASING ATTENTION

While the segment continues to grow, it also faces increasing scrutiny by internal and external stakeholders regarding how it addresses ESG considerations. Global industry leaders Sony Music, Warner Music and Universal Music each signed the Music Climate Pact in December 2021 as founding Signatories, committing to Science Based Targets aligned with the goals of the Paris Agreement. This commitment to net zero targets by 2050 signals pressure building on music corporations to formally report on, and reduce, their carbon emissions as consumers and artists look to hold companies accountable. Beyond environmental impact, the first national Music Industry Review is scheduled for publication in August 2022. The review will highlight the prevalence of sexual harm, sexual harassment and systemic discrimination within the Australian music sector with recommendations to influence reform. Notably, TikTok Australia, Spotify Australia, Sony, Universal and Warner Music have all provided funding for the independent review, suggesting that sector leaders are investing in the future diversity, inclusivity and safety of the music workforce.

Terrestrial & Streaming Radio

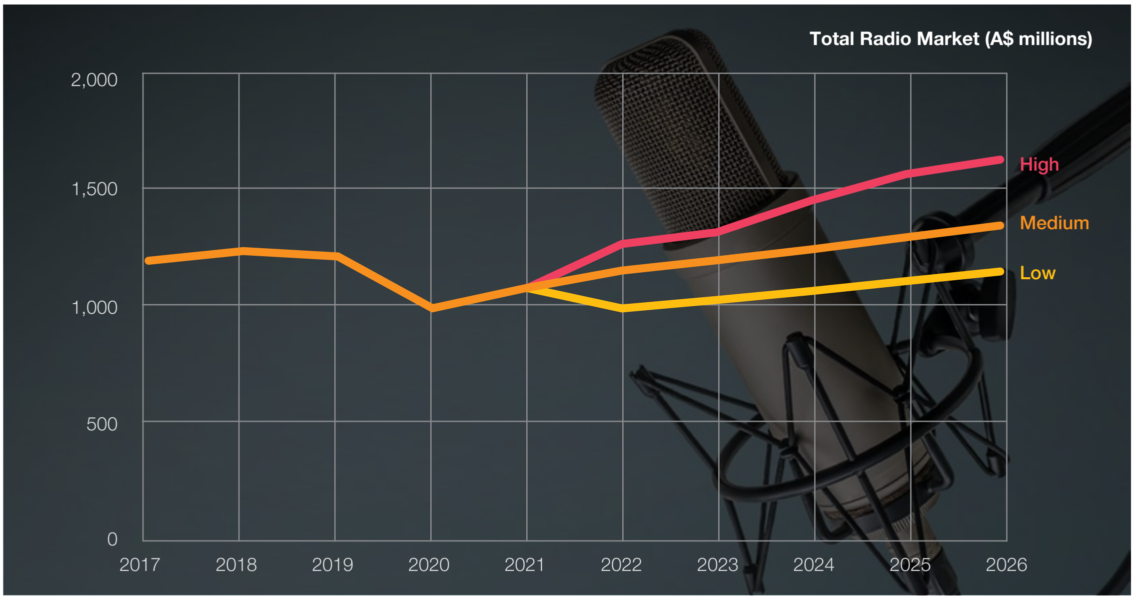
In order to remain competitive for consumer time and attention, radio operators are turning to digital streaming as part of their long-term digitisation strategies.

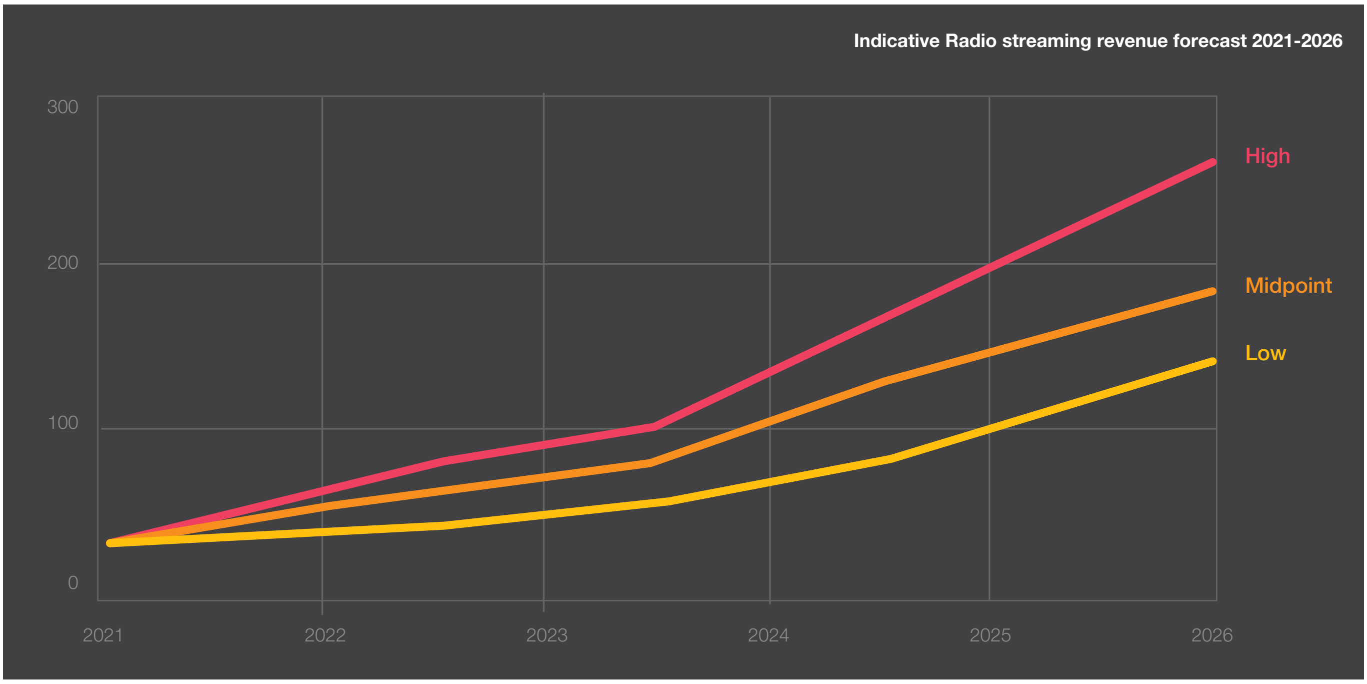
The Terrestrial and Streaming Radio sector is slowly recovering from the impacts of the pandemic, reaching a total revenue of A$1.07bn in 2021, and is forecast to return to pre-pandemic revenue levels in 2024 under the mid-point forecast. Digital audio listenership, which includes live AM, FM and DAB+ radio and catch up radio programmes listened to via online streaming platforms, reached record highs in 2021. According to the sixth annual Infinite Dial Australia study, published by Edison Research, the number of Australians listening to online audio each week grew by 8 percent, reaching a total of 71 percent of the population.[47] The average time spent listening to online radio audio also increased to 13 hours and 31 minutes per week, up from 12 hours and 11 minutes last year. In response, radio operators are increasingly turning to live and on-demand streaming services as part of their long-term digitisation strategies, which already appears to be paying off.[48] SCA's LiSTNR network hit a record high of 10.9 millions active streams in May 2021, up 20 percent on the same month in 2020, and Nine was also reported to have reached a record high of 11.2 million streams in July 2021. Radio stations' websites and apps were the most popular platforms listeners used. The digital transformation of radio broadcasting is expected to continue to drive listenership and grow radio networks' revenue by enabling more targeted and personalised content.

