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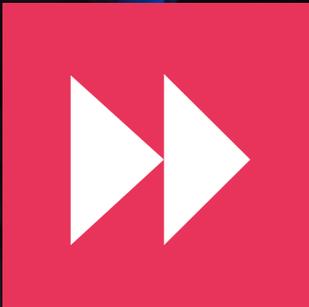
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Power shifts



Welcome to the 20th edition of PwC's annual Australian Entertainment and Media Outlook.

Our 19th edition, published in November 2020, was a special report that looked at the immediate impact of the most concentrated and rapid period of change within the entertainment and media industry in recent memory. Given uncertainty as a result of COVID-19, we introduced a range of forecasts – based on a positive, gradual and negative recovery – rather than a single forecast. This approach provided our audience with a range of potential outcomes, based on Australia's progress against factors largely outside the control of the industry, including the timing of the vaccine roll out, ongoing use of lockdowns to manage contagion, the impact of the end to JobKeeper, and the return of business and consumer confidence.

At the time, we envisaged that this year's edition would be a return to normal reporting. However, with the vaccine rollout taking longer than originally anticipated, international borders unlikely to re-open until 2022, and sporadic lockdowns a part of the "new normal", approaching forecasting with a "ranged" approach remains appropriate for the

market for the time being – although in most cases, the gap between the three potential forecasts has narrowed. Crucially, when providing the quantified forward view of the market via a Compound Annual Growth Rate (CAGR), we have taken into account the six years of 2019-2025, rather than the usual five year range of 2020-2025. This extended CAGR allows for us to provide a more realistic projection for each of the 12 sectors we analyse and ensures that the base from which we are reporting is not distorted.

Finally, in this year's report, our special feature includes findings from a research study that we conducted to better understand the key factors that influence what people listen to, watch, read or play. Specifically, we look at consumers' content appetites, which we define as their capacity and desire to consume specific content. While a distinctly personal experience, we found that there are four key factors that shape people's content appetite and determine how willing they are to stretch it to try new things. This special report also looks into the types of consumption – routine, spontaneous and planned – and what all of this means for content creators and advertisers.

The wash up at the end of 2020.

In 2020, the pandemic triggered the sharpest contraction in Australian entertainment and media revenues in the history of this report. While the contraction impacted the whole market, it was clear that some sectors were hit harder than others.

Overall, total Australian advertising spend contracted by -8.0 percent to A\$15.4 billion, and consumer spend dropped by -1.9 percent to A\$42.5 billion.

The hardest hit sectors were Filmed Entertainment with a -41.0 percent fall from A\$2.2 billion to A\$1.3 billion, and Out-of-Home (OOH) falling -39.0 percent from A\$1.3 billion to A\$772 million. The economic disruption was such that even as some sectors saw an increase in readers (digital news) or audience (Free-to-air TV), the revenue was hard to come by for much of the calendar year, until a late surge in November and December as the country emerged out of lockdown. Momentum was strong going into the first quarter of the 2021 calendar year, although the shadow of COVID-19 had by no means been lifted from the entertainment and media sector.

One of the few winners off the back of the pandemic was Internet Advertising, which saw an increase of 3.3 percent from A\$9.0 billion to A\$9.3 billion in 2020, as advertisers looked for ways to stay top of mind with consumers as people retreated to their screens and devices while spending more time at home. In the consumer category, streaming services did well throughout the calendar year, with Streaming Video on Demand (SVOD) services increasing both subscribers and users and Broadcast Video on Demand (BVOD) growing audience and advertising revenue.

The pandemic fall out and the resulting power shifts.

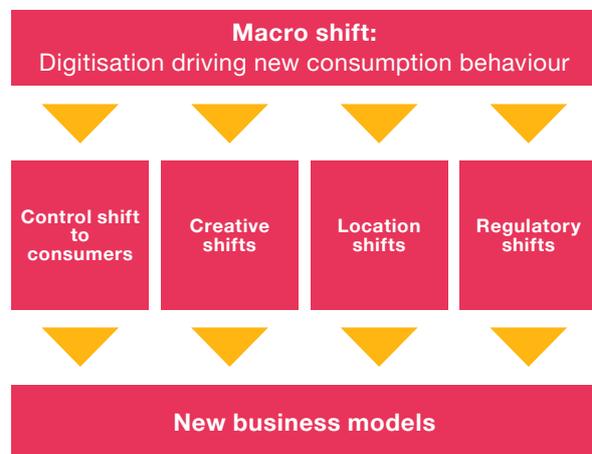
The future of the entertainment and media sector is being largely determined by the COVID-19 induced acceleration to changes in consumer behaviour that have pulled forward digital disruption, and thus industry tipping points, by several years. In 2021, these tipping points have coalesced into power shifts that are rapidly reshaping the segments, and the industry as a whole.

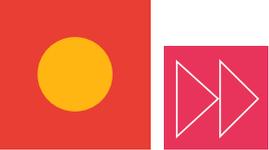
The five major power shifts reshaping the landscape

Across the entertainment and media landscape, we see five major shifts that are impacting the sector, albeit to varying degrees depending on the shape of the consumer interaction and revenue model. While these shifts are having a profound impact, they should not be interpreted as factors undermining the stability or resilience of the market overall. The contraction of 2020 is giving way to a solid rebound this year, and a return to 2019 revenue levels within the next three years for most parts of the industry.

The first and most powerful shift is the macro shift in consumption, powered by sustained digital disruption. This shift is, in turn, driving:

- Control shifts where power moves to the consumer
- Creative shifts that moves power to the creators and originators
- Location shifts where consumers have high expectations of their consumption experience anywhere, anytime
- Regulatory shifts where the focus on market power and privacy intensifies.





Macro shifts: powered by sustained digital disruption

The overarching power shift driving change across all segments and giving rise to transformation is consumers' ongoing migration to digital consumption. As consumers stayed home and in-person venues closed, use of digital services soared. While cinema box office revenues fell -67.4 percent in 2020, this was contrasted by increased availability, sector breadth and catalogue depth of the SVOD players, increased BVOD usage, and the sustained growth of the gaming and esports sector. While revenue growth was hard to come by for many entertainment and media sectors, including some whose audiences increased as a result of more time spent in the home, internet advertising increased overall.

One of the most profound impacts of the digital disruption was the increased use and prevalence of non-advertising supported platforms, forcing a number of key players to rethink their business model, in a world where the expectation is that consumers can access an ad-free or personalised service, provided they can pay for it.

Disruption was not limited to the entertainment and media sector, with corresponding growth in online shopping as bricks and mortar stores shut storefronts for much of the year. In addition, the now omnipresent use of video meeting services replaced most business-related air travel, and the rapid transition to online learning for many students reshaped education. Barely a sector escaped the digital disruption of the global pandemic.

Despite all of these changes in how we live, work and play, a significant proportion of the habits accrued over those restricted periods will endure. Many of the shifts that were already in play – the move towards digital products and online sales, the relentless rise of streaming, and the growing influence of gaming and user-generated content – gained momentum and are poised to continue their growth trajectories. The resulting power shifts driven by digital disruption will transform the industry in the years to come.

Control shifts: power moves to the consumer

Spoilt for choice in what they watch, read, listen to and play, the consumer is firmly in control of how they spend their two largely finite resources – their time and money – and never has this been more apparent or true than during the pandemic. The traditional platforms that advertisers buy to reach audiences at scale, including television, newspapers and out of home, all had significant competition for their share of consumers' attention, and the range of competing media platforms and channels added to the complexity of delivering a consistent message over time. In turn, this presented a challenge for advertisers and brands seeking to get in front of their consumers, as they had to rebalance their media and creative strategies in order to achieve their required reach.

While targeting through digital and programmatic channels certainly plays a role, the ability for a consumer to scroll past, skip or opt-out of an advertising message, coupled with the fact that large segments of the population are spending less time on advertising supported services means that creativity in execution and sound channel planning has never been more critical for brands seeking to attract and retain new customers.

Further adding to the power shift to consumers, in 2021, Apple launched its new operating system for its devices that had increased privacy settings that allowed users to decide which apps could track their behaviour and use the data for their own purposes or to sell to other organisations.¹ Early signs are that many consumers are choosing to opt out of apps monitoring and commercialising their data, creating a challenge for some platforms, and reinforcing the fact that consumers are increasingly the ones who will decide what information is shared and with whom.





Creative shifts: putting content creators and originators in the driver's seat

The democratisation of content through platforms such as TikTok, Twitch and YouTube continued to close the gap between content creators and their audiences. Amassing large numbers of followers or subscribers creates unique and direct relationships between creators and the fans that follow them. While the content is varied, the critical fact is that time spent on these platforms is time not spent on others.

Spanning content genres including activist journalism, comedy, performance art and how-to content, content creators are speaking to generations of consumers and viewers who choose to spend their time watching content across multiple online video platforms rather than solely traditional media channels. While professionally generated content (PGC) has higher production values and very often needs to conform with specific standards and regulations, the user generated content (UGC) on these platforms does not and therefore is able to use short form, low budget video that still reaches a large audience base. Unfiltered, and to a large degree unregulated, the growth in UGC as a part of their regular content repertoire for some audiences demonstrates the power of a one to one connection and the impact it can have on the rest of the media landscape.

While this is not a new phenomenon, time spent on these platforms is increasing for the core demographics. The reality is that many younger consumers simply have little awareness of – or interest in – traditional media. On the flipside, the platforms pitched toward young people, or that distribute lightly-produced authentic content, boomed. This dichotomy is fueled by twin forces: the shift from older to younger consumers, the latter of whom are increasingly setting the trends and

dominating the conversation, and the shift from producers to creators, the latter of whom are increasingly benefitting from reward mechanisms for attracting and retaining audiences.

Across the board, creators are clawing back control, agency, and, increasingly, revenues from employers, publishers and distributors. Whether it is Substack, which helps independent writers establish a subscription newsletter service; TikTok, which makes creators out of anyone prepared to share their video; or the highly curated YouTube channels of key influencers, the ability for content creators to monetise their work without a third party (beyond the platform) puts pressure on some of the traditional players, and the business models that sustain them.

Non-fungible tokens

Non-fungible tokens (NFTs) represent a notable innovation in the ability of creators to go directly to customers. NFTs are indivisible, irreplicable blockchain-based tokens that effectively assign ownership, in some form, for a specific digital item. A robust market for NFTs has now sprung up among collectors and speculators. Key milestones in the market's development included the sale of a digital collage artwork by the artist Beeple for US\$69 million, and the sale of the first ever tweet (by Twitter founder Jack Dorsey) for US\$3 million. The NBA's Top Shot Licensed Digital Collectibles NFTs launched in June 2020 and had traded over US\$550 million for video *Moments* by May 2021. And while musicians may have missed out on live performances and the merchandise sales that go with them, the musician Grimes sold thousands of NFTs at US\$7,500 each for two short videos—the digital equivalent of signed, limited-edition prints.





Location shifts: anywhere, anytime

While mobility of content has been a feature of the entertainment and media landscape for some time, the increasing sophistication of technology – specifically 5G – means that the technology-enabled quality of the viewing, listening, reading or gaming experience is able to meet the higher expectations and demands of contemporary consumers. The delivery of high definition content, whether it is on a phone, or a HD 8K LED television, is expected to be delivered with zero lag and glitch-free – whether people are on the bus or in their lounge room.

This technology expectation is also met with an experiential one. Not only do consumers expect the technology to work wherever they are, but they also want the experience to meet with their specific requirements and personalised preferences based on their prior interactions. People do not want to be tied to a traditional method of distribution, but rather want to be able to access what they want, from wherever they are, on any device they choose.

The key media consumption locations – the lounge room, the bedroom and in transit – are changing dramatically, as the era of specific devices having control over a specific location are over. The lounge room – once the domain of linear television and appointment viewing – now offers consumers the additional options of SVOD, BVOD, Premium Video on Demand (PVOD) and gaming (to name a few), largely thanks to the growth in connected televisions and a much simpler user interface.

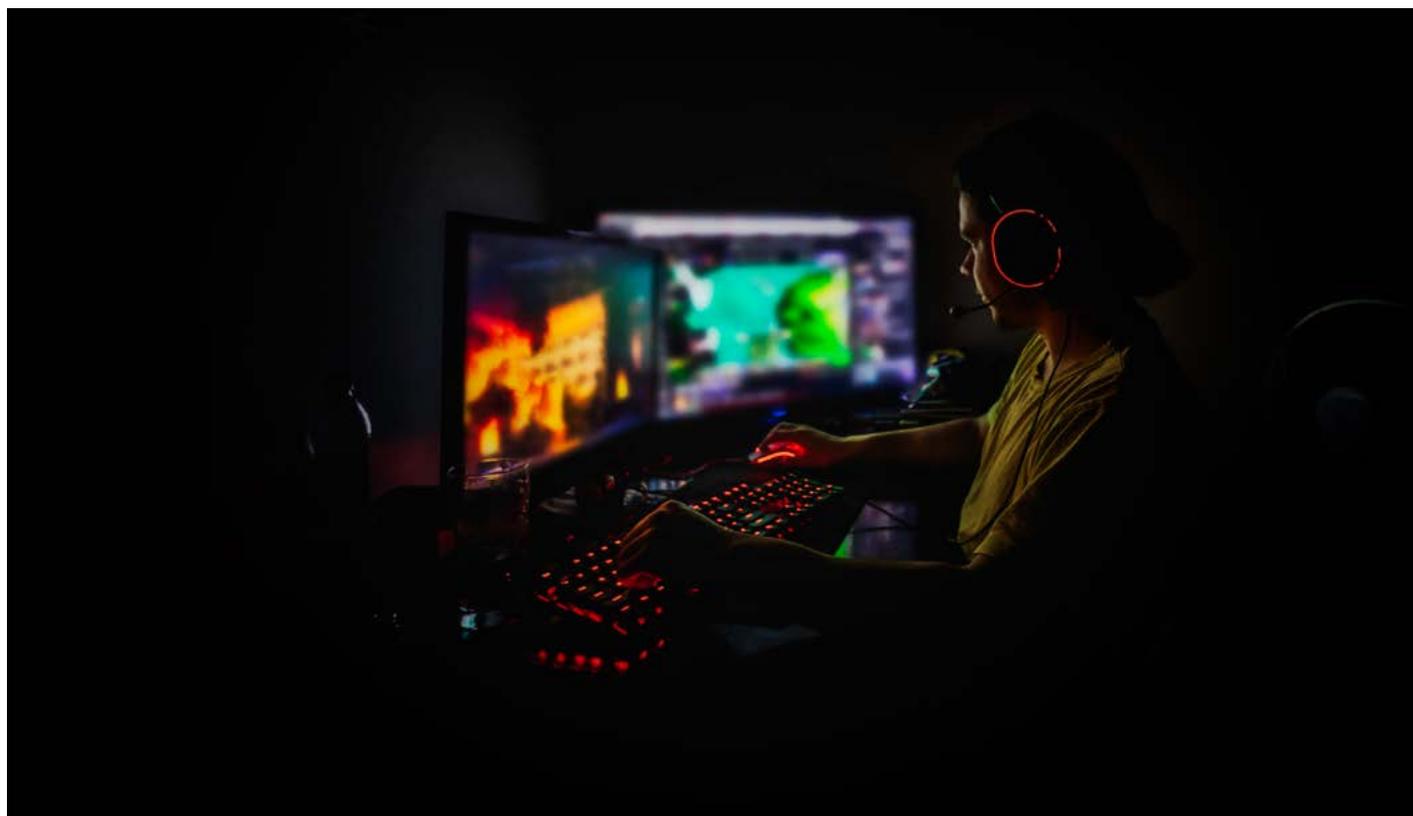
The challenge for the advertiser is to meet the consumers where they are. If, for example, companies want to meet younger consumers where they are already spending their time, that may mean including a gaming strategy in their approach.

Gaming was one of the bright spots for the entertainment and media sector during the pandemic. Total game revenues, which rose by 7.2 percent in 2020, are expected to grow at a 7.5 percent CAGR based on the midpoint forecast scenario through 2025. Traditional gaming was boosted by the launch of next-generation consoles from Microsoft and Sony in late 2020, notwithstanding supply issues of the consoles themselves. More broadly, most of the growth going forward will be in digital. Facebook Gaming and Amazon’s Twitch have all recently been active in acquiring premium games-related video content, including media rights to esports competitions and exclusivity deals with prominent games streamers. Google plans to integrate its cloud-gaming unit Stadia with YouTube, which will make games seamlessly playable by viewers of game-related content and live streams.

Regulatory shifts: the focus on market power and privacy intensifies

In the last two and a half years, Australia has been the testing ground for a number of regulatory engagements that have directly impacted the media sector, with the Australian Competition and Consumer Commission (ACCC) conducting a number of inquiries, some of which are ongoing, including but not limited to:

- Digital platforms inquiry²
- News media bargaining code³
- Customer loyalty schemes review⁴
- Digital advertising services inquiry⁵
- Digital platform services inquiry⁶





In addition to these programs from the regulator, the Federal Parliament, through the Senate, held a number of hearings directly related to the entertainment and media sector:

- Media diversity⁷
- Broadcasting Legislation Amendment (2021 Measures No.1) Bill 2021⁸
- Inquiry into press freedom⁹

While a number of these inquiries and hearings are yet to report their findings, there is no doubt that the scrutiny of the media sector, specifically with relation to the digital media ecosystem, will continue for the foreseeable future.

The news media bargaining code was by far the most documented – and felt by – Australian consumers. On 20 April 2020, the Australian Government asked the ACCC to develop a mandatory code of conduct to “address bargaining power imbalances between Australian news media businesses and digital platforms, specifically Google and Facebook”.¹⁰ Following a period of consultation, the ACCC made recommendations to the Government based on the views put forward by stakeholders. The Federal Government considered these recommendations and developed its final legislation which was passed by both houses of Parliament on 25 February 2021.

The code and its implications were watched closely by many other countries as they sought to understand the proposed approach and how it would work for all players. While independent agreements were eventually reached between the major news organisations and the digital platforms, this came only after a very public challenge, with Google stating that the code “would break the way Google Search works”,¹¹ and Facebook taking the step of temporarily removing users’ access to news content on Thursday 18 February 2021.

Given the nature of these inquiries and the ongoing focus of the regulator on privacy, fairness, market influence and related areas, their increased engagement with the media and entertainment industry in the past 12-18 months is something that is unlikely to abate any time soon.

As a result of these shifts, product and service offerings, customer engagement strategies, business models and the relative strength of participants are changing, altering the way profits are created, and reconfiguring the industry.

Almost every part of the entertainment and media sector has had to refine and adapt their offering and the business model that underpins it as a result of the new dynamics of consumer control, digitisation and the finite nature of consumers’ attention, budget and time. COVID-19 brought forward a lot of those adaptations and have created new revenue streams for those prepared to experiment, and replaced old ones where the model lacked relevance to the contemporary consumer.

A primary example of this rapid reconfiguration is the streaming boom of 2020, which has elevated the industry to a new growth trajectory. Streaming Video on Demand (SVOD) revenues will grow at a 20.4 percent CAGR based on the midpoint forecast scenario through 2025, by which point SVOD will be a US\$81.3 billion industry globally,¹² and an estimated A\$3.3 billion in this market. But there is likely a limit to the number of streaming subscriptions a household is willing to subscribe to – and people can cancel their OTT services with relative ease. The expanding array of global and local streaming services now available in Australia – including the more recent entrants such as Disney+, Binge and Britbox – is supplemented by a slew of local BVOD providers.





The stacking of multiple OTT services has triggered much debate in the industry over the maximum number of subscriptions that a consumer may be willing to take. It's an issue that brings important implications for strategy. Experimentation in areas such as simultaneous release of blockbusters on platforms and in cinema, premium pay per view content, AVOD, and live sport continue to show that the streaming platforms are not to be underestimated in their pursuit of subscribers and revenue.

Business model evolution also occurred outside the streaming providers with news media continuing on its digitalisation strategy. Ongoing development of "news as experience" across multiple platforms continues with the launch of services such as NewsCorp's "News Premium" digital service on news.com.au that promises subscribers fewer ads, member-only content and an enhanced reader experience.

However variable the impacts on segments, the outlook for revenues at an industry level remains robust.

Amid all of this, the volatility masks a certain stability. The powerful shift to digital consumption, which is spurring four concurrent and distinct power shifts, will provide a strong boost to global growth in these industries for the next several years. And as companies race to meet consumers where they are with an ever-expanding range of products, services, and experiences, the entertainment and media industries will grow more pervasive, more immersive, and more diverse.

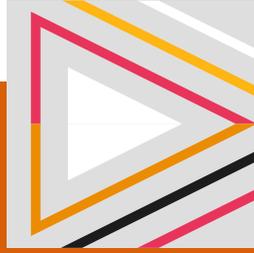
In some instances, there will be a significant asymmetry regarding the prospects for individual entertainment and media sectors. Even in the areas that offer the most compelling topline growth, like video streaming, competition is likely to change dramatically over the coming years. And all the while, the social, political, and regulatory context in which all companies operate continues to evolve.

As we emerge from the pandemic, industry players who take stock of the shifting environment,

and evolve their strategies through customer consultation, the application of data and insights and a test and learn approach come out on top.

One thing's for sure: the central role the ever-expanding array of media experiences plays in consumers' lives is not just set to endure, but deepen over time. How consumers choose to allocate their precious time, money and data across the array of entertainment and media options will ultimately determine who succeeds and grows, and who fails to adapt fast enough to make the most of the opportunities in a market where power is constantly shifting.





Getting beneath the numbers: understanding content consumption in a post-COVID world



Each year this report looks at a specific area that we believe is having an impact across the entertainment and media sector – whether it is blurring of business models, the importance of trust, a deep dive into streaming and live entertainment or a way forward from the depths of the COVID pandemic. This year, we wanted to address a number of questions that we are continually asked, and we believe will help inform conversation as the entertainment and media industry shapes a way forward.



1. People's content appetite – and its elasticity – is largely determined by four key factors:

- How their *preferences* and interests are shaped;
- What their *connection* is to the content they consume;
- How they have found specific content through *referral*; and
- How, when, where and why the content is *accessed*.

The areas explored this year were:

- What factors influence the content people consume and why?
- What content consumption behaviour has changed as a result of the pandemic and is that the new normal?
- Does the industry need to adjust the way it thinks about content production, distribution and consumption?

What became clear in our research approach, undertaken across a series of qualitative interviews and a bespoke quantitative survey, was that the simplicity of this enquiry was challenged by the complexity of the responses received. Something as seemingly simple as how someone finds their way to a specific type of content revealed layers of decision-making – some deliberate and some subconscious – that ultimately drive consumption choices. (The research methodology and approach is contained in the appendix of the report).

The research led to three main findings.

2. The type of content consumption falls into three main categories, which vary significantly by demographic, content type, time available and desired experience:

- *Routine consumption* – where content is consumed in a habitual way, often at the same time of day, in the same place and for similar reasons.
- *Spontaneous consumption* – where little thought or consideration goes into the content selection, usually filling time and requiring low concentration.
- *Planned consumption* – the most conscious and considered consumption where at least 30 minutes is set aside for the consumption of specific content, often as the primary purpose and with little interruption.

3. How people watch, listen, read and play content has changed as a result of COVID-19, with new behaviours embedding within key groups and the belief that these modified behaviors are the “new normal”.





People's content appetite and its elasticity

We define people's content appetite as their capacity and desire to consume specific content. While a distinctly personal experience, there are four key factors that shape people's content appetite and how willing they are to stretch it to try new things, or conversely, set limits regarding how far outside their normal consumption they are prepared to venture.

Not surprisingly, we found that the content appetite of younger demographics was the most elastic as they have a higher preparedness to trial new forms of content, new genres and new platforms, as routines may not yet be embedded. With elasticity comes a degree of transience and a lack of "loyalty" to one platform over another. The content truly is king in that they will go to wherever the content is, and faster if it is free.

Older demographics' content appetite is somewhat less elastic, as there are specific routine-based consumption patterns that are closely tied to day part and activity. While there is some preparedness to trial new content, it is most closely linked to a referral or a connection that hooks into a sense of nostalgia or familiarity.

Factor 1: How people's preferences and interests are shaped

There are two distinct elements that shape people's preferences when considering content. The first, and the most influential, is genre. Once a person shows a preference for a specific genre or genres, it is likely to play a major role in them exploring different facets of the genre across multiple platforms. More than generic labels such as "drama" or "comedy", these genres can become quite specific, such as "Nordic noir", "true crime", "paranormal encounters" or "romantic reality". The more specific the genre, the deeper the engagement may become as fans coalesce on social media pages to discuss recent episodes, listen to podcasts or write fan fiction.

The second element that shapes people's content interests and preferences is the motivation to consume the content. The main motivators revealed through the research were:

- **Learn** something about myself, the news, trends or the world around
- **Escape** from the day-to-day routine
- **Reward** myself with an indulgence or 'guilty pleasure'
- **Relax** by tuning out or passively engaging with the content

- **Rebalance** mental health through use of meditation/calming content
- **Connect** with others by sharing content or an experience
- **Challenge** my own thinking or life experience
- **Relieve** boredom when in between activities

While people's motivation changes depending on personal circumstance, it was clear from the research that content was often consumed as a way to rebalance mood or to create a change in mindset at any given time. This was particularly true of the rebalance, escape and relax motivations.

Factor 2: People's connection to the content

One surprising outcome of the research was the level of connectivity people have with the content they consume. In many cases, there is an implied sense of ownership over the content ("my show", "my team", "my news", "my podcast"), however the connection to content went much deeper as it played the role of companion for some people, just as it was a way to connect with their family or friends, or it tapped into a sense of nostalgia that harked back to a different time or place in their life.

Implied ownership

People's connection to content often goes deeper than entertainment in that there is a level of personal investment that leads to a sense of ownership, relationship and connection not seen across all platforms or media. The concept of "my show", "my team", "my news", "my podcast" demonstrates the level of personal investment – in time, energy and in some cases money – that people are prepared to commit, often across platforms.

By way of example, if an AFL fan follows a specific team, they are more likely to follow that team across multiple platforms and channels. Across a week, they may watch the game in person, or on linear TV or a streaming service, listen to the team's weekly podcast, tune in for a radio interview with the captain, and follow the players across social media. In this instance, the media *facilitates* that relationship and connection. This gives the media a critical role to play; as the connector between fan and team, the media too derives a halo benefit as the key connector. The better that experience, the more highly the media is valued.



Companionship

People using content as a companion while they undertake other tasks is not a new phenomenon. Radio has long played the role of companion while undertaking other activities such as driving, gardening and working around the home, just as linear television is often kept on in the background at homes even when household members were not actively watching specific programs. As more options have become available, the number and nature of “content companions” has also grown. Music streaming in the home has increased in line with its overall growth, and the advent of smart speakers has further accelerated this trend.

In a COVID-19 context, with many people forced to work at home for extended periods, there was initial growth in consumers’ desire for background noise across the typical working week. For example, terrestrial radio saw its audiences spread from traditionally peak periods of breakfast and drive across the day at the height of lockdowns. As time has progressed into the more “new normal”, for those more regularly working from home, the need to reduce distraction to enable quiet focus on their work or not disrupt calls took over as quiet time increased in value.

Family connectivity

People’s connection to specific content can be strongly influenced by the role it plays within families or close friendship groups, and not always in the same household. Content, whether it is appointment viewing on free to air television or listening to the radio or podcasts in the car, has an ability to bring people together through a shared experience. Equally, the role that adults play in ‘filtering’ appropriate content can not be underestimated as parents and caregivers have a heightened sensitivity of what is age appropriate when children are present. Research respondents noted that their level of conscious consumption around children was heightened during the pandemic, however this became more difficult to manage the longer lockdowns continued.

Children are not only a filter for content, but also can help broaden the elasticity of an adult’s content appetite by introducing them to new forms of content and access options. While not all adults are the beneficiaries of the “reverse parenting”, having a tween or teen explain the workings of social media, gaming and interactive content provides another point of family connection and may broaden the content appetite of the adult. Interactive gaming, for example, experienced a spike in consumption during the pandemic – largely attributed to new audiences giving something new a go, influenced by children and other household members.

Home-grown content and parochialism

For those not born in Australia, or from a non-English speaking background, being able to stay in touch with their heritage or culture through content is a critical part of their overall wellbeing. The range of Broadcast Video on Demand (BVOD), Streaming Video on Demand (SVOD), music and podcast options available can help promote this sense of connection and create a sense of belonging and familiarity for viewers, readers and listeners.

For the Aboriginal and Torres Strait Islander communities and the First Nations peoples, the availability of relevant content through a range of platforms – whether it is broadcast television through NITV, BVOD, SVOD or spoken word content such as podcasts – has been identified as a critical part of cultural connectivity and was highlighted during NAIDOC Week 2021 as part of the “Heal Country” initiatives.

The “localised” nature of content at either a town, city or state level can also play a significant role in consumption. The availability of local content – whether it be news, information or local stories – all add to an individual’s sense of connection to the people and places in which they live. This becomes increasingly important as people look beyond what they are seeing through social media and look for a more meaningful way to connect to “my hometown”, particularly during COVID-19 when local infection rates were essential information for residents.

Factor 3: Finding specific content through referral

The third factor that determines a consumer’s content appetite is the way in which they are referred to content. The reason why this has such an influence over appetite and elasticity is that it is the key way that new content, genres and platforms are introduced. There are three main types of referral that directly influence appetite:

Personal referral and word of mouth

Undoubtedly word of mouth referral from a trusted family member or friend remains the most powerful form of referral for content. The trust in the referral provider comes from a belief that they understand the person to whom the referral is being made, and most likely have a good sense of just how elastic their content appetite is based on their knowledge of the person and what they like to watch, read, listen to or play.

Social inclusiveness and social currency

The importance of referral as a form of social inclusiveness has gained more prominence in recent years, particularly as COVID-19 lockdowns meant that many more people were consuming similar content. In the absence of the “water cooler” talk in the workplace, the sharing of content recommendations became a big part of most people’s lives during the confinement of 2020 as content such as *Tiger King* and *The Queens Gambit* on Netflix became talking points across demographics, including through social media feeds. People felt compelled to watch the content in order to be included in conversations and social interactions. Apps such as Teleparty (formerly Netflix Party) also introduced a new way for friends to socialise by watching a movie in sync during lockdowns.

This is not necessarily a new phenomenon, but its importance was accentuated in 2020 as interactions were often limited to video conference calls, where common content watched, read, listened to or played became one of the few shared experiences upon which people could have an informed and inclusive conversation. In effect, the content consumed became a type of “social currency” in that the more of the popular content that was consumed, the more people could be included in shared experiences and discussions.

Letting the algorithm do the work... to a point

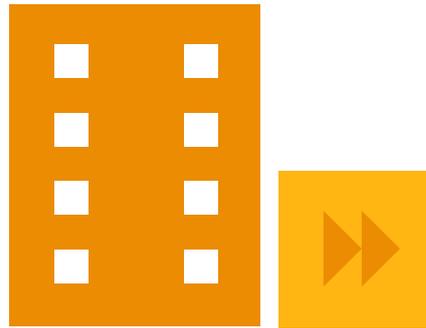
The role of artificial intelligence (AI) and the recommendation engines of the main streaming services across audio and video platforms definitely made it easier for people to find content if they were unsure of what to listen to or watch next. According to our colleagues at PwC US, “Nearly one-third (31%) of survey respondents said that easy, personalized content recommendations would be a reason for staying with a streaming service”. While there was a sense that this made the decision for consumers to find content that was within the usual content appetite, it did run the risk of narrowing the selections a person may make and many research respondents noted an “epiphany moment” when they realised that they were effectively stuck in a specific genre or category of content thanks to the AI of the given platform. The AI, or referral engine, may not evolve as quickly as the user does, especially for younger people, who are often looking to expand their appetite and are not necessarily looking to be “locked in” to a specific type of content or genre.



Factor 4: How, when, where and why the content is accessed

The ability to access the right content, at the right time, in the right place, on the right device, for the right period of time' was a multidimensional challenge within the research. There are a number of ways that content appetites can be met, but determining which component leads the behaviour varied by demographic, and more importantly, where the person was and how much time they had available.

Albeit the sequence was not always consistent, the most common decision-making process was as follows:



Location	Device	Time available	Activity	Solo or social	Motivation	Point of choice
Where am I?	What devices can I use?	How much time do I have?	Do I want to listen, read, watch or play?	Am I by myself or with others?	What is my motivation?	Selection of content

Three examples of the content selection process:

Location	Device	Time available	Activity	Solo or social	Motivation	Point of choice
On the train	Mobile phone	20 minutes	Watch Read	Solo	Relax & relieve boredom	Instagram Facebook Tik Tok

Location	Device	Time available	Activity	Solo or social	Motivation	Point of choice
At home on the couch	Connected tv	A couple of hours after dinner	Watch	Social: Me + partner	Escape and reward	Love Island UK On 9Now

Location	Device	Time available	Activity	Solo or social	Motivation	Point of choice
Outdoors walking the dog	Mobile phone	30-45 minutes	Listen	Solo	Rebalance	Walking meditation on phone app

It is important to note that much of this content selection process is done subconsciously. Initial indications from the research suggest that the more time a person had available, the more considered the selection at the 'activity' stage and 'motivation' stage. The less time they had available, the less likely they were to start a new piece of content such as a series or new program, and they will generally stay within their normal repertoire of content.

The key here for content creators and owners is knowing how to influence the choice made at specific parts of the process, be it with the availability of variable format and length content (from long-form to 'snackable' highlights as video or audio), breadth of content, quality of experience fitting the device being used, or how to connect into the relevant motivations in an appropriate and positive way.



The search for value when accessing content

People are very aware of the value exchange related to content consumption. They understand that an exchange takes place – be it monetary (subscription), time (advertising) or data (user profile information) in order to access specific content. Of interest was the role that free content played; people who have accessed a specific form of content for free need additional convincing to pay for that same content on a different platform. For this to occur, the value proposition of the paid service needs to offer more than just the content they want to consume. The experience needs to justify the cost, not just the fact that it is the way for them to watch, read, listen or play the content they want.

Free trial overcomes the barriers for many if something they want exists only on a paid platform. Once the experience delivers, their preparedness to stay is based on the motivation that the specific content fits within their repertoire, the importance to them and the opportunity cost of using that money for something else. The growth in digital news subscriptions is a good example of this in that the more fragmented and partisan the news appeared to be across multiple free digital and social channels, the more people were prepared to pay for news from a trusted news provider.