The growth in online listenership, is expected to be one of the key drivers of advertising revenue growth in the sector as networks seek to monetise these digital placements with the addition of first party data and via increasingly sophisticated programmatic trading capabilities. Though low in absolute terms, revenue from digital streaming of radio network broadcasts is expected to grow rapidly in the forecast period propelling the Radio sector to reach A$1.22bn by 2026 at a 3.7 percent CAGR, based on the midpoint forecast.

GROWTH IN REGIONAL AUSTRALIA ATTRACTS REGIONAL BROADCAST ACQUISITIONS FROM METRO NETWORKS

2021 recorded the highest level of growth and migration of people from metropolitan to regional centres with eight out of ten of the fastest-growing centres located in regional Australia.[49] The sector capitalised on this growth with key players acquiring regional broadcasters. Most notably, Here, There & Everywhere (HT&E) acquired Grant Broadcasters and Seven West Media acquired Prime. The acquisitions will contribute to the forecast sector revenue and listenership growth as both will be able to use their scale to grow audiences and offer a simpler solution for advertisers to reach listeners.





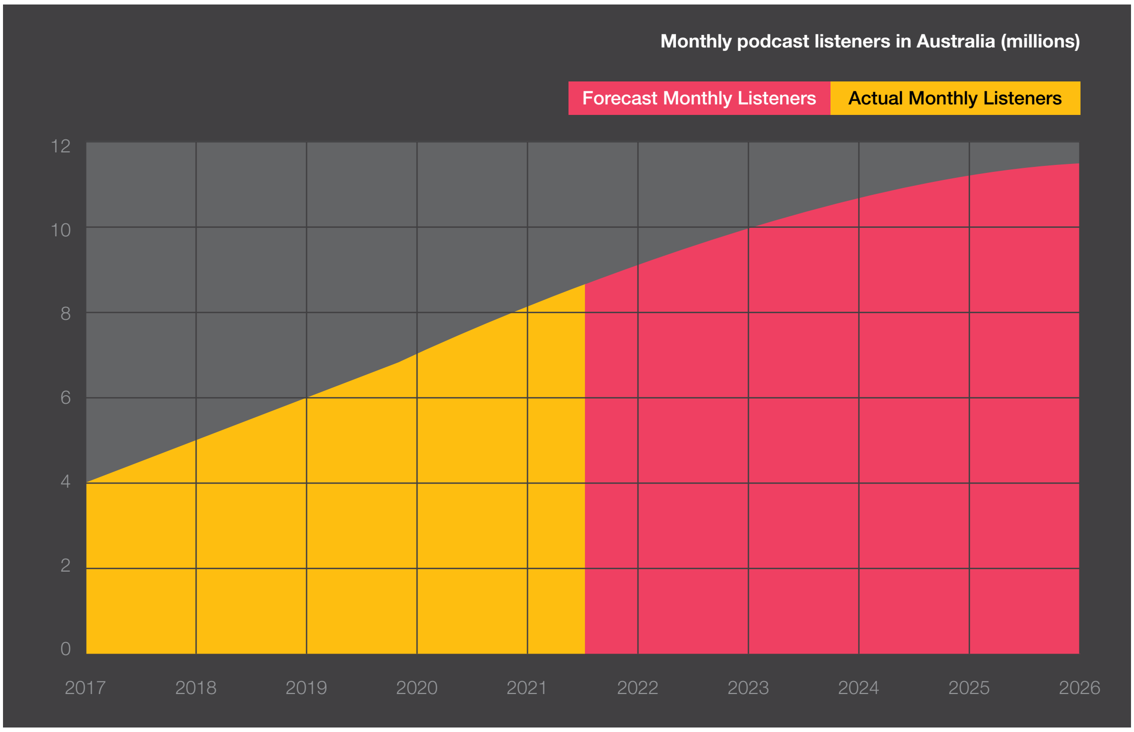
THE LINE BETWEEN RADIO AND PODCASTS IS BECOMING INCREASINGLY BLURRY AS RADIO CONTINUES TO EVOLVE ITS DIGITAL OFFERINGS AND PODCASTS MAKE THEIR WAY TO LINEAR RADIO

Radio operators are leveraging the power of podcasts to drive listenership and increase reach across both linear radio and online streaming channels. One of the primary methods being adopted is the conversion of live radio talk shows into catch-up podcasts for online streaming services. With many of the most popular radio talk shows consistently available on Spotify or Apple Podcasts, such as *The Kyle and Jackie O Show* and *Hamish and Andy*, third party streaming services may be viewed as valuable mechanisms to facilitate organic growth via playlist features and recommendation algorithms. Another approach being used by major industry players is the acquisition of podcast assets for linear broadcasting and online streaming. For example, in December 2021 SCA acquired kids radio and podcast company Kinderling to add to its LiSTNR inventory. There is also evidence of podcast shows moving to linear radio, such as *ARN's Life Uncut* podcast-turned-radio show. In addition to content creation, radio operators are also looking at podcasting technologies to boost their existing offerings. Most notably, in February 2021 iHeartRadio acquired Triton Digital for US$230 million for its advertising infrastructure and measurement solutions.

This multidimensional approach to broadcaster podcasting is seemingly driving listenership across the country as radio talk shows have quickly become some of Australia's most popular podcasts. According to Triton Digital's annual report, the top five most popular podcasts in Australia in 2021 included *ARN's Stuff You Should Know* (ranked second), *The Kyle and Jackie O Show* (ranked fourth) and *Life Uncut* (ranked fifth) and SCA's *Hamish & Andy* podcast (ranked third). The success of radio-owned podcasts suggests that podcast offerings will remain a key pillar of radio's long-term digitisation strategy.

Podcasts & Audiobooks

Podcasts have cemented their place within Australia's media landscape, and are beginning to show signs of evolution amidst market maturity.



Despite some perceived uncertainty surrounding podcasts' long term potential for growth post the peak of the pandemic, the Australian Podcast sector continues to experience significant growth. This growth trend is expected to continue, with monthly listenership set to rise by 5.5 percent CAGR to 11.5 million listeners by 2026 based on PwC mid-point forecasting. The comedy genre overtook true crime and news to become the most popular genre of 2021, signalling an increasing demand for light hearted content likely fueled by consumers' exhaustion with turbulent health and political news.