The three types of content consumption

The research also looked at the different types of consumption across what people **watch, read, listen to, and play**. We found that there are three main consumption types:

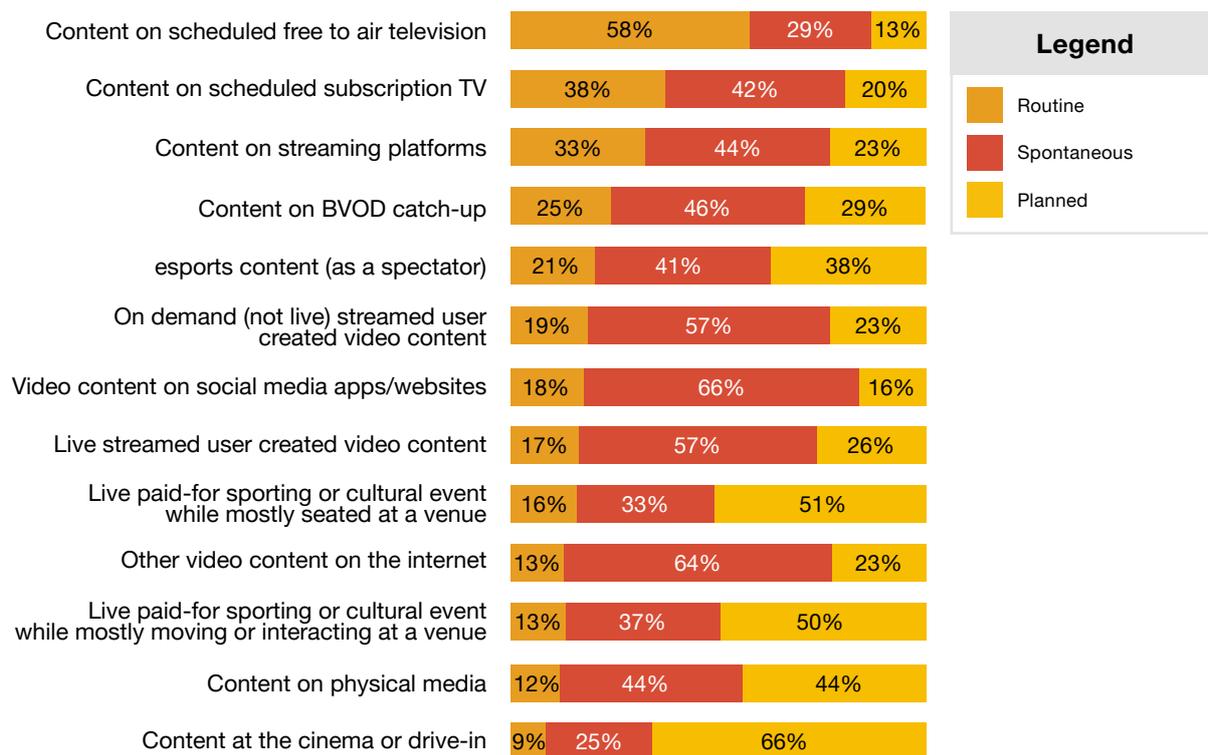
- **Routine** – where content is consumed in a habitual way, often at the same time of day, in the same place and for similar reasons. The media consumption may not be the primary activity but rather a companion to it. For example, putting on the TV news while eating breakfast, listening to the radio on the way to and from work in the car, reading a book in bed, or catching up on digital news before getting out of bed in the morning.
- **Spontaneous** – where little thought or consideration goes into the content selection, usually filling time and requiring low concentration. For example, short-form video content on YouTube, scrolling through social media, or flicking through pages of a magazine while waiting for an appointment.
- **Planned** – the most conscious and considered consumption type, where at least 30 minutes or more is set aside for the consumption of specific content, often as the primary purpose and with little interruption. For example, attending a sporting event, going to the cinema or theatre, visiting an exhibition or gallery, watching a new release film on streaming platform, reading the weekend newspaper, or binge watching a series on BVOD or SVOD platform over a whole weekend.

What was surprising in our research, was the amount and type of content that people consume spontaneously. Whether a function of shorter attention spans or multi-screening, the weighting to spontaneous consumption presents a challenge to advertisers in that the predictability of media consumption may be changing such that plans need to be more dynamically optimised.

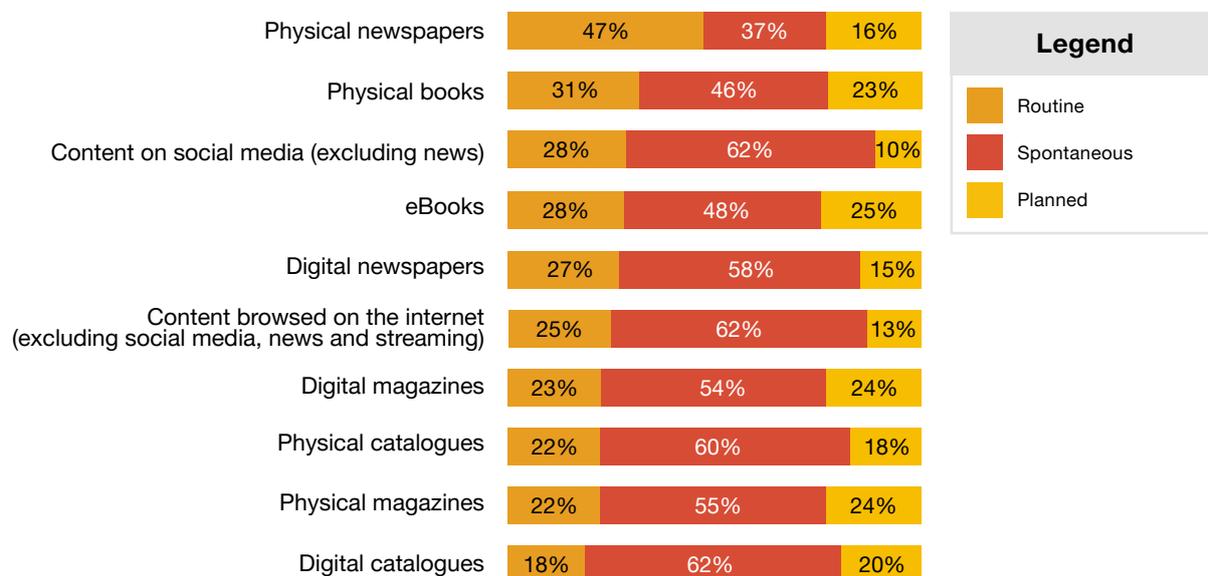
By overlaying these consumption types across the dynamics of watch, read, listen and play, a clearer understanding is gained regarding the way the content appetite, content range and consumption opportunities work together.



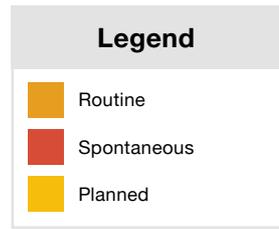
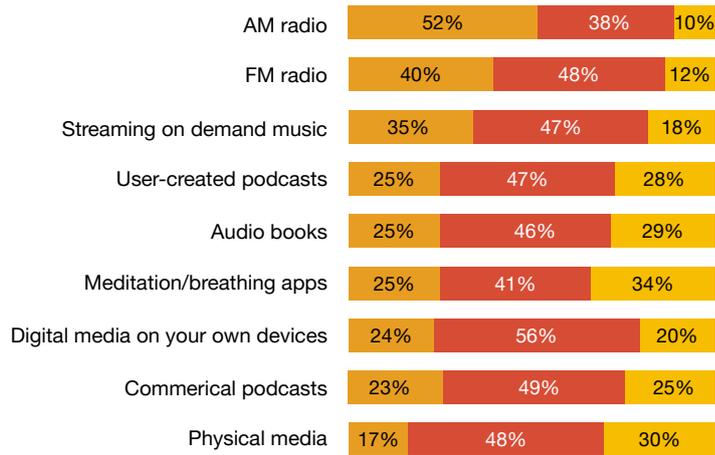
Watch



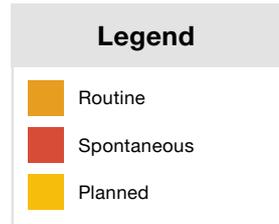
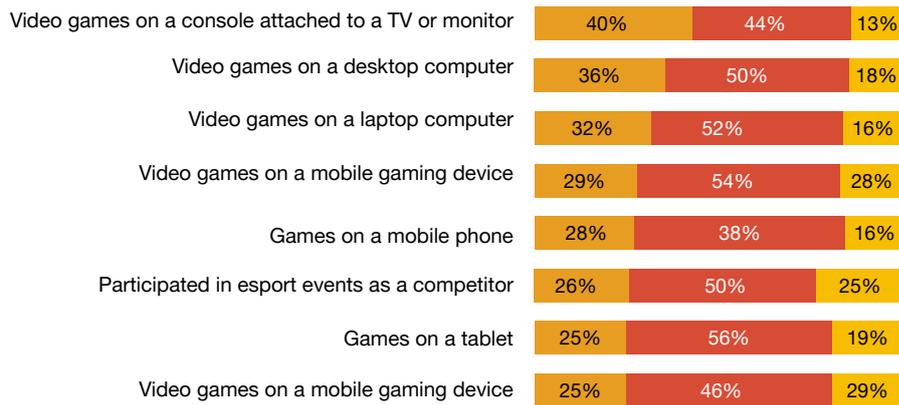
Read

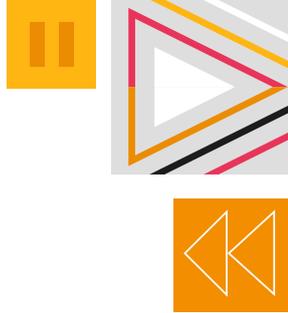


Listen



Play





What does this mean for content creators and advertisers?

There is no doubt that consumption behaviour changed across most demographics as a result of increased time at home during 2020 and lengthy lockdowns. Whether it was increased time on BVOD/SVOD watching content, more time reading news on digital platforms or less time at the cinema or watching entertainment, the range of content people consumed shifted, in many cases significantly. Whether subscribing to a new service, changing consumption routines or expanding their personal content appetite, many of these changes accelerated by the pandemic have stuck.

It is clear that the psychological and behavioural changes brought about by COVID-19, combined with the new hybrid work model that employers are adopting that reduces commuting time for many,

means how much time people allocate to content consumption, and their motivations for it, requires a deeper level of consideration and understanding by those seeking to better connect with consumers. This is true for all advertisers – from FMCG brands, to financial institutions and even governments.

There are points of relevance and impact throughout the content consumption **process** that should be considered. A word of warning – advertisers need to balance commercial objectives with the consumers’ right to choose the level of interaction they have with brands and organisations. For non-advertising environments, organisations have to think more carefully and creatively about how to make a relevant and authentic connection with audiences and consumers.

Considerations for brands when using advertising supported content/platform:

Location	Time available	Activity	Solo or social	Device	Motivation	Point of choice
Where am I?	How much time do I have?	Do I want to listen, read, watch or play?	Am I by myself or with others?	What devices can I use?	What is my motivation?	Selection of content
Being top of mind in key locations to remind consumers of the opportunity to enjoy content	Creating content in various durations that attract and retain the attention of consumers – from long- form to snackable highlights	Creating content that works in all formats, including gamified content where possible	Creating social sharing opportunities for content to increase referral and community discussion	Content developed in multi-format to optimise the consumption experience	Finding the motivation that best aligns with brand and campaign objectives	Use of AI to refer other relevant content

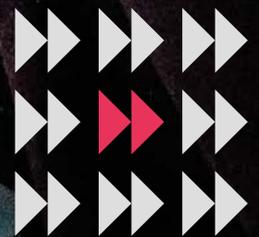
Considerations for advertisers when partnering with non-advertising supported content/platform:

Location	Time available	Activity	Solo or social	Device	Motivation	Point of choice
Where am I?	How much time do I have?	Do I want to listen, read, watch or play?	Am I by myself or with others?	What devices can I use?	What is my motivation?	Selection of content
Partnering with content creators to co-create content across various durations and formats The nature of partnership will drive type of content involvement from product/service placement through to bespoke content that delivers on brand promise			Creating social sharing opportunities for content to increase referral	Content developed in multi-format to optimise consumption experience	Finding the motivation that best aligns with brand and campaign objectives	Use of AI to refer other relevant content



From four deceptively simple questions, the research highlighted the growing complexity facing consumers in how they find, prioritise and consume content. Whether they are reading, watching, listening or playing, the device they have within reach has a significant impact on content choice, just as the motivation for consuming content drives much of the decision making. Whether a function of limited attention span or lack of planning, the amount of spontaneous consumption means that reaching the core audience may be getting more challenging as the opportunity to reach them with a message has to compete with a more fragmented, and increasingly non-advertising supported, range of choices. Gaining share of attention in this space requires advertisers to look at a multilayered planning approach that balances the critical nature of reach, with the need to obtain frequency across a multitude of channels.

While this preliminary research identified a number of insights that may help advertisers, media publishers and content creators, we believe we have just scratched the surface on what will be a much more complex battle ground in the coming years – the fight to gain and maintain attention when competition, and behavioural change as a result of the pandemic, are having a lasting impact across the industry.



Internet access

Emerging from COVID-19, operators are upgrading fixed and mobile networks to support the changes in work patterns, while governments are looking to the telecommunications industry to enable economic growth and avoid a digital divide.

Total internet access revenue showed marginal growth in Australia in 2020 while demand for at-home connectivity rose, driven by a 38 percent growth in download volumes.¹³ The total Australian internet access market was worth A\$30.1 billion in 2020, a modest year-on-year growth of 1.14 percent.

COVID-19 demonstrated the value of strong telecommunications infrastructure to governments, operators and the community, with existing infrastructure underpinning the pivot to home-working and enabling economic recovery. With a view that flexible work patterns will become the norm going forward, it is expected that a greater proportion of Australians will work from home on an ongoing basis. Whilst connectivity has been good, commitments by operators to improve the quality and reach of both fixed and mobile telecommunications infrastructure has been welcomed.

NBN Co has announced a new tranche of investment, aiming to provide 75 percent of Australian premises with speeds up to 1 Gbps by 2023.

The \$4.5 billion network upgrades that NBN Co announced in September 2020 are now starting to be executed. These upgrades will provide 75 percent of Australian premises with speeds up to 1 Gbps by 2023, through installing fibre in the last mile of the network. As at April 2020, 8.1 million homes and businesses were already connected to the NBN network,¹⁴ however only 11 percent were using speeds of 100Mbps or faster.¹⁵ More customers can be expected to upgrade to higher speeds as connectivity becomes an essential utility, but adoption to higher speeds by households and small and medium-sized businesses remains a challenge.



Fast, reliable internet connectivity underpins economic growth and the digital economy.





Government funding provides a much needed boost for regional and rural telecommunications infrastructure.

Reflecting the essential nature of internet access, regional and rural telecommunications infrastructure received greater focus and funding this period. Commonwealth and State governments, NBN Co and Telstra announced respective co-funding programs to promote better regional connectivity. Governments have either announced new programs, for example Victoria's \$626 million program to boost regional small business connectivity, or continued the execution of inflight programs, for example the Commonwealth's *Regional Connectivity Program* and NSW's *Gig State program*. Victoria's program is one of the first that specifically targets economic stimulus directly related to making investments in improved digital connectivity, with the mission to build a digital economy.

The forthcoming expansion of 5G coverage around the country is set to boost both mobile internet usage and the uptake of fixed wireless services.

The COVID-19 period has seen mobile operators continue their 5G rollouts, further boosted in April 2021 by the auctioning of higher frequency, mmWave spectrum which is needed to fulfill the 5G promise of gigabit speeds. The high capital requirements of deploying 5G has forced some operators to review funding capacity, as returns from their core mobile businesses continue to

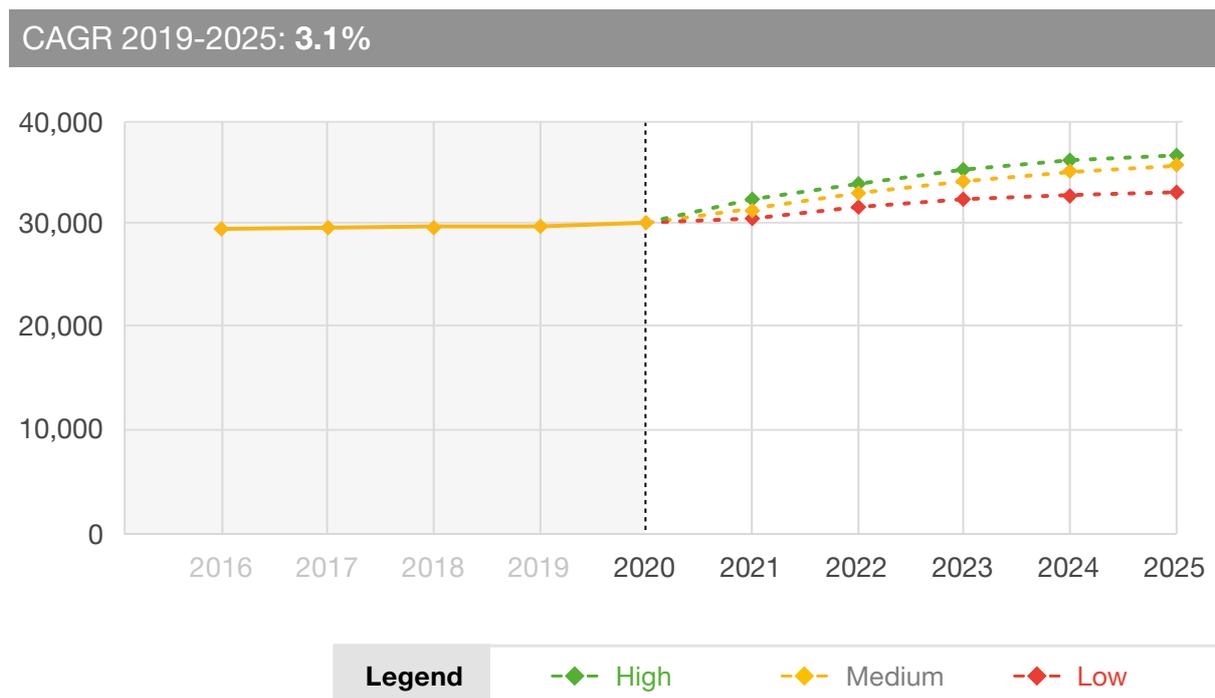
decline. This is leading to smaller operators rationing deployment to more urbanised areas. Infrastructure that is becoming commoditised will be candidates to be carved out, as operators focus on assets that provide longer-term differentiation. Furthermore, Optus and Telstra have announced they will sell their tower assets in 2021. This is expected to fundamentally change market structure, separating wholesale and retail businesses and dismantling the vertical integration that has long been a hallmark of the mobile sector.