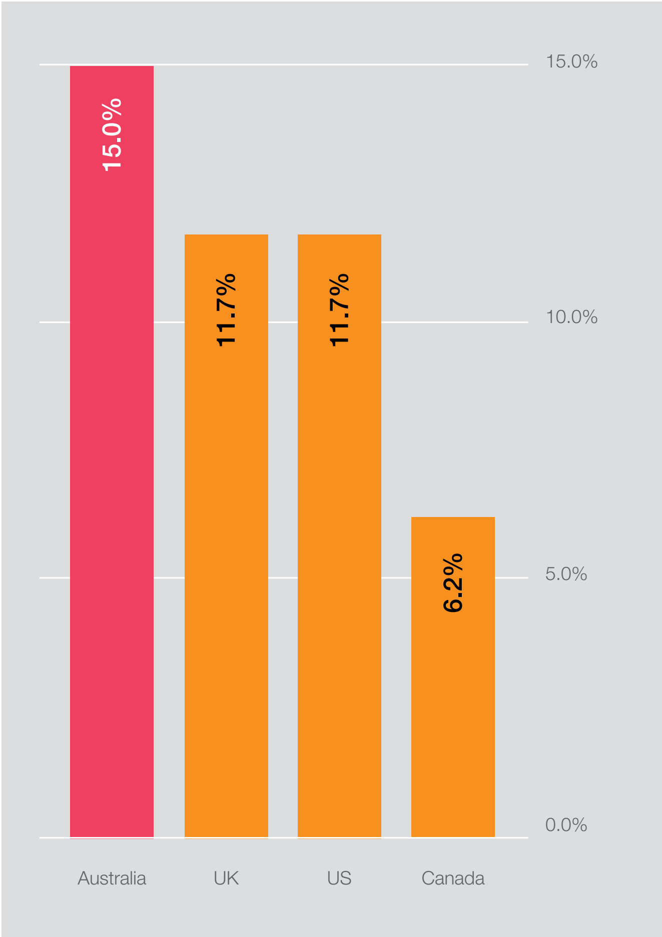
YouTube, Spotify and Apple continue to be the most popular podcast platforms in Australia by listenership. The Australian Broadcasting Corporation's ABC Listen app service retains its role as the most-used local source and continues to grow its portfolio, while SCA and Nova Entertainment launched their own podcast services, LiSTNR and the Nova Entertainment Podcast Network, in 2021.[50] Monthly podcast listening has increased a staggering 48 percent since 2020, with nearly nine million Australians (37 percent of the population) listening to a podcast on a monthly basis, driven by a continually growing user base and library of diverse content.[51] As podcasts reach new heights in both reach and listenership volumes, creators are seeking ways to differentiate themselves through innovations that disrupt the medium's existing conventions. One of the more popular shifts is towards podcasting with companion videos and other multi-media content to support deeper audience engagement.

PODCAST ADVERTISING IS ONE OF THE FASTEST GROWING CHANNELS IN AUDIO MEDIA, AND INVESTMENTS IN ADVERTISING TECHNOLOGY HAVE THE POWER TO SUPERCHARGE THE SECTOR

Podcast advertising has experienced rapid year-on-year growth, albeit from a low base, in recent years increasing 135.6 percent since 2018. In 2021, podcast advertising revenue was the second fastest growing revenue channel in audio media, excluding channels recovering from pandemic impacts, with a growth of 24.4 percent (following streaming advertising revenue at 31 percent). PwC data forecasts that the rate of podcasting revenue growth will overtake the United States before 2023 and will continue to lead through the forecast period based on the mid-point scenario.

According to research by Acast, podcast consumers are found to be highly receptive to advertisements played within the podcast environment, and 88 percent of listeners actively reduce their distractions before listening to a podcast.[52] Podcast listening habits can also offer much deeper insight into consumer behaviour compared to other audio types due to the often detailed nature of the content (e.g. a podcast about saving money as a millennial) increasing targeting opportunities for advertisers. Podcasts' ability to command a high level of consumer attention, in conjunction with the market's audience growth positioning, offers a desirable opportunity for Australian advertisers, however many have struggled to find a viable monetisation strategy. Digital ad delivery functionality, namely dynamic ad insertion, has improved podcast advertising's digital enablement, offering improved flexibility, targetability and value for advertisers. Should the sector increasingly adopt automated solutions it would help creators better commercialise their content and improve scalability for ad buyers.

Podcast Advertising Revenue 2021-2026 CAGR by Country (%)



AUDIOBOOKS WILL CONTINUE TO SEE GROWTH OFF THE BACK OF NEW WAYS FOR AUTHORS TO ENGAGE AUDIENCES

After a pandemic dip, audiobook consumption has achieved record sector peaks through evolving listening behaviours and new technologies. According to Grand View Research, global revenue in the sector grew to A$4.22 million in 2021 and is forecast to grow at a CAGR of 26.4 percent from 2022 to 2030.[53]

Consumers are gravitating towards audiobooks for a more personal experience that is capable of bringing genres alive. Renowned authors and celebrities, such as Eric Bana, Will Smith and Mel Brooks, are capitalising on the opportunity for increased audience intimacy to satisfy and grow their fanbases. The true crime genre has also benefited from this closeness, drawing in listeners through immediacy, excitement and choose-your-own-adventure interactive formats of narrative delivery.

Audiobooks also uniquely appeal to families. Shared listening has become an increasingly popular consumption behaviour, enabling parents to entertain their children during car rides and replace traditional "screen-time" with narrated literary classics, such as *Matilda, Charlotte's Web and Charlie and the Chocolate Factory.*

Play

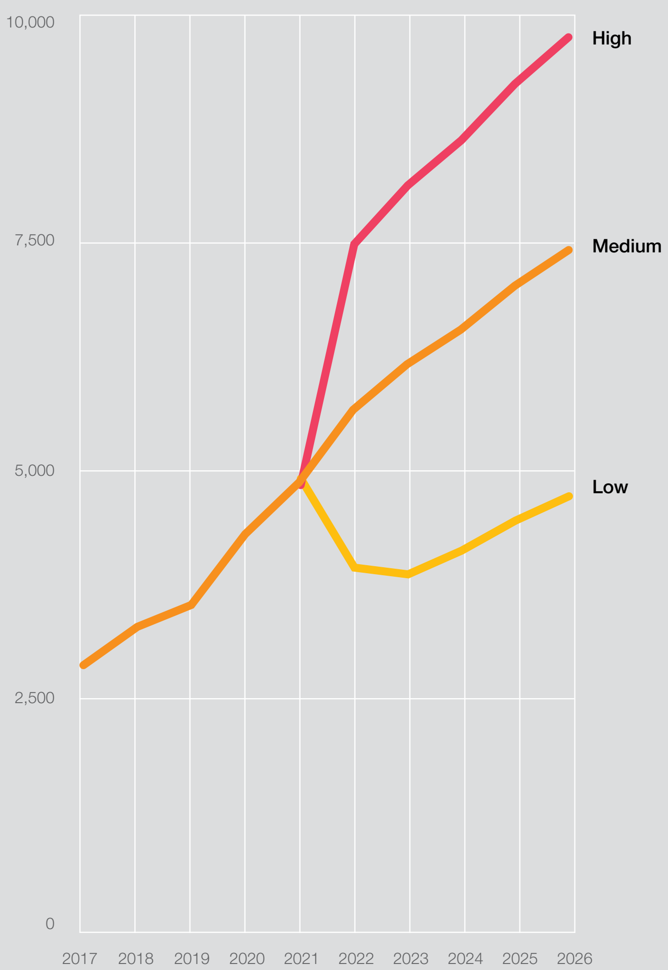
20
22

20
26

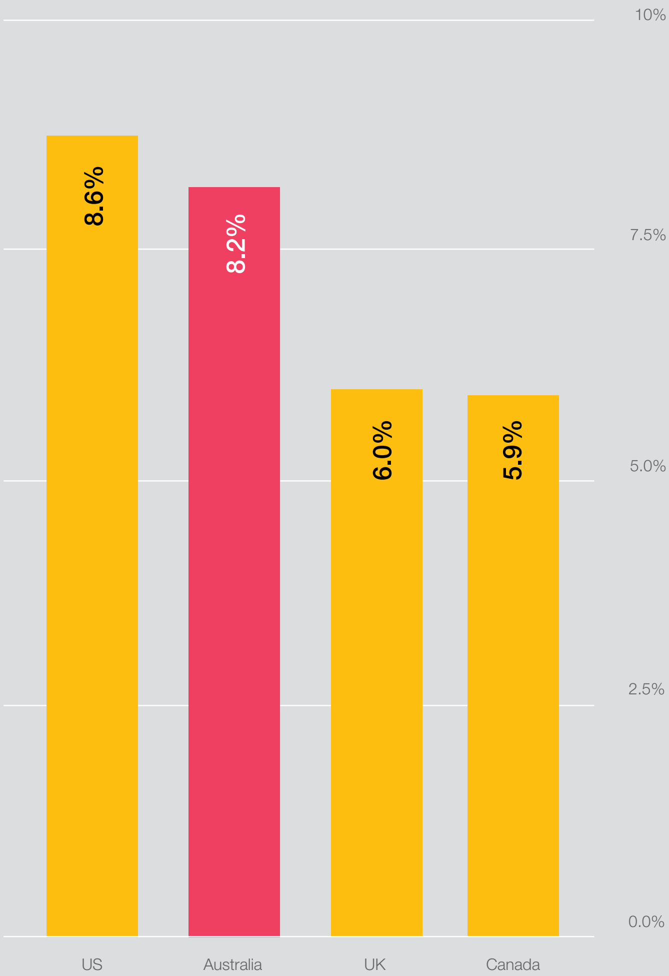
Introduction

The growth in the Play segment has been significant, becoming one of the cornerstone sources of revenue in the Entertainment and Media industry. Advertisers' ability to integrate through gaming infrastructure has continued to be a major factor of this growth, with advertising revenue – including in-app, integration into game, and Esports advertisement and sponsorship revenue – seeing year-on-year growth of 8.8 percent in 2021. Developing technologies such as Web3.0 and the adoption of 5G are expected to play major roles in the years to come, as the Gaming industry seeks to be a leader in innovation, and the challenges that coincide with it. Overall, the ***Play*** segment is expected to maintain strong growth, adding another $A2.4 billion by 2026, taking total revenue to just over $A7.3 billion. With a 2021-2026 CAGR of 8.2 percent based on the midpoint forecast, Australia's growth rate is set to exceed both the UK and Canada.

Total Play Market (A$ millions)



Total Video Games & Esports Market CAGR 2021-2026 by Country



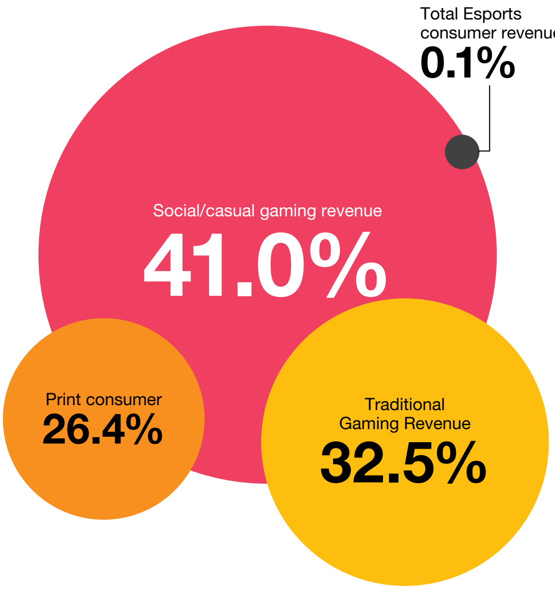
Traditional Gaming

The Games sector continues to make strides as an E&M industry leader in innovation and growth.

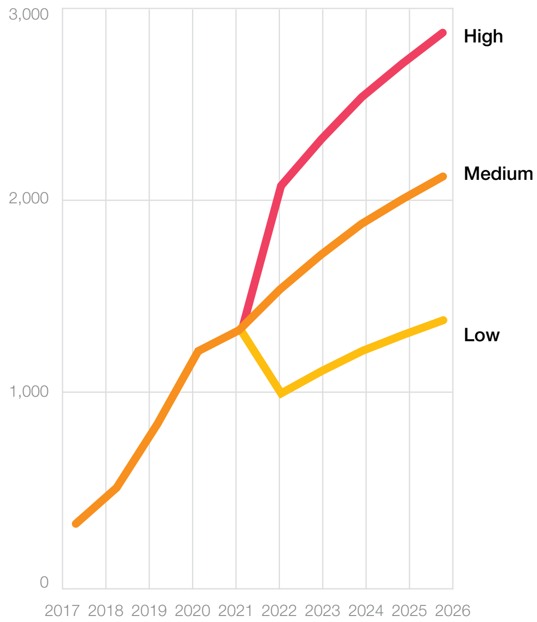
The Games sector in Australia remains one of the biggest winners in the post-pandemic Entertainment and Media landscape, yet is also one on the cusp of change, with many aspects of this sector promoting innovation and development, each with their own hurdle to overcome in the next few years. Gaming remains the second-highest consumer revenue generating sector behind only Internet Access, with total interactive games revenue reaching A$4.92 billion in 2021, representing year-on-year growth of 12.1 percent.