Overall, ongoing network improvements and a resultant upswing in data consumption are expected to fuel further volume growth in 2021, with revenue growth subdued due to the prevalence of unlimited usage pricing bundles.

Q1 2021 highlights

- NBN Co is executing its next wave of network upgrade, boosting the internet access speeds to 75 percent of premises.
- Greater co-investment focus by government on internet access in regional and rural areas, in a bid to stimulate the digital economy and avoid a digital divide.
- Continued rollout of 5G, and the change in market structure with Optus and Telstra expected to complete sales of their tower assets.

Total Internet Access market (A\$ millions)



Filmed entertainment

Box-office revenue in Australia fell by two-thirds year-on-year in 2020, as COVID-19 led to a three-pronged challenge for the sector: forced closures, a lack of supply of blockbusters, and the increase in usage and prominence of video streaming services.

2020 was undoubtedly a challenging year for the filmed entertainment industry. While the lockdowns dominated much of the year, once cinemas could re-open, operators sought to innovate by hosting film festivals of reliable back-catalogue movies, movie marathons, and alternative use of their facilities. After lockdowns eased at the end of 2020 across most of Australia, there were some encouraging signs of a recovery in early 2021, notwithstanding the lower than expected performance of the Christopher Nolan epic *Tenet*. *Wonder Woman 1984* and domestic productions such as *The Dry* performed strongly in Australian cinemas, albeit with longer than normal run times, while screens in the rest of the world largely remained shut.

The pressure from the streaming giants was magnified in 2020, as audiences were forced to stay home, driving the need for innovative thinking across the sector.

The mandated closure of cinemas as part of lockdown provisions effectively tied the hands of operators, yet many used this time to refine their

approach and model. With the Federal Government's JobKeeper program allowing for the retention of some staff, the majority of operators had the opportunity to develop their value proposition in the face of the pandemic. This included preparing for a world post-COVID where core customers had not experienced cinema viewing for months and there was a need to remind them of the value of a cinematic experience in a theatre. Enhancements to seating, sound and experience continued throughout 2020 and are ongoing through 2021.

This value proposition, coupled with "only in cinema" releases and a slate of upcoming blockbusters, may help cinema begin its recovery of consumer and advertiser spend, with a total post-COVID rebound of -1.1 percent CAGR in the forecast period to 2025 based on the midpoint forecast scenario.

Perhaps the greatest threat comes not from the residual impacts of COVID-19 but the evolution of the streaming service providers. These providers experimented with the "direct to platform" model during the pandemic that bypassed the cinemas. While players such as Disney+ have said they do not see this as a permanent change in distribution, the appeal of the big screen needs to be re-emphasised to entice people off their couches and back into cinemas.

Q1 2021 highlights

- In NSW, post-COVID stimulus Dine and Discover vouchers have drawn people back into cinemas, with movie tickets one of the main uses of the Discover voucher category.
- Promotion of blockbusters such as *In the Heights* and *Godzilla vs. King Kong* as "only in cinemas" titles is drawing people off the couch and back to the big screen.



The recovery of the filmed entertainment sector will be as much driven by the return of blockbusters as it will by the confidence of consumers to return to cinemas during a delayed Australian vaccine rollout.

Blockbusters started returning in early 2021, most notably, *Godzilla vs King Kong*, which relied on cinemas' big screen and big sound appeal. What comes through the pipeline in the coming months will largely determine the speed with which the sector can recover, along with the uptake of vaccines and the audiences' preparedness to return to a cinema environment with other patrons.

The upcoming blockbuster pipeline includes a range of big titles including, *No Time to Die*, *Top Gun: Maverick*, *Black Widow*, *Marvel Eternals*, *Dear Evan Hansen*, *In the Heights*, *Ghostbusters: Afterlife*, *Space Jam: A New Legacy*, *The Suicide Squad*, *Free Guy*, *Dune*, *Last Night in Soho*, *House of Gucci*, *Sing 2*, *West Side Story*, *Spiderman* and *The Matrix 4*.¹⁶

The silver lining for the silver screen was the boom in production activity in Australia's COVID-safe environment, although faster vaccine rates in traditional production strongholds of the USA and the UK may take the shine off what has been a peak production time for local production.

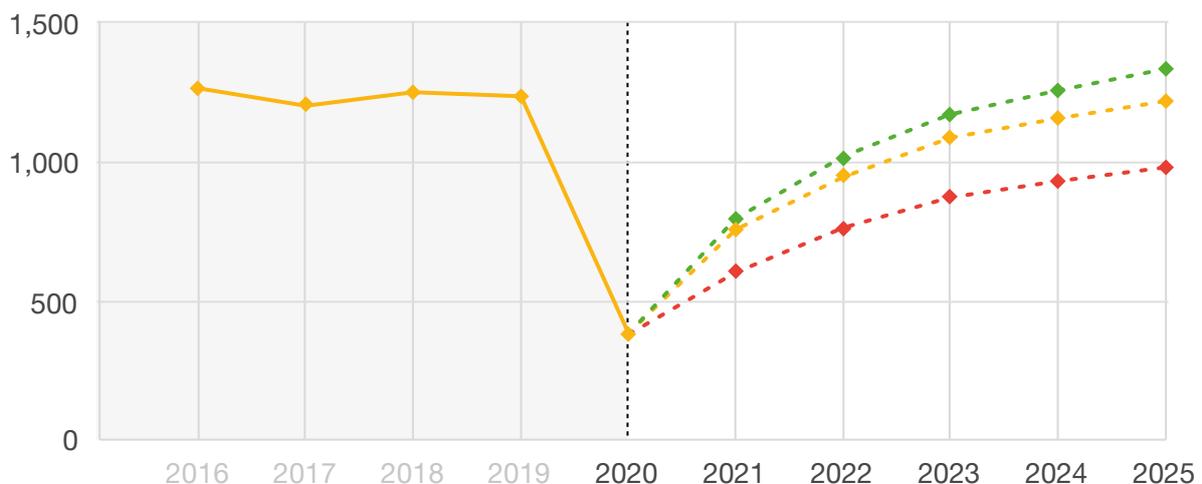
While cinema seats have been slow to refill, there has been a sustained boom in production activity. With the initial spread of the pandemic contained far more effectively, Australia began increasing numbers of international productions basing themselves in the country, attracted by the COVID-safe working environment as well as generous tax incentives.

The addition of new production facilities and studio services continues to grow. In the forecast period, it is expected that the traditional homes of production, Sydney and the Gold Coast, will expand to include the new Docklands precinct in Melbourne, as well as the new Byron Studios¹⁷ in the NSW Northern Rivers region, and most recently the suggestion of another studio in Coffs Harbour, NSW.¹⁸

Provided the supply of blockbusters – including the much delayed James Bond film *No Time To Die* – can resume, box office revenue is set to continue its recovery at a -0.2 percent CAGR between 2019 and 2025 based on the midpoint forecast scenario, reaching A\$1.2 billion in 2025.

Box office spend market (A\$ millions)

CAGR 2019-2025: -0.2%



Legend

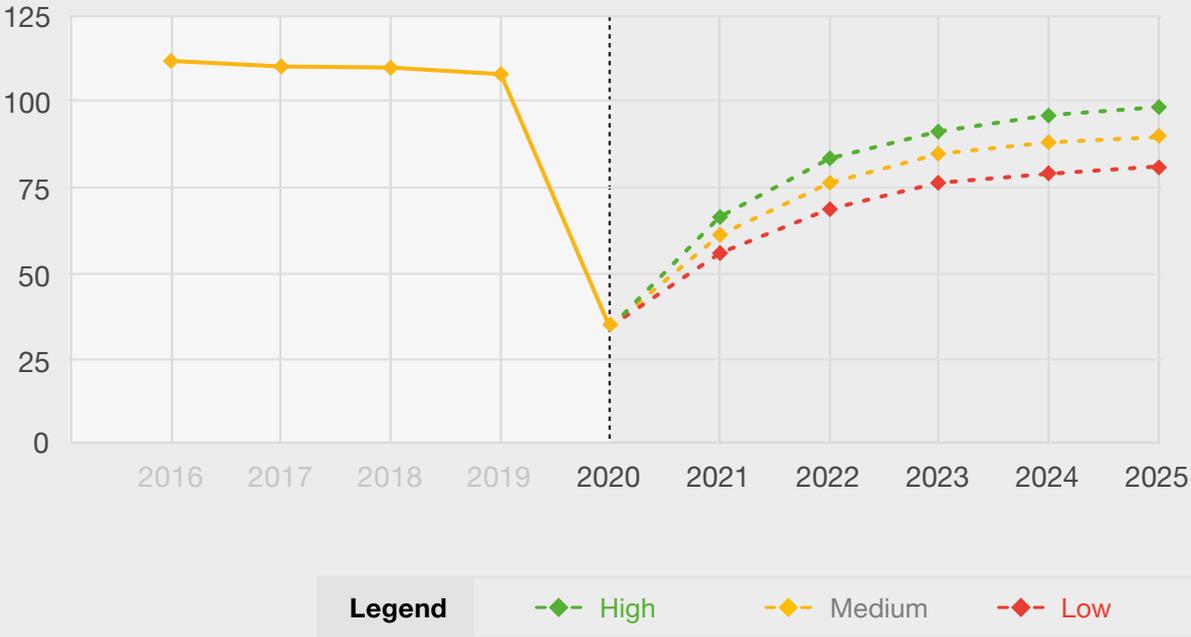
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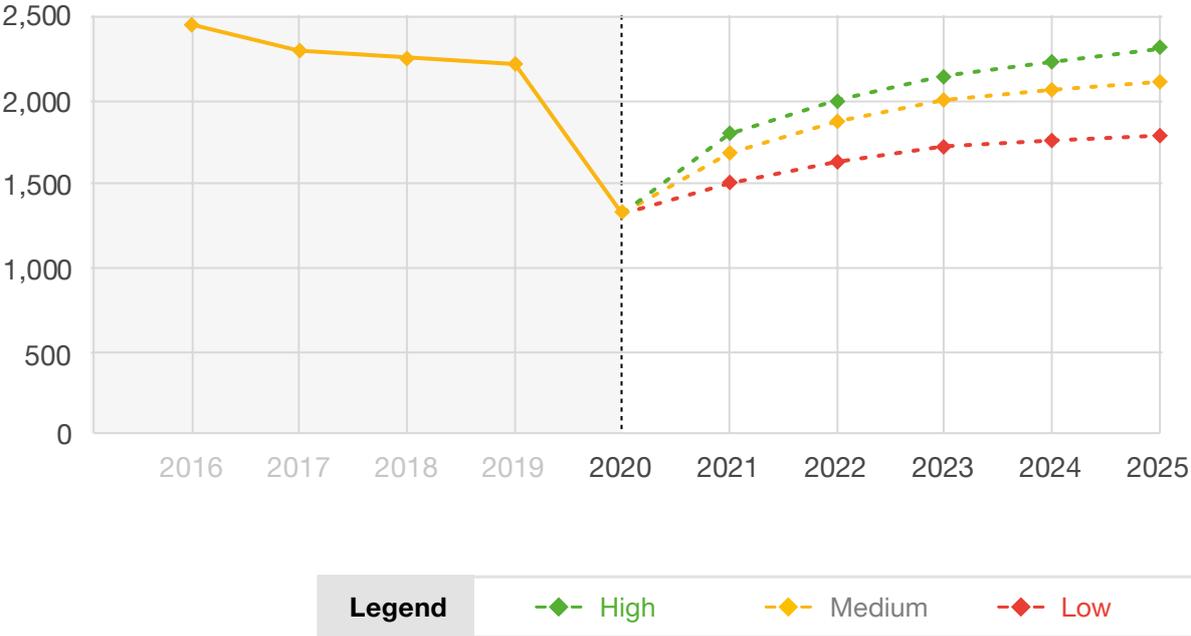
Cinema advertising spend market (A\$ millions)

CAGR 2019-2025: **-3.0%**



Total Filmed Entertainment market (A\$ millions)

CAGR 2019-2025: **-1.1%**



Free-to-air TV

Free-to-air television (FTA) networks saw a temporary increase in audience numbers during COVID-19, but revenue was detrimentally impacted as marketing budgets contracted across much of the sector. While the recovery of revenues began in late 2020, the ongoing fragmentation of audiences across FTA, Broadcast Video on Demand (BVOD) and Subscription Video on Demand (SVOD) continues to create a competitive environment for viewers' attention and advertising revenue.

The FTA television networks sustained, and in many instances grew their audience across the period of the 2020 bushfires and throughout COVID-19. In April 2020, viewing of linear news and current affairs programming was up 79 percent compared with the previous year.¹⁹ However, the time that consumers had to trial other forms of screen entertainment during lockdown, whether it was gaming or streaming video, meant that the FTA sector emerged from the pandemic into an even more competitive landscape in which the competition for audience, let alone revenue, was even more challenging.

The total FTA advertising market declined -9.8 percent in 2020 due to a significant contraction in marketing budgets. Within this number, linear TV revenue declined -12.1 percent to A\$3.1 billion, whereas BVOD offset some of this contraction with growth of 38.8 percent on the prior year, with a revenue contribution of A\$229 million.

Looking ahead, the total market is expected to return to growth in 2021, followed by a CAGR of 2.5 percent based on the midpoint forecast scenario. Linear TV will see a CAGR of -0.7 percent to 2025, whereas BVOD continues to be the growth engine for the networks with a CAGR of 32.7 percent to 2025.

At the end of 2020, the gradual return of sports to a more normalised format and schedule assisted in driving some stability in ratings for the networks.

Viewership was boosted at the end of 2020, with the AFL Grand Final in October achieving a total audience of 3.9 million²⁰ for Seven, and 1.9 million²¹ achieved by the Nine Network in November for the State of Origin deciding game.

Despite the challenges of some sporting codes moving from FTA to paid subscription services, and the postponement of events due to the pandemic, the gradual return to a more normal format and schedule saw a steadiness in viewership for the networks – with overall AFL viewership up 0.2 percent year-on-year, though NRL did shed 3.5 percent of its audience.²² This stability was seen in early 2021, though there was a short term change as the Australian Open – a tentpole in scheduling – was moved from January into February.

Supplementing the return of sports, the networks further developed their secondary channels with ongoing repositioning and refinement of content to viewers and advertisers. With the advent of connected television and increased use of digital guides, having a clear value proposition in the secondary channels is critical to keep audiences within the network stable.





Broadcast Video on Demand (BVOD) continues to experience strong consumption, however growth is expected to taper within the forecast period.

While linear TV suffered significant revenue decreases across the networks in 2020, it was partially offset by the growth in BVOD which grew 38.8 percent to A\$229 million, albeit from a much lower base. This growth was spurred by increased audience demand during the lockdowns coupled with advertisers increasingly accessing BVOD inventory via programmatic buying platforms – which offers advertisers flexibility, a differentiator compared to linear TV. It is expected that advertising buyer demand for BVOD inventory will continue to grow over the forecast period, offering an offset to the longer term lack of growth expected in linear TV.

According to industry body ThinkTV, average total monthly hours consumed on BVOD increased 39.9 percent year-on-year for the period July to December 2020, however consumption across screen types remained consistent with the first half of the year. Top performing programs included *SAS Australia*, *Bachelor in Paradise*, *Farmer Wants a Wife*, *The Block* and *The Undoing*.²³

The pressure applied by the growth of streaming services had a major impact on the whole media landscape in 2020 and into 2021.

The improved content libraries, user experience and range of programming saw Australia become one of the most competitive SVOD markets in the Asia Pacific region.

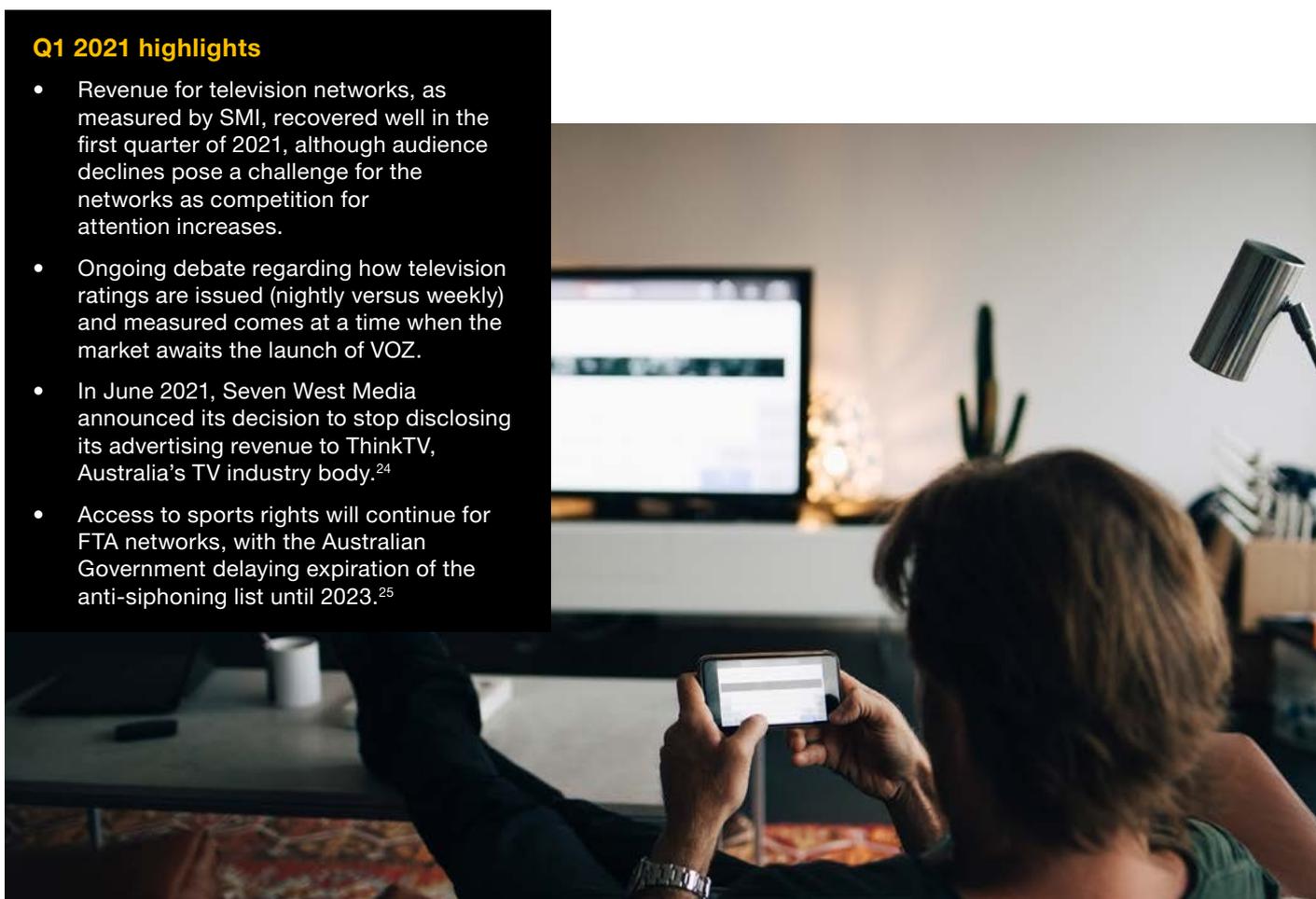
The increasing competition for audience was exacerbated by the talkability and social currency of many SVOD shows and may have been a key driver in changing people’s television viewing routines. Equally, as more people purchased connected televisions, it is clear that the biggest screen in the house is no longer the exclusive domain of linear TV, but rather an extension for all services also including BVOD, SVOD, Premium Video on Demand (PVOD) and other forms of online video such as YouTube.