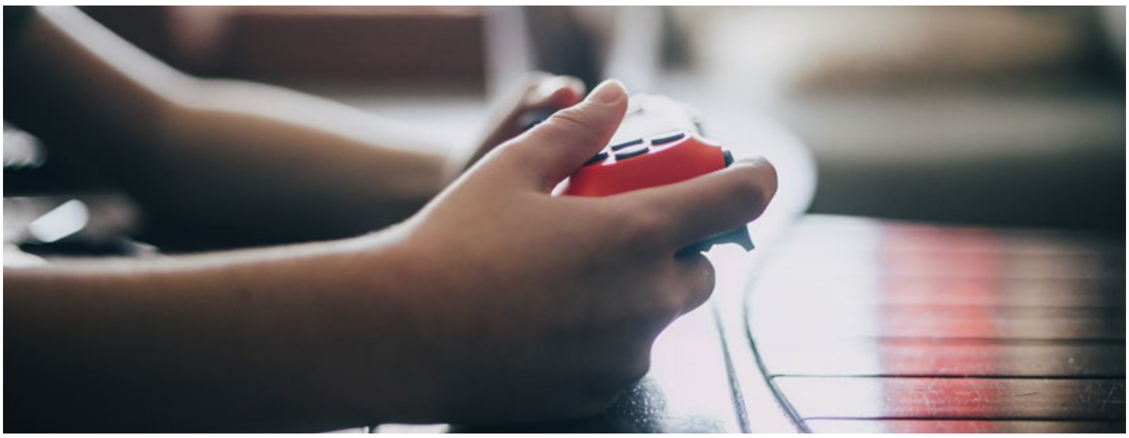
Social Gaming, already offers a wide range of ways for players to spend in-game, and remains the driving force of growth for the Gaming sector. Some of these opportunities for revenue include cosmetics, in-game currencies, pay to play, and subscriptions. Social gaming, having increased by 18.3 percent in 2021 to A$2.02 billion, will remain strong with the ongoing adoption of 5G for anywhere-gaming and the transition towards free-to-play and digital-only versions of games. This sub-sector is forecast to reach A$2.92 billion by 2026 at a CAGR of 7.7 percent based on the midpoint scenario.

2021 Games & Esports Revenue Share



Gaming Advertising Revenue 2017-2026





DESPITE THE INTRODUCTION OF A TAX OFFSET TO ENCOURAGE INVESTMENT AND DEVELOPERS TO ENTER THE AUSTRALIAN MARKET, TALENT IN THE SECTOR REMAINS SCARCE

The Australian Government continues its push to attract more entrants into the game development market, introducing the Digital Games Tax Offset which became available on July 1, 2022. This will provide a 30 percent tax offset for game development businesses, with the aim to attract more foreign mid- to large-sized development companies into the market, as well as promoting investment in Australian startups. With this comes an increase in demand for talent, a growing concern amongst the industry. Initiatives such as the Australian Priority Migration Skilled Occupation List aim to alleviate this concern, making it easier to earn a visa for specified roles and skills, with game development being one. It is expected, however, that a lack of talent in the market will remain a primary hurdle for development companies entering Australia, though if overcome, could pave for way to significant growth.

SUPPLY RESTRICTIONS HAMPER HARDWARE SALES, WHILST PHYSICAL SALES EXPECT TO SEE FURTHER DECLINE

Traditional gaming revenue increased by 7.7 percent in 2021 to A$1.6 billion, despite physical sales (across both PC and consoles) continuing its structural decline by 8.4 percent to A$356 million. This coincides with further sales of digital-only consoles released in this most recent console generation. This generation's lifecycle could see an extension due to the ongoing supply restrictions on semiconductors that limit the availability and sales of PC hardware, and consoles alike. This however will not impact the sale of digital purchases, which based on the midpoint forecast, are expected to support growth of gaming purchases at a 2021-2026 CAGR of 7.5 percent, reaching $2.3 billion by 2026.

DIGITAL-ONLY GAME STREAMING SERVICES AND 5G-ENABLED ANYWHERE-GAMING ON THE RISE

Following suit with other E&M segments, subscription is on the rise in Gaming. Game subscription services, regardless of the device used to play, have grown to the fourth most popular platform for gaming behind consoles, mobile, and PC, and reaches 48 percent of households according to IGEA.[54] Subscription services are expected to continue to grow in popularity and service offering. In June 2022, Playstation released additional tiers of their subscription service, Playstation Plus, enabling people to digitally download and play a wider range of games from previous console generations on their current. As of the end of 2021, providers have also started offering cloud based game streaming options, with the beta launch of Xbox Cloud and GeForce Now. This enables users to play games regardless of location and hardware requirements, as long as they have a sufficient internet connection. NVIDIA, developers of GeForce Now, partnered with Western Australian ISP Pentanet to power the service in Australia.

Sony have also had a game streaming service since 2014, but have yet to enter the Australian market, likely due to the service being restricted by Australia's Internet infrastructure, as the concurrent download requirements remain relatively high. Internet infrastructure remains the primary restriction on the growth of game streaming services. Although unlikely to completely replace fixed broadband in the medium term, the ongoing adoption of 5G will aid in the adoption of streaming gaming services, as well as the mobile gaming market, with it being one of the primary target platforms for game streaming.

Gaming & Web3.0

Gaming at the forefront of Web3 development.

Web3.0, the latest generation of internet technologies encapsulating all things Blockchain, NFT and Metaverse, has already begun incorporating itself into the Games sector, with development already underway on major gaming projects. Despite its nascence, the demand for Web3.0 gaming is very apparent, as seen with sales numbers of VR headsets rapidly increasing globally. Headsets are expected to surpass 14 million units worldwide this year, a 36 percent increase year on year, with Meta's Oculus Quest 2 likely being first in market share.[55] The Gaming sector is recognised as a leader in the journey towards Blockchain, which is anticipated to reach mass consumer adoption through the development in Blockchain technologies and increased interest in metaverse applications.

One area which has already seen integration with Blockchain and NFTs is Esports, with many major Esport organisations having released a series of NFTs or partnering with Crypto Exchanges. It is expected that further integration with Esports will happen sooner than with Game Development, with potential for player cards, tradable items, or merchandise to be represented by NFTs. This is already a market with pre-existing concerns around online gambling, and the lack of established regulation, which could potentially introduce new policies for Blockchain in Australia.

REGULATION AND POLICY IS EXPECTED TO CREATE A BUMPY ROAD AHEAD OF WEB 3.0 ENTERING THE GAMES MARKET

The aim of Blockchain games is to innovate the way players interact with gaming, allowing for greater ownership of in-game assets, often stored in the form of an NFT within a decentralised ecosystem. Blockchain games are likely still a few years away from major releases, and one of the main challenges will be how policy and regulation will develop in line with technological advancement and its journey to release. The topic of Blockchain and NFTs is already quite polarising, and industry and governmental work is still to be done to solve questions such as how to account for 'real world' value changes, applicability of taxation, and how national and international legal frameworks apply. The Federal government has stated some pre-existing reservations around Loot Boxes and microtransactions[56] – a market that saw strong revenue increases across all platforms, and which heavily contributed to mobile/social gaming revenue – and will likely see integration with Blockchain in coming years. As yet, Australia has not seen any major regulations enacted, despite other countries having done so already. It is expected pushes for regulation in this space will increase as Web3.0 develops further.