Audience measurement is of increasing importance in helping advertisers better target consumers.

OzTAM has invested in expanding its audience measurement to include online ratings across connected devices in recent years. In September 2020 the company introduced connected TV data to its Video Player Measurement reports. OzTAM stated that viewing via connected TV sets accounts for around half of BVOD consumption, leaving a large proportion previously unreported. Such developments could help advertisers better target consumers via online video and exacerbate the shift away from linear TV advertising spend. The Australian market is awaiting the long-promised launch of OzTam’s Virtual Australia (VOZ) reporting platform. This reporting has been delayed a number of times in recent years but, due in June 2021, is purported to offer Australia’s first national picture of total, de-duplicated audience television viewing across both TV and connected devices.

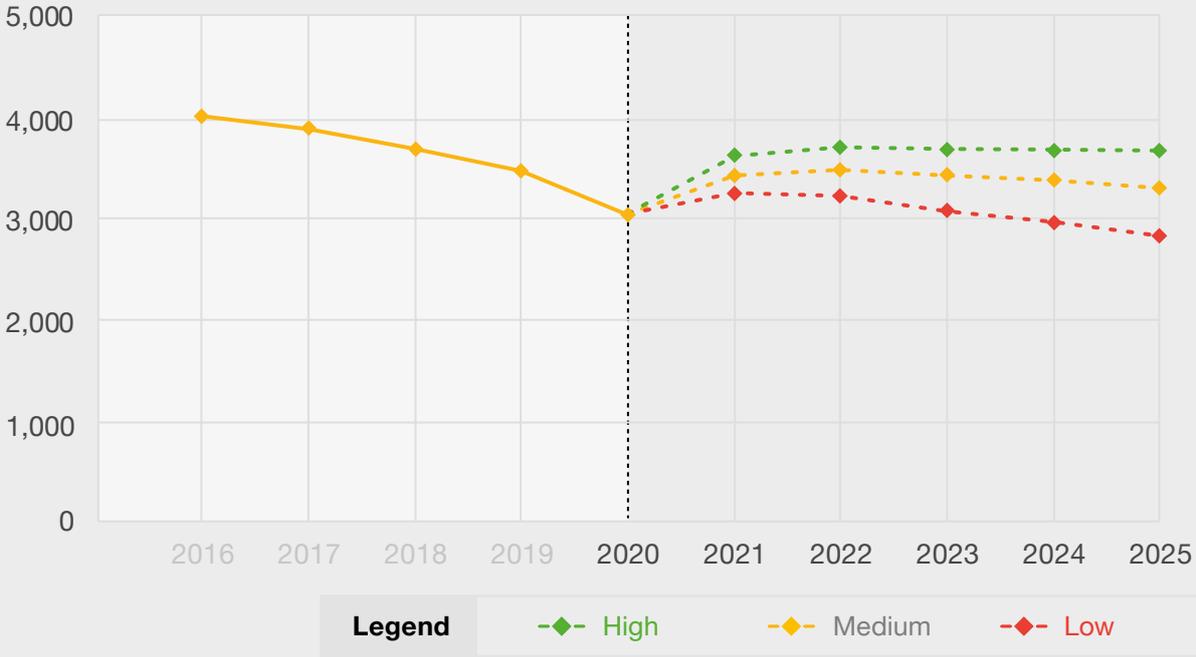
Q1 2021 highlights

- Revenue for television networks, as measured by SMI, recovered well in the first quarter of 2021, although audience declines pose a challenge for the networks as competition for attention increases.
- Ongoing debate regarding how television ratings are issued (nightly versus weekly) and measured comes at a time when the market awaits the launch of VOZ.
- In June 2021, Seven West Media announced its decision to stop disclosing its advertising revenue to ThinkTV, Australia’s TV industry body.²⁴
- Access to sports rights will continue for FTA networks, with the Australian Government delaying expiration of the anti-siphoning list until 2023.²⁵



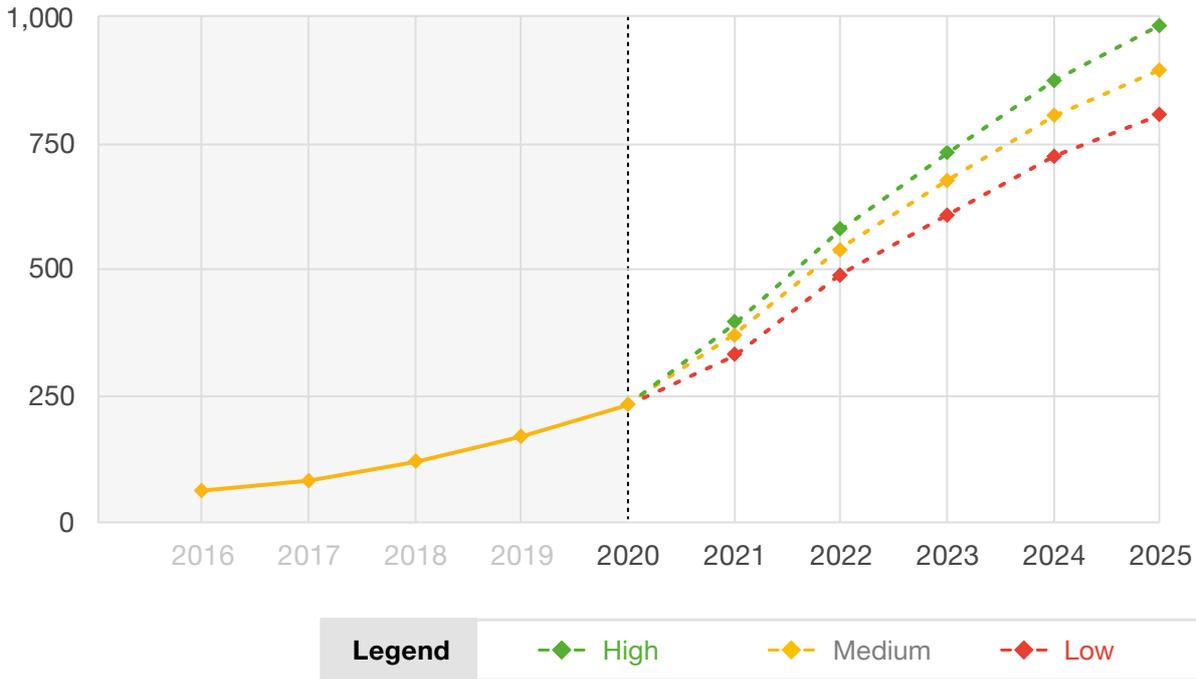
Linear TV market (A\$ millions)

CAGR 2019-2025: **-0.7%**



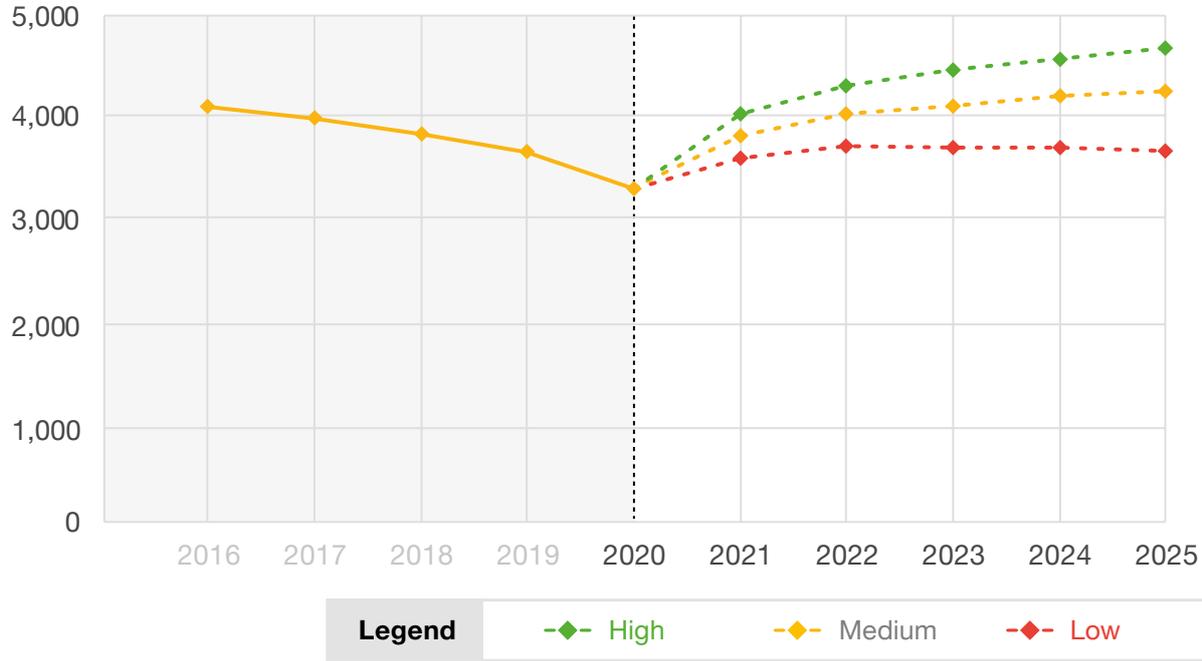
Broadcast video on demand market (A\$ millions)

CAGR 2019-2025: **32.7%**



Total Free-to-air TV market (A\$ millions)

CAGR 2019-2025: 2.5%



Interactive games & esports

The interactive games and esports market accounted for 5.9 percent of the total Australian entertainment and media market in 2020. By 2025, this share is expected to grow to 6.8 percent, making gaming one of the sectors with the highest rate of growth.

Total interactive games and esports revenue in Australia reached A\$3.41 billion in 2020, and is expected to increase to A\$4.9 billion in 2025. Based on the midpoint forecast scenario, the sector is set to grow at a healthy 7.5 percent CAGR between 2019 and 2025.

With more people choosing to play games on their smartphones as 4G speeds increase and core users switch to 5G, it is anticipated that mobile gaming will be an ongoing and major contributor to growth in this segment. High smartphone ownership and an increasingly sophisticated range of software offerings have transformed Australia into a mobile-first games market, with globally popular titles such as *PlayerUnknown's Battlegrounds (PUBG) Mobile*, *Among Us* and *Pokémon GO* all significant earners in 2020.

In-game microtransactions continue to fuel growth, now accounting for almost a third of the total games and esports revenue in Australia. This is expected to continue on a growth trajectory over the forecast period and will be a major contributor to growth, with a CAGR of 12.3 percent to 2025 based on the midpoint forecast scenario.

COVID-19 created an increase in gaming interest, both from new audiences and those Australians seeking an alternative form of entertainment, alleviating boredom and loneliness during lockdown.

Most screen-based media saw a spike in consumption during the pandemic, and gaming was no different. With major sporting events cancelled or postponed during 2020, interactive gaming and esports filled a void for consumers as a way to stay socially connected to their communities through competitive entertainment.

Despite the launches of digital-only versions of both Xbox and PlayStation consoles in recent years, and whilst physical games consoles have been on a declining trend, the release of the PlayStation 5 console in November 2020 gave the market an uplift, resulting in a -7.1 percent CAGR for the physical games console market based on the midpoint forecast scenario. Despite a world-wide shortage of consoles, Sony achieved record sales in 2020,²⁶ fueled by the pandemic lockdowns.



Australia's total esports revenue was A\$6 million in 2020, and this is set to grow to A\$16 million by 2025. This growth reflects a 21.2 percent CAGR through the forecast period from 2019 – 2025, based on the midpoint forecast scenario. Whilst esports in Australia continues growing, it is at a slower rate compared to many markets of a similar size.

The Australian esports market faces a similar challenge to the UK, in that ready access to a thriving English-language scene in the US makes it more difficult to establish local activity. In 2020, the local office for Riot Games closed its doors, citing difficulties in maintaining a competitive esports team in this market.²⁷ There is an opportunity for esports to turn the casual gamers and viewers into active participants and fans in order to grow the category. This will require a combination of broadening the appeal and accessibility of esports, as well as providing pathways for growth for those looking to take a more serious approach to their gaming experience.



The growing audience for people watching live streams of esports events can not be underestimated.

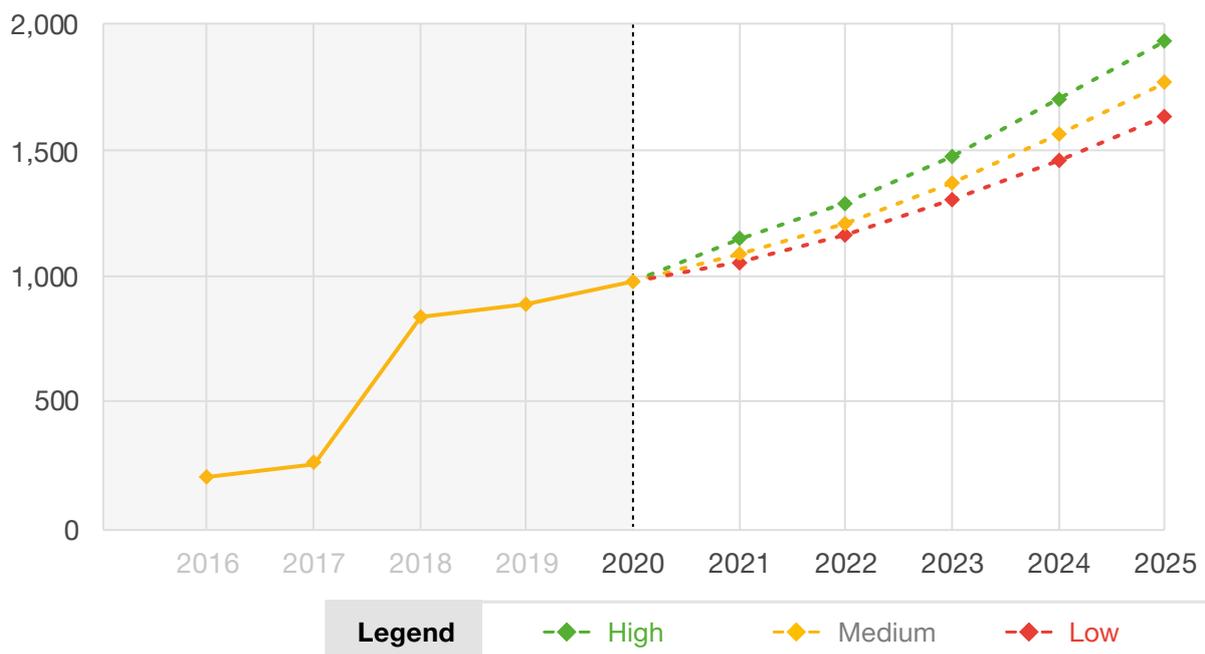
The market for gaming content, according to Adroit Market Research, is on track to be valued globally at \$US79 billion (A\$102 billion) by 2025.²⁸ Twitch has now become a leader in entertainment platforms – on average, 93 billion minutes are watched per month across 26.5 million daily users. On a daily basis, Twitch users are spending an average of three hours on the platform, compared to Netflix users who only spend an average of two hours streaming per day.²⁹

Q1 2021 highlights

- In May 2021 the Australian Government announced a 30 percent refundable tax offset for video game development, available from 1 July 2022.
- The incentive will “support Australia taking a greater share of the \$250 billion global game development market, and changes to the way Australian businesses can claim depreciation of intangible assets like intellectual property and in-house software”.³⁰

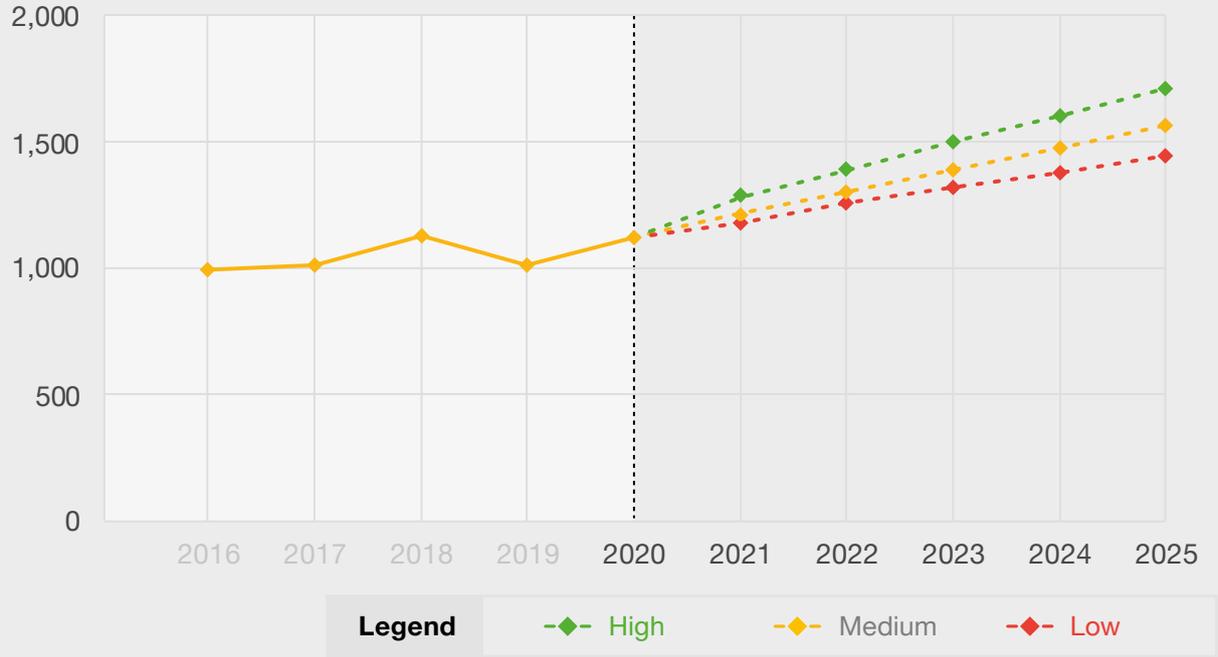
Online/microtransactions market (A\$ millions)

CAGR 2019-2025: 12.3%



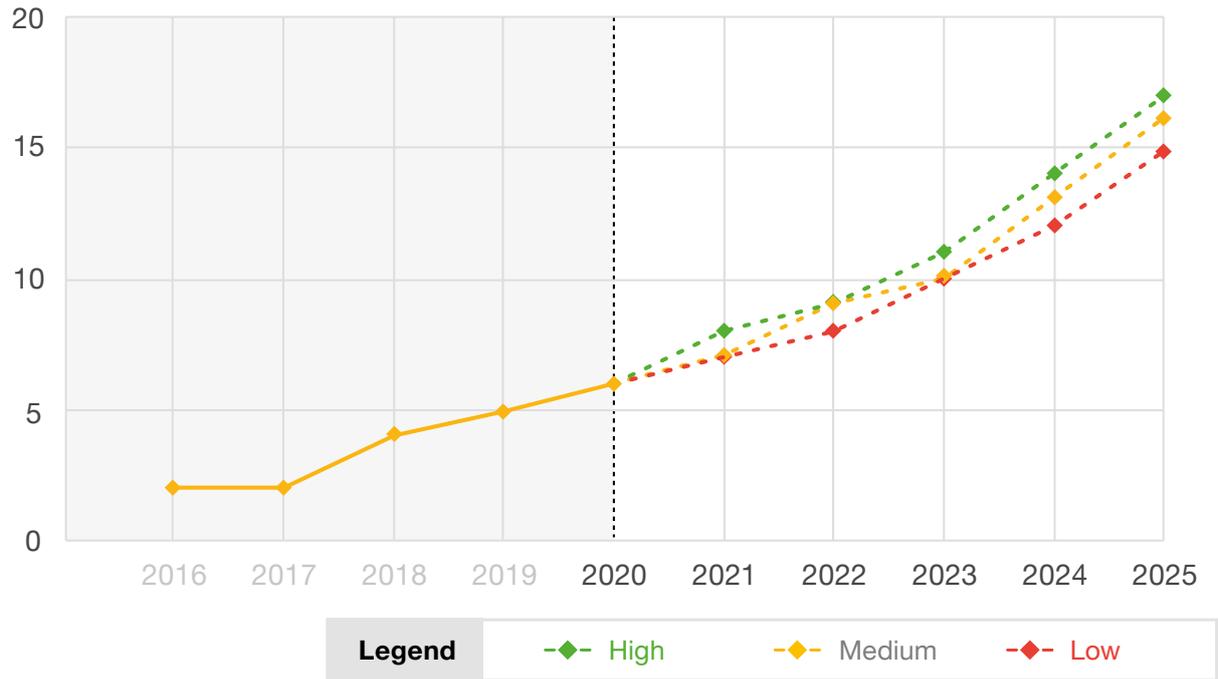
Mobile gaming revenue (A\$ millions)

CAGR 2019-2025: 7.5%



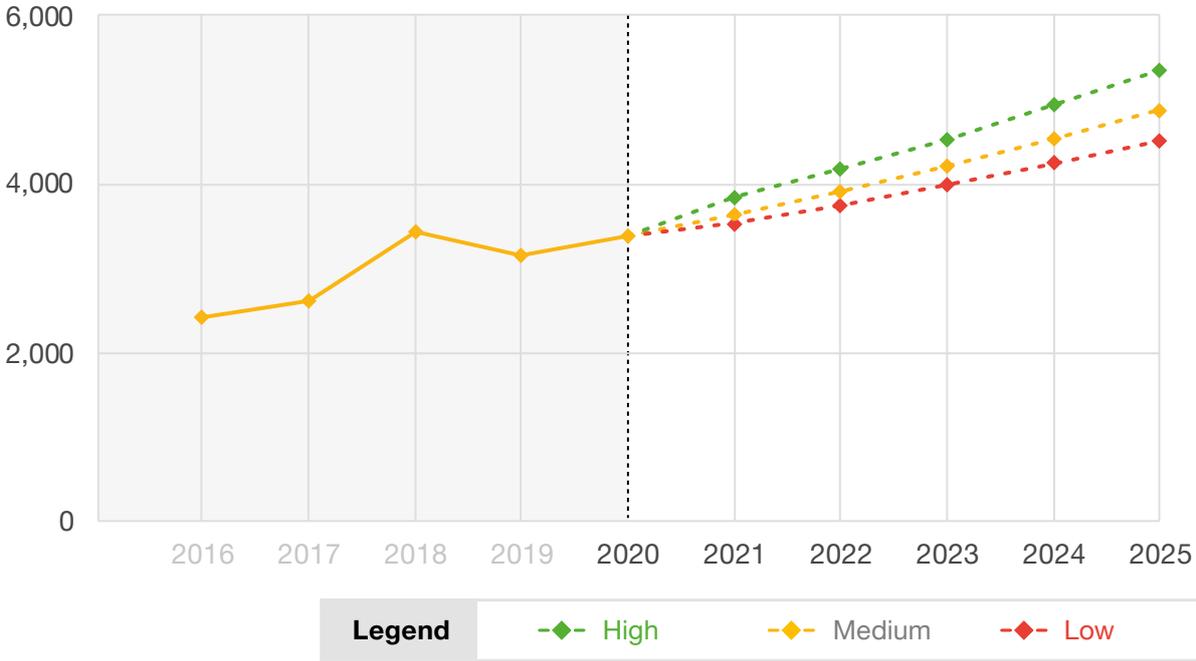
esports market (A\$ millions)

CAGR 2019-2025: 21.2%



Total Interactive games & esports market (A\$ millions)

CAGR 2019-2025: 7.5%



Internet advertising

Whilst growth in internet advertising in 2020 was relatively suppressed by the impact of the pandemic, the sector outperformed the total Australian advertising market. The internet advertising industry recorded growth of 3.3 percent in 2020, reaching A\$9.3 billion, with the industry expected to grow at 5.5 percent over the forecast period to A\$12.4 billion by 2025 based on the midpoint forecast scenario.

The internet advertising segment experienced a “year of four quarters”. The year started with a similar growth trajectory to that recorded in 2019, while quarter two bore the brunt of the impact of the nationwide COVID-19 lockdown, with many advertisers pausing investment in the face of economic uncertainty.

As much of Australia’s retail sector rapidly pivoted to e-commerce through Q3 2020, internet advertising saw an early resurgence due to its perceived ability to deliver short-term value to advertisers. Quarter four was stronger than forecast with a combination of delayed marketing investment and increased consumer confidence driving growth in all sub-segments.

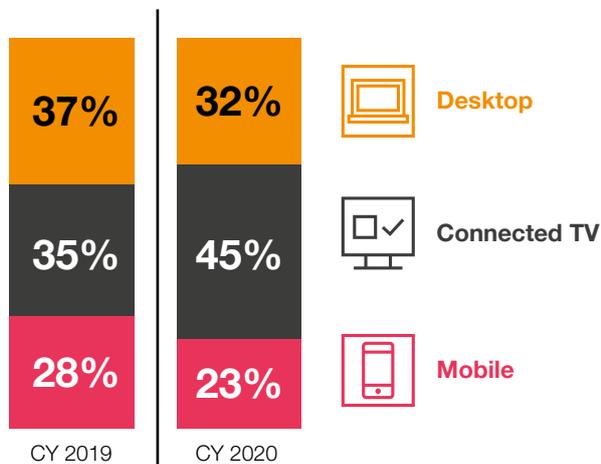
Video remains resilient and continues to drive growth in the sector, making up more than 50 percent of general display advertising revenues in 2020.

Video increased by 17.2 percent to A\$1.9 billion, making it the fastest-growing digital advertising segment. This reflects the increasing popularity of video as a content format for audiences, partially driven by the ongoing audience growth through connected TVs. In addition, a number of new opportunities were realised by the video market. 2020 was the year TikTok, and to a lesser extent Twitch, really took off, putting video creation into the hands of consumers. Consumer-generated content increased exponentially, as much of the population looked for creative outlets during lockdown. It remains to be seen, however, how these platforms will scale their monetisation via advertisers or other means.

At the height of the pandemic, advertisers demanded greater flexibility in their campaign bookings leading to an increase in programmatically-bought Broadcast Video on Demand (BVOD). The growth in connected TV ownership paves the way for ongoing BVOD growth as it allows advertisers to access the reach of a more traditional linear TV buy, coupled with modern flexibility, and in a growing number of cases, data targeting.

As the year progressed, buyers returned to the linear TV market. As free-to-air TV supply reduced, advertisers looked to BVOD and other video channels as they sought mass reach for their campaigns. This investment into video is expected to continue through 2021, with the IAB Australia finding that 68 percent of agencies expect their investment in digital video advertising to increase within the year.³¹

Content publishers’ video expenditure by device, calendar year



Source: IAB Australia Online Advertising Expenditure Report, December 2020



Search reconfigures as competition with Google grows, blurring the lines between previously distinct sectors.

While video outperformed the wider advertising market, the remainder of the Internet Advertising segment experienced ongoing change, notably blurring lines between previously distinct sectors. Search is now blurring with e-commerce as Amazon’s growth in Australia continues and is likely to be the main driver of the forecast 4.6 percent CAGR in search through to 2025, based on the midpoint forecast scenario. E-commerce is also blurring into retail media as many retailers look to commercialise their owned e-commerce platform, offering sponsored search and other formats to suppliers and other adjacent category advertisers.

Led by the pain felt within the jobs market, automotive availability within Australia and consumers’ hesitancy around house purchasing, classifieds advertising declined 7.3 percent to A\$1.5 billion in 2020... ahead of a significant bounceback in 2021.

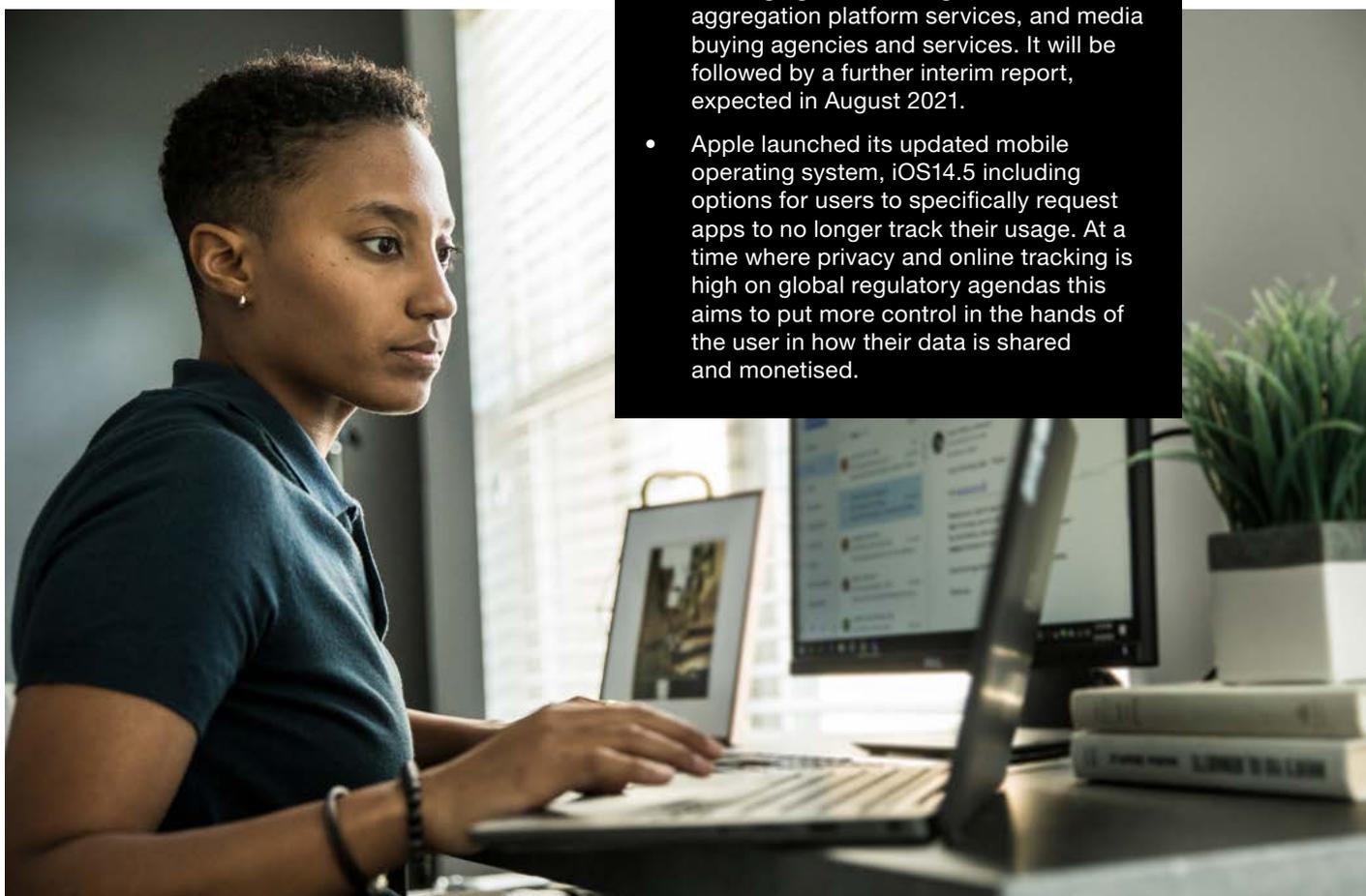
While classifieds was most significantly impacted by advertising spend cuts in this segment, it has also ridden a wave of positive consumer sentiment from Q4 2020 and into 2021. The return of job opportunities across the country and the booming metropolitan housing markets are forecast to drive a bounceback in classifieds of 4.8 percent in 2021. As a sub-segment that had previously experienced slowing growth, this bounceback may, however, be short-lived unless innovation in the space is forthcoming.

The internet advertising segment is entering a period of disruption as leading consumer-facing players, including Google’s Chrome browser and Apple announced changes to how they will allow consumer data to be collected and used – a shift towards a more privacy-centric approach.

Though Google has since delayed the implementation of its signalled change to disallowing cookies within its browser until 2023, these developments will take effect over the forecast period, and shift far more of the power over control of data into the hands of the consumer. Advertisers using online channels will grapple with these changes to tracking, segmentation, and targeting of audiences leading to a forecast decline in banner-type display advertising over the forecast period.