What is Web3.0?

Web3.0 is the third generation of the Internet, and is considered to be the form that the Internet is transitioning into now. To better understand Web3.0, it helps to have some context around what Web1.0 and Web 2.0 were.

- **Web1.0** was the initial adoption of the Internet, often seen as the *read* phase of the Internet. It was a decentralised place where no major companies ruled yet.

- **Web2.0**, the current generation, revolved much more around user generated content, and participation via social media. This came with heavy business implications moving towards centralisation amongst large web companies we all know today. This is considered *the read/write* phase of the Internet, with data and privacy becoming more of a commodity.

So Web3.0 is seen as the third generation, but what exactly does that mean? In a sense it encapsulates all new and emerging web technologies we're seeing today, from Blockchain & NFTs, to the Metaverse. This sees a shift back to decentralisation, with many of its platforms, apps, and organisations expected to be built on distributed technologies such as Blockchain, and the associated cryptocurrencies and NFTs. In response to Web2.0 viewing data as a commodity, this shift will likely prioritise increased data security and privacy for users. Additionally, the open and communal nature of Blockchain means that a lot of use cases will be public, transparent, and collectively by the people, rather than banks, media and social media platforms. Due to this, Web3.0 is anticipated to be the *read/write/own* phase of the Internet.

Glossary

Blockchain – A chain of data *'blocks'* that are cryptographically linked to each other in chronological order. It is stored as multiple copies across a network, and any addition or change to the chain's data has to be verified by each node of the network, making it difficult to tamper.

NFT (Non-Fungible Token) – Digital items that are represented by data on a smart contract enabled blockchain that's unique through identification codes and metadata making them Non-Fungible. Unlike Cryptocurrency, a fungible token, they cannot be exchanged for another piece as if it were of equal value, similar to that of art. Due to it being on a blockchain, NFTs can have its property rights recorded, with traceable ownership.

Metaverse – A real-time and always on virtual world that aims to merge the physical and digital through the use of Virtual and Augmented Reality.

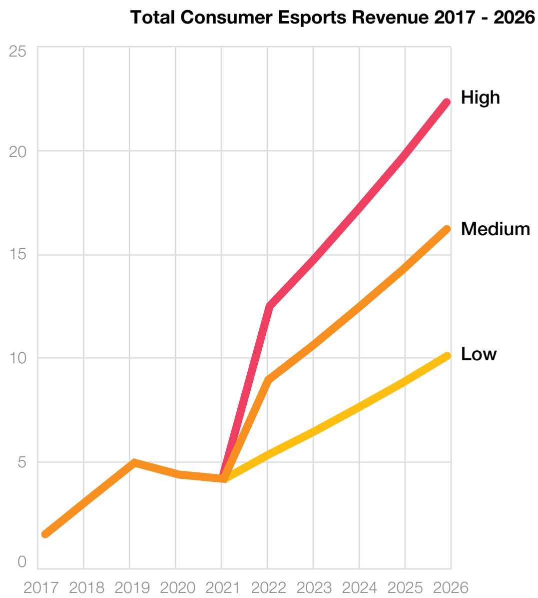
Decentralised ecosystem – Decentralisation promises a system where ownership is distributed amongst its builders and users rather than centralised entities. A decentralised finance system would be without intermediaries such as banking institutions or digital payment services. This would mean all transactions are direct between the payer and payee.

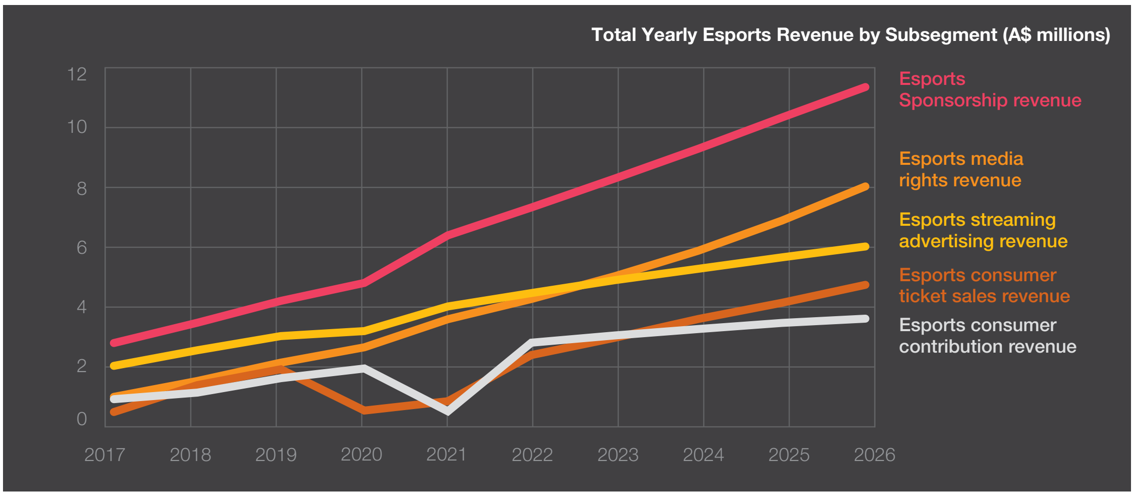
Esports

Esports maintains growth despite a lack of major Australian events, as they begin to return in 2022 for the first time since the COVID-19 pandemic.

The Esports sub-sector grew by 16.4 percent in 2021 to A$15.7 million, despite no major events being held in Australia since 2019, primarily cancelled due to the COVID-19 pandemic. As a result of this, non-advertisement and sponsorship Esports revenue decreased for a second year running, by -3.56 percent. A full return to Australia may be slow, as lack of top-line revenue and poor Internet infrastructure had already been seen as disincentivising for global businesses operating here, a decision sped up by the pandemic. As Internet infrastructure and 5G adoption improves in Australia, it will allow for Esports events to rebuild, with the midpoint forecast showing a CAGR of 26.17 percent for non-advertisement and sponsorship Esports revenue. DreamHack marks one of the first major events to make its return to Australia, scheduled for September 2022, whilst other events such as Intel Extreme Masters Australia have yet to confirm a return.

More broadly, Esports is also seeing a shift in perception, beginning to be recognised more closely with traditional sports. Australia will be representing the Oceania region in the inaugural Commonwealth Esports Championship in August 2022. Additionally The Australian Esports Association (AESA) came together with the eSafety Commissioner and 24 other sporting agencies to discuss and sign the Online Safety of Commitment in response to increasingly high levels of online abuse across all sporting codes.





Access

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FIXED & MOBILE
BROADBAND

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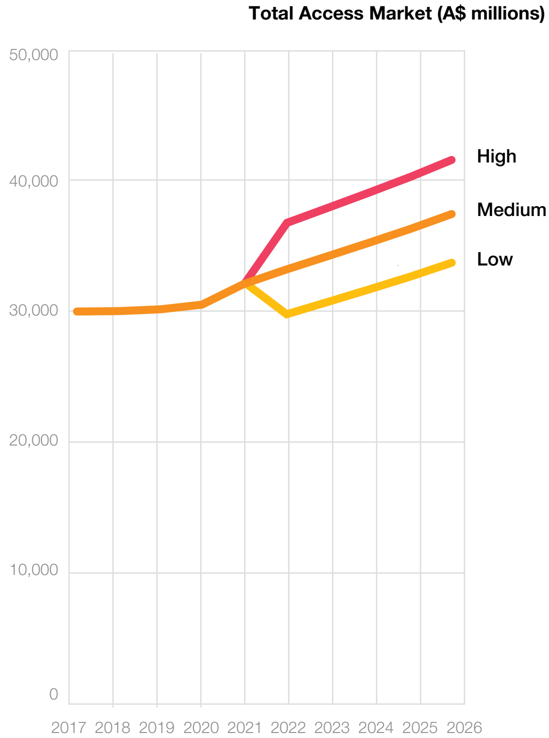
26

Fixed & Mobile Broadband

Though largely built upon the NBN, the Australian Internet Access landscape is shifting, with smaller telcos increasing their market share, but the viability of alternatives such as 5G is creating opportunities in the sector

The total value of the Australian access market was valued at A$31.6b in 2021, and is expected to grow to A$36.7b by 2026, at a CAGR of 3 percent. This is a return to steady growth, prompted by the widespread adoption of mobile access coupled with a changing competitive landscape over the coming years.

Smaller providers are gaining market share in both the consumer and enterprise space, 5G is becoming a viable NBN alternative, and regional markets will benefit from both Starlink for internet connectivity and the Telstra-TPG network sharing agreement for mobile.



SMALL INTERNET PROVIDERS GAINING MARKET SHARE

Smaller internet providers are becoming increasingly popular for broadband services, eating into the market share of Telstra, TPG, and Optus. Aussie Broadband has been the biggest beneficiary of the trend, with it now commanding 6.1 percent of the market[57]. Data from telecommunications comparison website WhistleOut, shows SpinTel, Tangerine Telecom, and Superloop being among the most popular providers with price sensitive customers.

Aussie Broadband has also seen growth in the business market, claiming it has taken 15 percent of all NBN enterprise ethernet service orders in the financial year to date,[58] growth which has been attributed to the telco's focus on customer experience.

5G BECOMING AN INCREASINGLY VIABLE NBN ALTERNATIVE

Telstra, Optus, and TPG each now have 5G home Internet available to consumers as an alternative to NBN plans. Telstra has the widest footprint, covering over 75 percent of the population.

While Telstra and Optus both offer uncapped 5G home Internet plans that can deliver speeds as fast as network conditions allow, TPG has decided to sell slower, cheaper plans instead. TPG's entry-level 5G home Internet plans have speeds capped to 50Mbps, making them equivalent to an NBN 50 equivalent to an NBN 50 plan — the most popular NBN speed tier, which represents 58 percent of NB connections.

TPG has previously said that it could save around A$50 million per year for every 100,000 customers it can move from the NBN to its 4G and 5G home Internet plans.[59]

Optus is trialing even faster services over mmWave 5G, and achieved initial download speeds of 2.5Gbps. However, mmWave 5G coverage is still scarce, and there are very few devices available locally that can connect to mmWave networks.

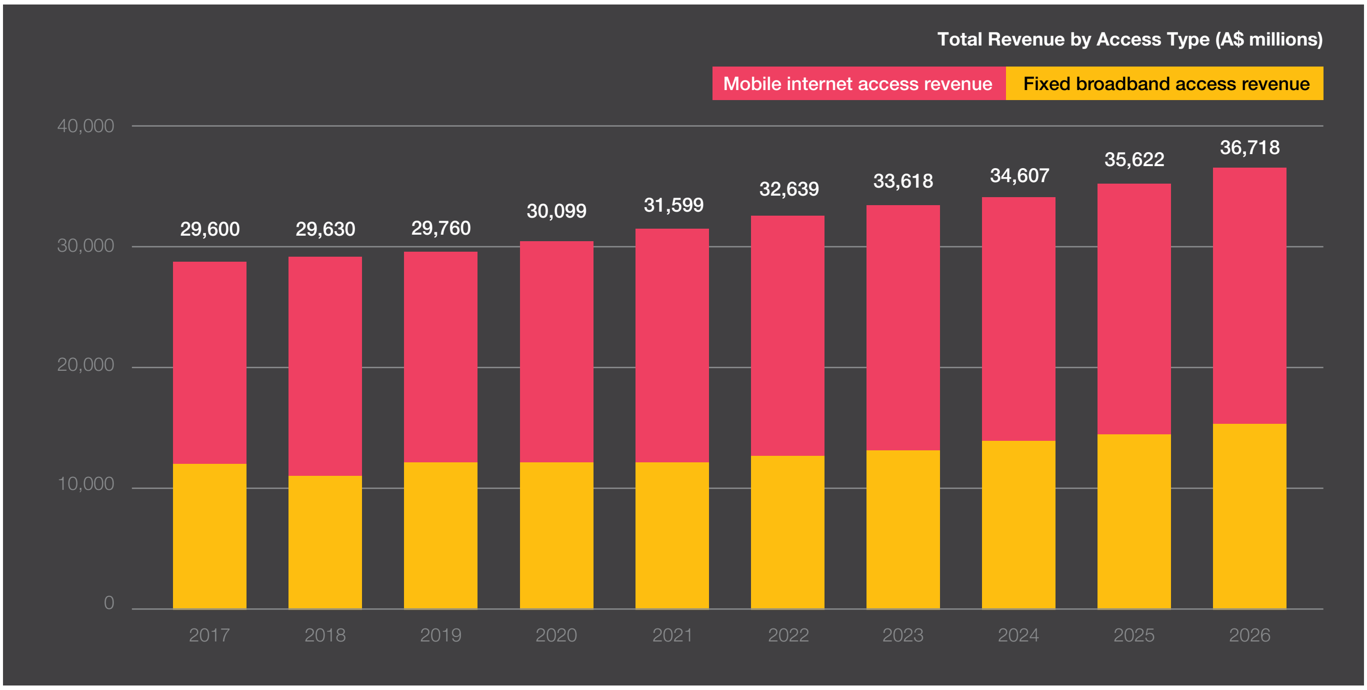
PROPOSED HIKE COULD DOUBLE NBN PRICES

NBN Co has proposed a new pricing model that would see the price of its cheapest wholesale plan double over the next decade.[60] ACCC modeling suggests an NBN 50 plan could cost the same as an NBN 100 plan by 2027, and an NBN 25 plan would hit the same price by 2034. This pricing approach would push users to NBN 100 plans, which the ACCC says is more than most households need.