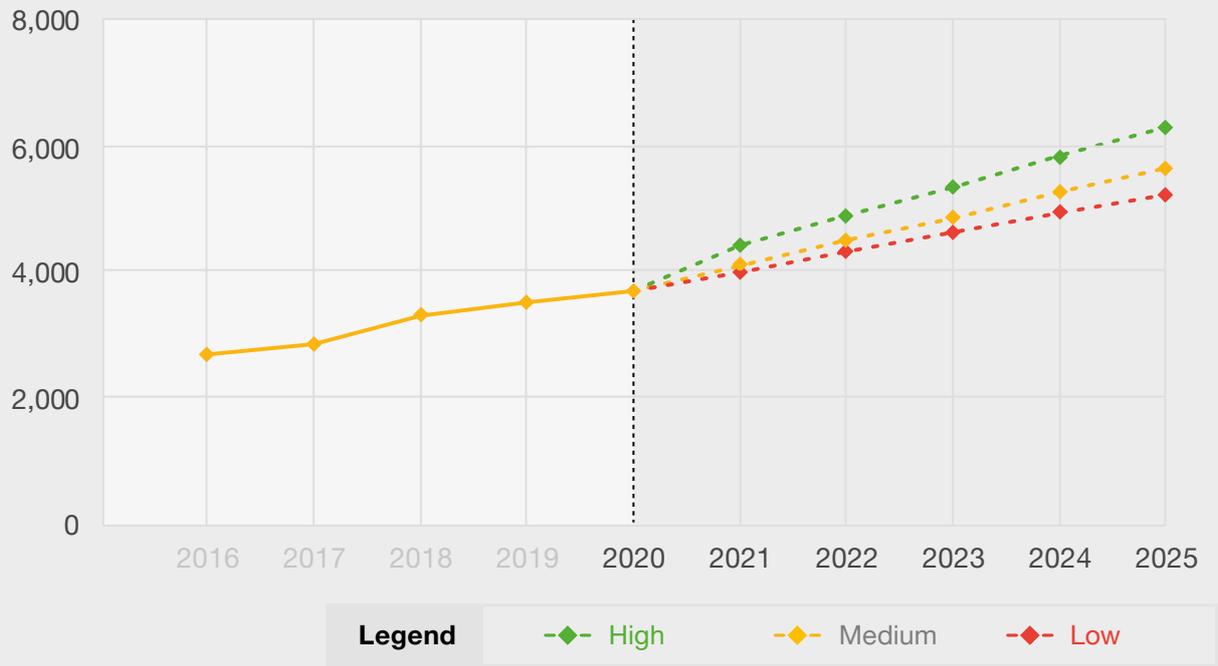
Q1 2021 highlights

- Retail advertising is surging, representing 16.4 percent of display investment for the quarter ended 31 March 2021 and is also leading video advertising investment.³¹
- Classified advertising is rebounding, reflecting the overall health of the Australian economy and increasing consumer confidence.³²
- In March 2021, the ACCC published its interim report³³ as part of its ongoing Digital Platform Services inquiry into market dynamics and consumer choice within internet advertising. The inquiry covers internet search engine services, social media services, online private messaging services, digital content aggregation platform services, and media buying agencies and services. It will be followed by a further interim report, expected in August 2021.
- Apple launched its updated mobile operating system, iOS14.5 including options for users to specifically request apps to no longer track their usage. At a time where privacy and online tracking is high on global regulatory agendas this aims to put more control in the hands of the user in how their data is shared and monetised.



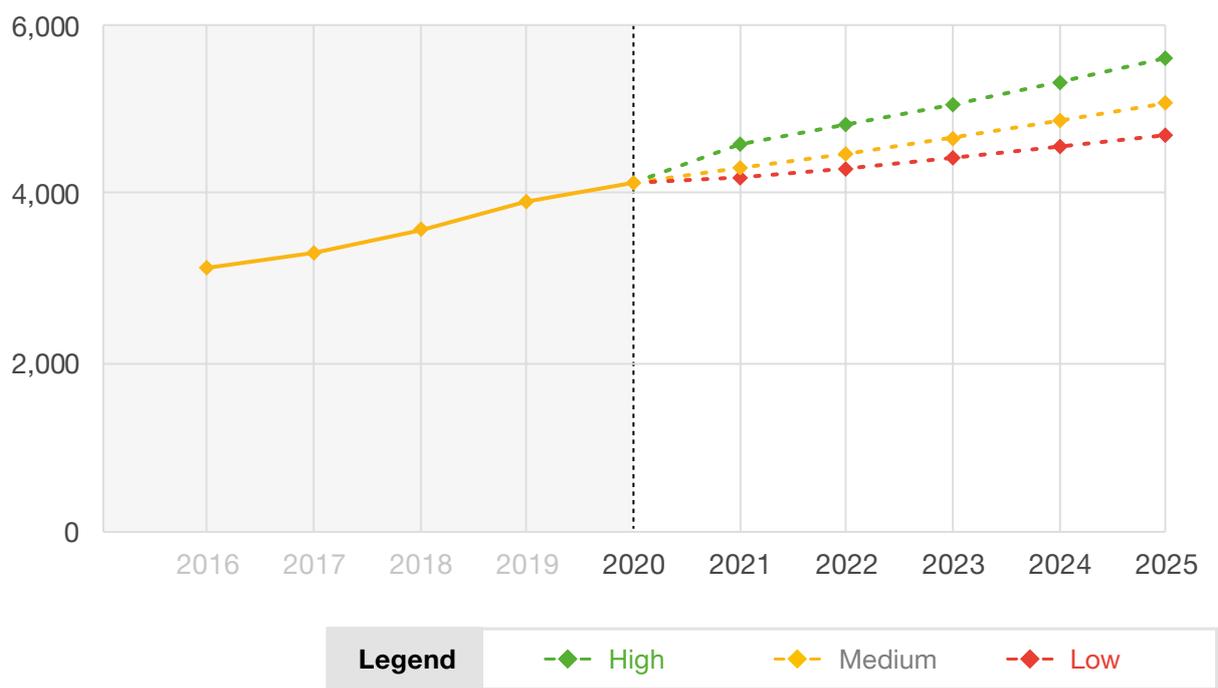
Total Display market (A\$ millions)

CAGR 2019-2025: 8.4%



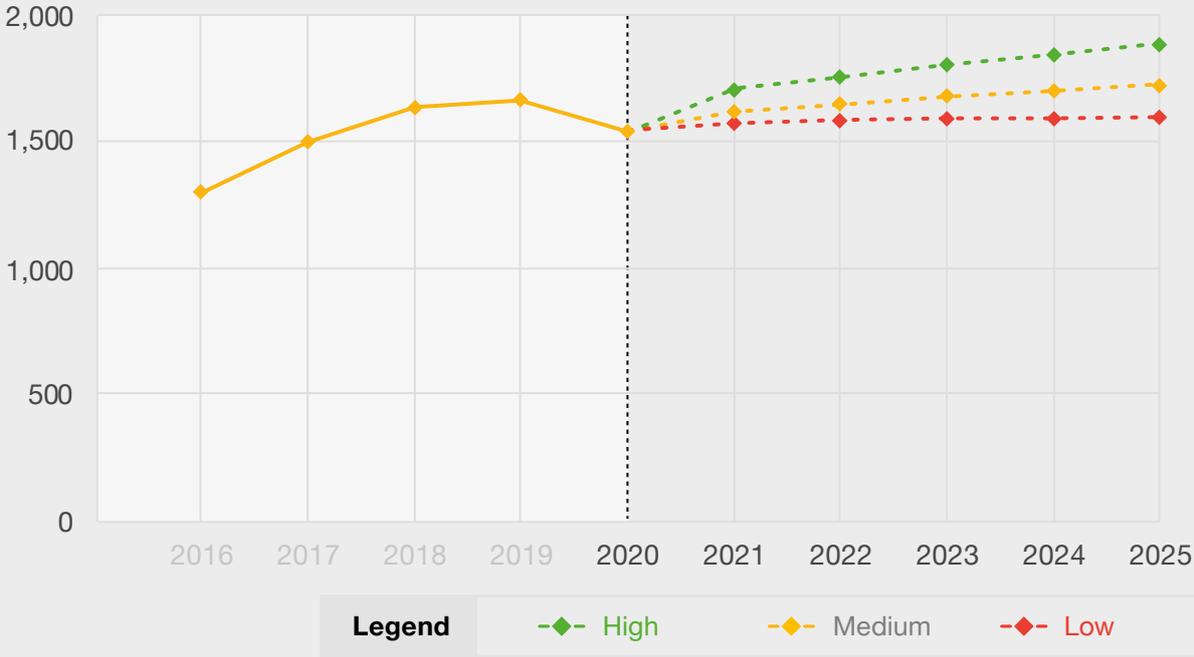
Total Search market (A\$ millions)

CAGR 2019-2025: 4.6%



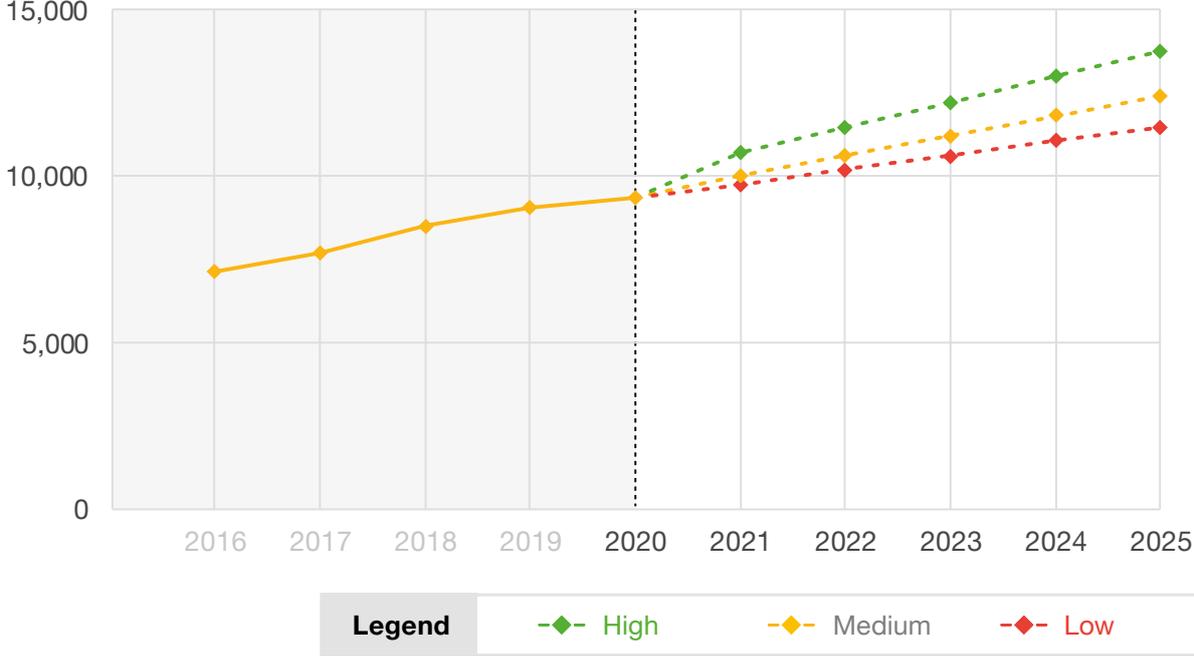
Total Classifieds market (A\$ millions)

CAGR 2019-2025: **0.6%**



Total Internet Advertising market (A\$ millions)

CAGR 2019-2025: **5.5%**



Consumer magazines

The total consumer magazines market dropped to A\$482 million in 2020, representing a decline of -27.3 percent.

The impacts of COVID-19 on consumer magazine print circulation and advertising revenue, coupled with the subsequent closure of some of the country's most popular titles, accelerated the decline of Australia's magazine revenue in 2020.

While a continued focus on digital properties will help publishers offset some of these losses, total consumer circulation revenue is forecast to decline from A\$389 million in 2020 to A\$272 million in 2025. This represents a -9.5 percent CAGR from 2019 – 2025 based on the midpoint forecast scenario, well below pre-pandemic levels. A loss of advertising revenue and logistical restrictions due to COVID-19 drove the closure of several loss-making titles, whose print versions had been suspended during lockdown.



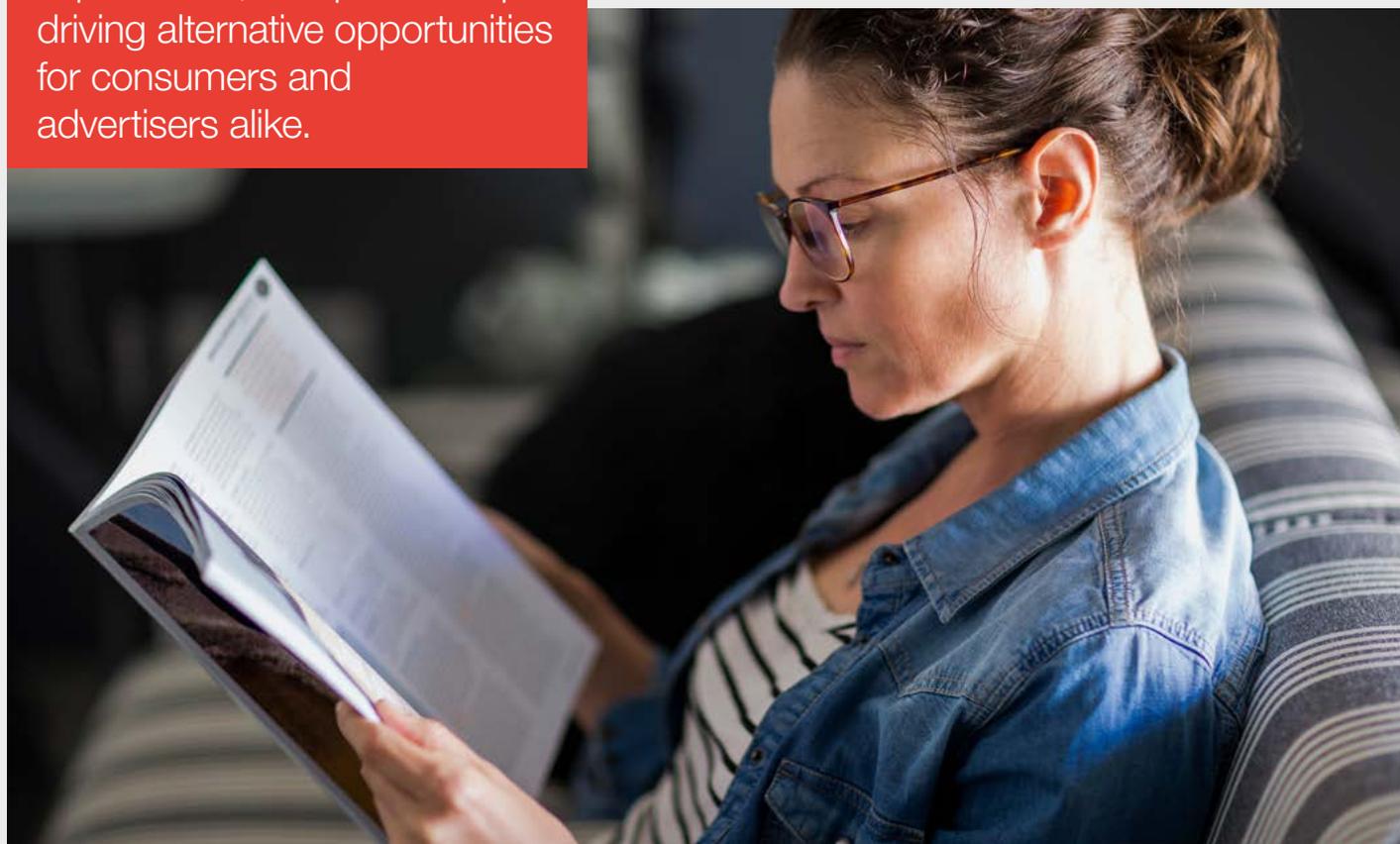
Diversification continues to be a driver of magazine revenue, with special events, experiences, and partnerships driving alternative opportunities for consumers and advertisers alike.

Are Media adopts a digital and data-led strategy following their rebrand in September 2020.³⁴

Following Bauer Media's acquisition of Pacific Magazines in October 2019 and subsequent sale to Mercury Capital, eight of Australia's best-known magazines were cut – *ELLE*, *Harper's Bazaar*, *Men's Health*, *Women's Health*, *Good Health*, *InStyle*, *OK!* and *NW*. The new streamlined entity rebranded as Are Media in September 2020.

It is believed that Are Media's strategy to grow audiences across all platforms will be digital and data-led, with Are Media's then-CEO Brendon Hill telling AdNews, "We have been focusing on our digital and data strategies, our subscription sites and ecommerce platforms... It's been an eventful year but this has positioned our expanded portfolio for success and growth next year and beyond."³⁵

One bright spot in 2020 was the return to print of *Rolling Stone Australia*, revived by The Brag Media in May. While the popular glossy fashion magazine, *Harper's Bazaar* was closed in May 2020, Hearst Magazine International recently announced that the magazine would be revived from September 2021.





Despite declining revenue, magazine consumption has held relatively strong.

According to March 2021 data by Roy Morgan, Australia's most popular paid magazine was *Better Homes and Gardens*, with an average print readership of 1.59 million, down -10.2 percent from the previous year.³⁶

The readership of the second most popular, *The Australian Women's Weekly* (1.39 million), grew slightly from the previous year by 3.9 percent. Both brands are owned by Are Media. *National Geographic* ranked third (914,000), down -21.5 percent on the previous year, while another Are Media title – *Woman's Day* – was next (699,000), down -17.0 percent.³⁷

One positive area for magazines was the growth in readership of home and lifestyle titles. *Delicious* (up 31.5 percent), *Gardening Australia* (up 34.5 percent), *Vogue Living* (up 47.7 percent), and *Money Magazine* (up 95.3 percent) all grew considerably, a result of Australians spending extended periods at home.

Diversification continues to be a driver of magazine revenue, with special events, experiences, and partnerships driving alternative options for consumers and advertisers alike. In October 2020, *Vogue's Fashion Night In* festival promoted brand partners through access to special sales, prizes, online events, and masterclasses, all available virtually during the pandemic.