TPG has been one of the harshest critics of the proposed changes, saying it would effectively make entry-level broadband a thing of the past. Optus said it would have no choice but to pass proposed cost increases onto customers, whilst Telstra said the price increase would see customers moving to alternatives such as 5G home Internet.

NBN Co has also proposed removing its capacity charge for plans 100Mbps and up, and instead charging a flat fee which would increase each financial year.

These changes may drive revenue growth in the sector, but not necessarily impact operator profits, given the thin margins many NBN resellers operate on.



TELSTRA TPG NETWORK SHARING AGREEMENT

TPG and Telstra have struck a ten-year deal which, if approved, will see TPG gain access to approximately 3,700 Telstra mobile sites within regional, rural, and urban fringe areas. In exchange, Telstra will get access to TPG's 4G and 5G spectrum, giving it more bandwidth.

The network sharing agreement is expected to bolster TPG's presence, particularly in regional Australia. If the deal goes ahead, the expanded coverage footprint should be available to Vodafone, TPG, iiNet, Internode, and felix mobile customers by the end of the year.

Telstra and TPG submitted their proposal to the ACCC on May 23, and it is expected that the ACCC will hand down their decision in late 2022, which the sector will be looking at closely.

STARLINK IS A POTENTIAL FUTURE INTERNET ALTERNATIVE FOR REGIONAL AUSTRALIANS

Elon Musk's satellite internet solution Starlink launched in beta in Australia in 2021, and now has the appropriate licenses to provide its services Australia-wide. The telco can already offer services in parts of Queensland, New South Wales, Victoria, South Australia, Western Australia, and Tasmania.

Starlink is a nascent alternative for Australians who previously only had access to satellite NBN. Starlink is more expensive than a satellite NBN plan and has much higher setup fees, but offers unlimited data, faster speeds, and lower latency.

The introduction of Starlink is unlikely to create overall growth for the sector, but may give further options for people living in rural areas.

Telstra is also investing in the satellite space,[61] having signed a long-term contract with Viasat to build ground infrastructure and the fibre network for its Asia Pacific satellite constellation. Viasat's satellites are expected to deliver download speeds of at least 150Mbp, making it comparable to Starlink.

FIXED WIRELESS NBN TO BE SUPERCHARGED BY 5G

NBN Co will use 5G technology to upgrade the Fixed Wireless portion of the network, increasing speeds, enhancing capacity, reducing latency, and improving coverage.

These upgrades will mean that every customer in the Fixed Wireless footprint will be able to order a plan with 100Mbps download speeds, and 85 percent of the footprint will be able to get a plan with speeds of up to 250Mbps. At present, Fixed Wireless NBN plans are limited to maximum speeds of 75Mbps.

Faster NBN plans are by nature more expensive than cheaper alternatives, so enabling more customers to get these will be a growth opportunity for the sector in the coming years.

In addition, these improvements should ensure more consistent connectivity for Fixed Wireless customers. NBN Co says the upgrades will mean Fixed Wireless services achieve download speeds of at least 50Mbps[62] during peak hours.

The upgrades will also expand the Fixed Wireless footprint by up to 50 percent. This will enable around 120,000 premises that could only get Satellite NBN to order a faster Fixed Wireless plan with a larger data allowance.

These upgrades will take around two-and-a-half years to complete.

Market definitions

PwC Australia works in collaboration with our PwC Global Entertainment & Media team, along with outsourced partners in the research of Australian consumer and advertising revenue data. From time to time, we are required to rebase certain sectors and/or their sub-sectors based on updates to methodology, new or changed available data sources, and the changing nature of the industry. While this does not typically result in substantial differences to data sets, it may result in changes between editions and previous editions of the Outlook should not be compared nor relied upon. For all sectors PwC Australia should be consulted should any clarification be required.

CONSUMER BOOKS

Print and ebooks plus audio editions for the consumer and education markets.

CONSUMER MAGAZINES

Physical and digital magazines for consumers, both advertising and circulation spending.

FILMED ENTERTAINMENT

Consists of several revenue streams including box office (ticket sales), cinema advertising and home entertainment – both physical (sell-through and rented DVDs) and transactional video-on-demand (TVOD) (sell-through and rented, for example via video-on-demand services).

FREE-TO-AIR TELEVISION (FTA)

Advertising revenue generated by free-to-air television, including advertising on broadcast channels as well as "broadcast on demand" (BVOD) services.

INTERACTIVE GAMES & ESPORTS

Consumer revenue including PC (physical and digital), console (physical and digital), online (e.g. massively multiplayer online (MMO/social games) and mobile (casual games played on a smartphone or tablet including free games with in-app purchasing). Handheld console games expenditure is included in the console category. Esports revenue has been broken out to represent its own revenue line. Video game advertising revenue is also covered and comprises B2B revenue from brands delivering advertising into games, e.g. via product placement or similar means.

INTERNET ACCESS

Consumer expenditure paid for accessing the internet, via mobile networks or fixed broadband networks.

INTERNET ADVERTISING

Advertising expenditure for paid search, display, classifieds and video advertising along with the digital advertising in channels such as Free-to-air TV (i.e. BVOD). This includes desktop, mobile, tablet and other connected devices. For the purposes of some visualisations Internet advertising is reported in totality i.e. inclusive of the digital elements of other channels, whereas in others we have deduplicated these channels for accuracy and clarity.

MUSIC

Consists of consumer expenditure on physical and digital recorded music and live music tickets. Digital music includes downloads, and consumer and advertiser spend on music streaming services.

NEWS MEDIA

Physical newspapers and digital news websites, covering advertising revenue, physical circulation and subscription. Includes digital news display advertising (excluding video), which also sits in Internet Advertising under 'general display'. Any diversified revenue sources News Media businesses may have such as affiliate marketing, data, audio, video or otherwise would not be captured within this segment - display only.

OUT-OF-HOME (OOH)

Advertising expenditure on outdoor media, both static and digital. Categories include billboards, street furniture (e.g. bus shelters), transit, retail, place-based media and sports arenas.

RADIO

Advertising expenditure on terrestrial radio, streamed internet radio and DAB/DAB+, and Podcasting.

SUBSCRIPTION TELEVISION

Consists of several revenue streams including consumer expenditure on premium subscription television services (e.g. Foxtel cable/satellite and Fetch), characterised by linear channels and a box which delivers content. Also consists of consumer subscription fees for subscription video-on-demand (SVOD) services such as (but not limited to) Stan, Netflix and Amazon Prime delivered through a browser, App or aggregator such as Apple TV, or Telstra TV. Advertising revenues from premium services.

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