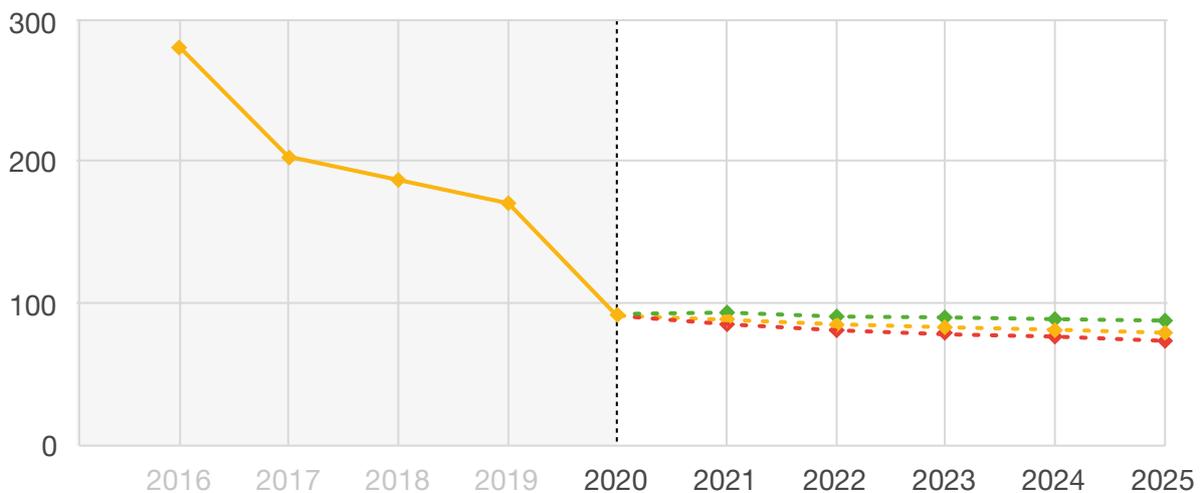
Q1 2021 highlights

Magazines move into new formats.

- In February 2021, NewsCorp's *Stellar*, a popular Sunday newspaper inserted magazine, launched a new podcast series *Something To Talk About* hosted by media personality, Samantha Armytage. Ainslee O'Brien, General Manager Commercial Networks of NewsCast (NewsCorp Australia's podcasting arm) said, "We are heavily invested in building out a portfolio of content that becomes a fixture in a listener's week, podcasts that drive habitual consumption and build a deep and genuine connection with its audience".³⁸
- It is anticipated that we will see more magazines applied into new and diversified formats as a strategy to revive the sector and feed changing consumption preferences accelerated by the pandemic.³⁹

Consumer magazines advertising market (A\$ millions)

CAGR 2019-2025: -12.0%



Legend

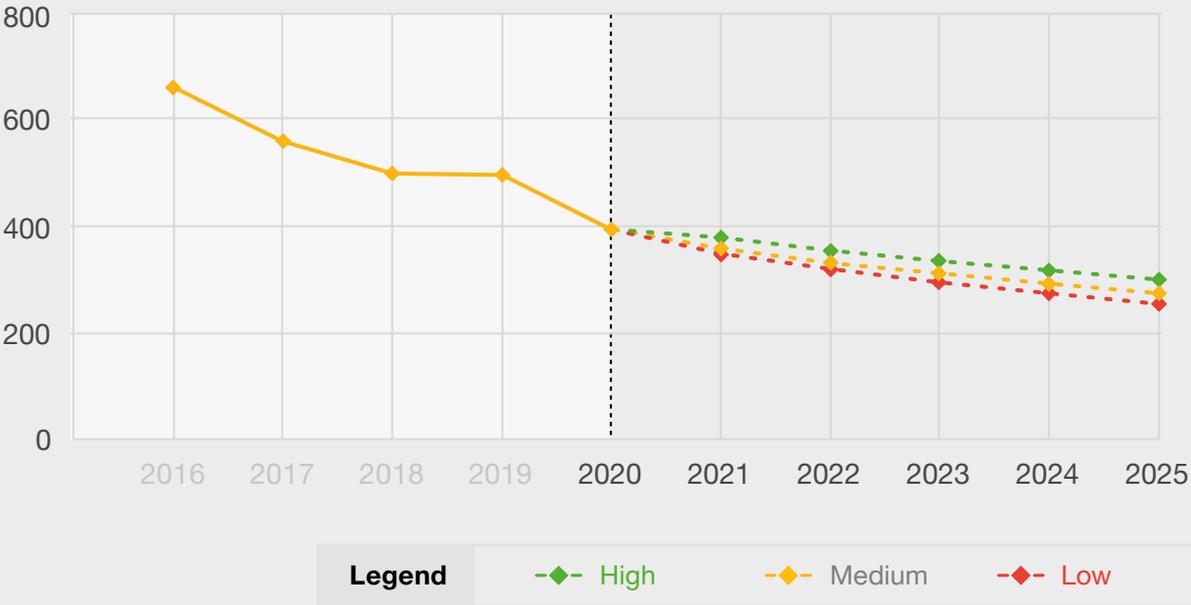
◆ High

◆ Medium

◆ Low

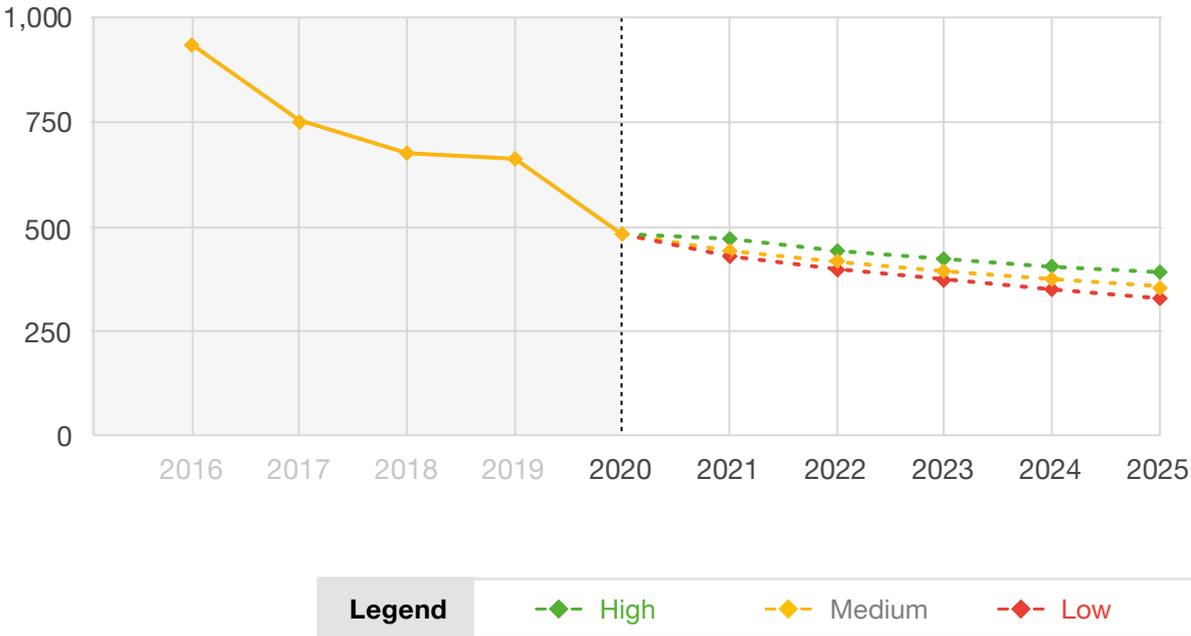
Consumer magazines circulation market (A\$ millions)

CAGR 2019-2025: **-9.5%**



Total Consumer magazines market (A\$ millions)

CAGR 2019-2025: **-10.0%**



Consumer books

Whilst the industry continues to hold its share of consumer attention with modest growth reported in 2020, competition from other forms of entertainment including streamed content is still a challenge for the industry. The total Australian books market was worth A\$2 billion in 2020 and is expected to grow modestly to A\$2.1 billion by 2025. We forecast a CAGR of 1.1 percent based on the mid-point forecast scenario.

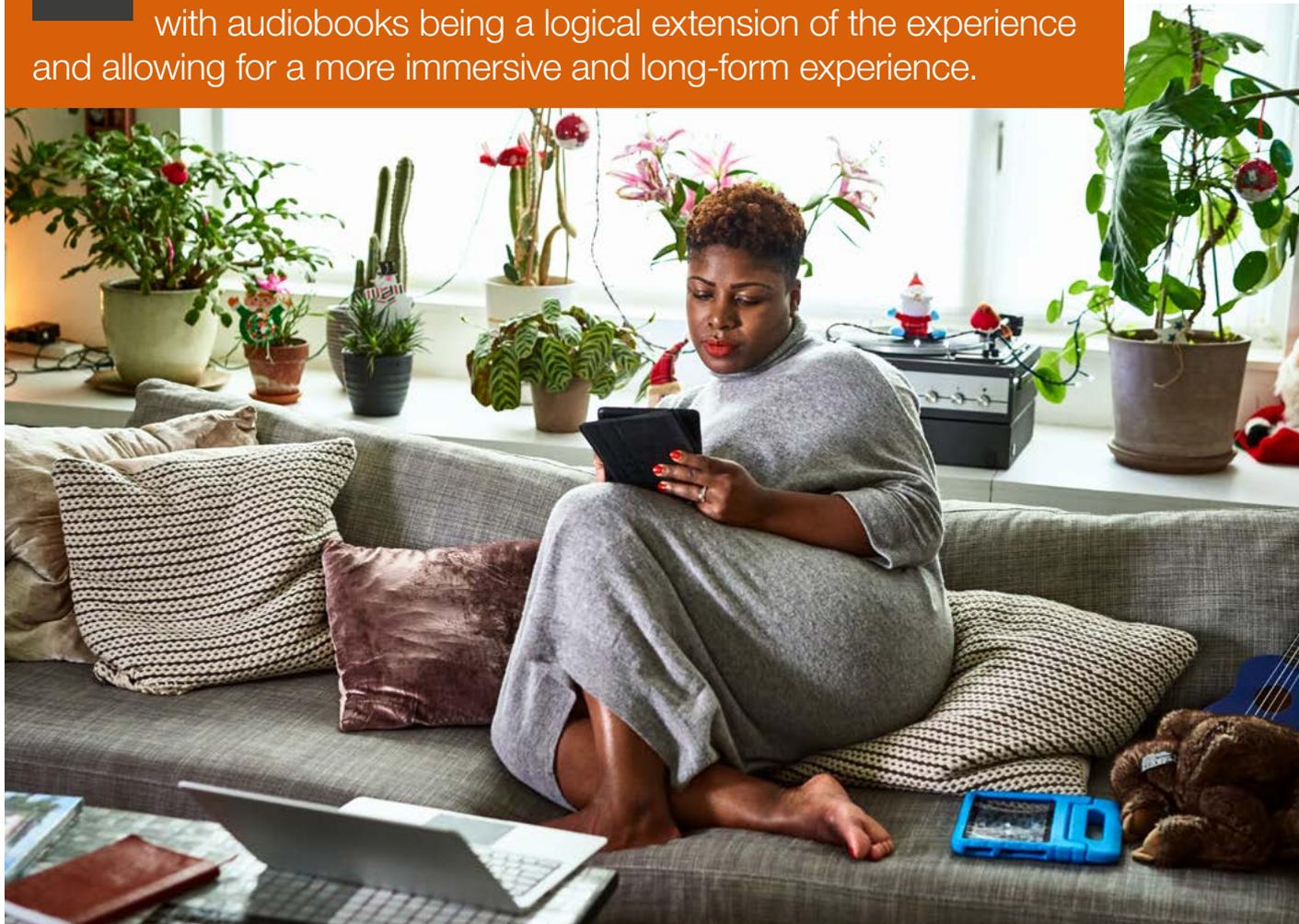
Printed books provided a reprieve to lockdown boredom, which saw online sales increase.

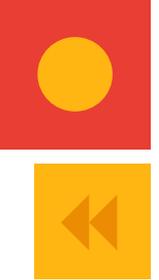
Although physical bookstores (particularly those in major shopping centres) struggled during the pandemic, online sales of printed books increased slightly during 2020, driven by the need for consumers to escape from the boredom of lockdowns. Booktopia, the country's largest online bookseller, reported a 39 percent annual increase in total units shipped – a record of 4.2 million orders – during the half year ending 31 December 2020.⁴⁰

A surprisingly popular genre was travel, albeit domestic, inspiring local wanderlust for Australians to explore their backyard whilst international borders were closed. In addition to the restriction on international travel, recent advertising campaigns such as Tourism Australia's "Holiday here this year" may have contributed to the increase in interest and popularity, despite ongoing lockdowns. Amazon.com.au listed *The Definitive Bucketlist: Travel experiences in Australia & New Zealand* and *Ultimate Road Trips Australia* as popular titles in the travel category during June.⁴¹



Audiobooks are benefiting from the behavioural shifts brought about through the increase in podcast consumption, with audiobooks being a logical extension of the experience and allowing for a more immersive and long-form experience.





Consumers continue to embrace homegrown talent when selecting their next read.

Adult fiction by homegrown novelists has always been popular in Australia, and 2020 was no different. The fourth murder mystery by crime writer Jane Harper, *The Survivors*, sold 46,490 copies in the three weeks after publication in September 2020, according to Nielsen. That was nearly double the total that her previous title, *The Lost Man* (2018), achieved in the equivalent period after its release.⁴²

Trent Dalton's *All Our Shimmering Skies*, also published in September 2020, sold 43,090 copies in its first three weeks. This figure was 770 percent higher than the comparative sales period for his 2018 debut, *Boy Swallows Universe*, – an international bestseller that has continued to perform strongly in Australia.⁴³

Global cultural movements spark interest in Indigenous content.

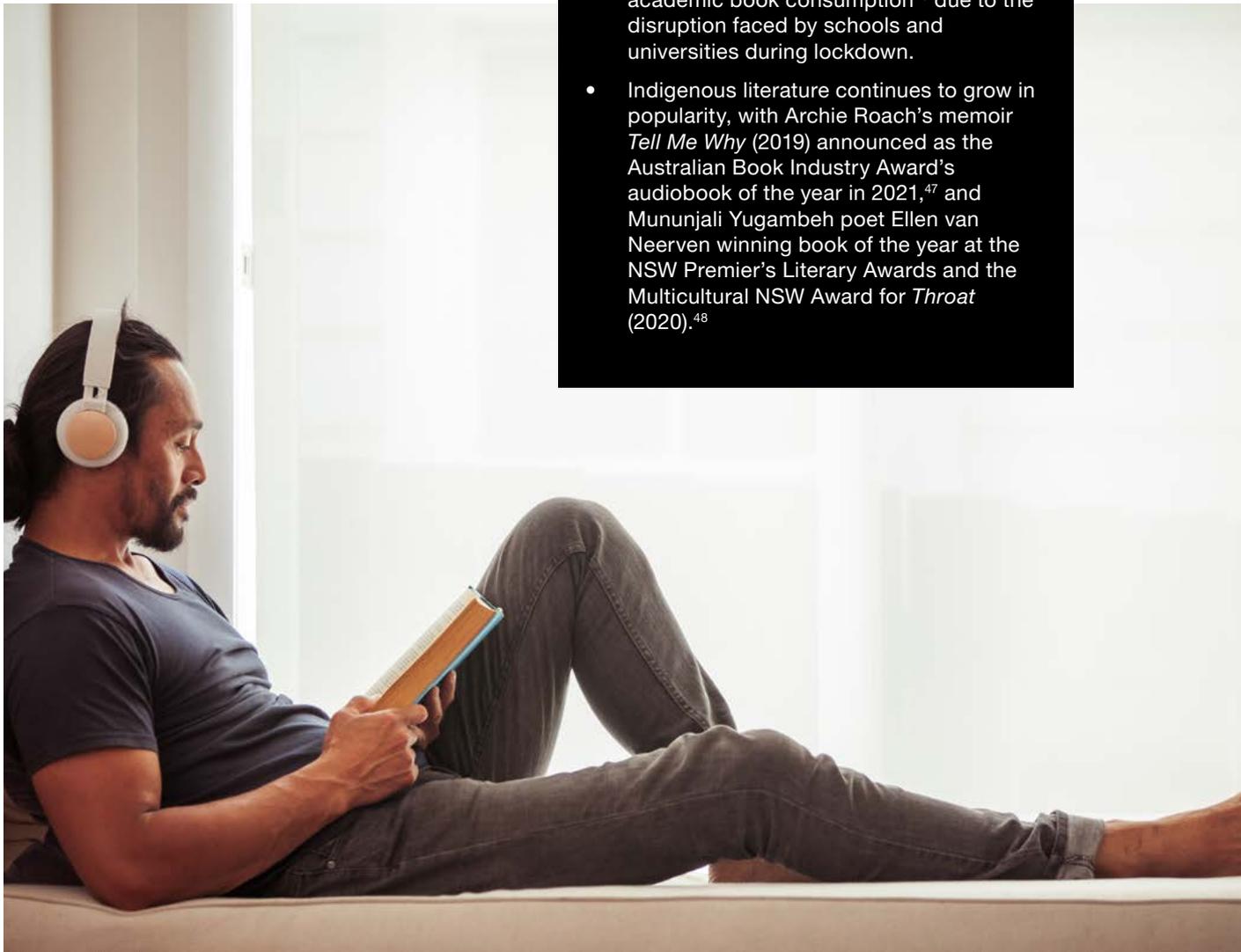
Black Lives Matter, the movement that started in the US and went global in 2020, sparked a surge in interest in non-fiction titles about Australia's Indigenous culture. Among the strongest performers were Stan Grant's *Talking to My Country* (published in 2016), Marcia Langton's *Welcome to Country* (2018) and Bruce Pascoe's *Dark Emu* (2019).⁴⁴

Audiobooks are on a steady rise, but the market is still emerging.

The audiobook market in Australia can still be described as emerging, as the relatively high price of the format has continued to restrict growth. Despite this, the Amazon-owned Audible Australia has seen its revenue grow every year since entering the market in 2014.⁴⁵ The company faced new competition in 2020 as Booktopia and Rakuten Kobo formed a partnership to offer Booktopia customers access to Kobo's audiobooks and ebooks. Audiobook revenue is largely incremental, as audiobooks do not replace, but rather complement physical books, with both formats satisfying consumers' needs at distinct times, places and usage occasions. Audiobooks are benefiting from the behavioural shifts brought about through the increase in podcast consumption, with audiobooks being a logical extension of the experience and allowing for a more immersive and long-form experience.

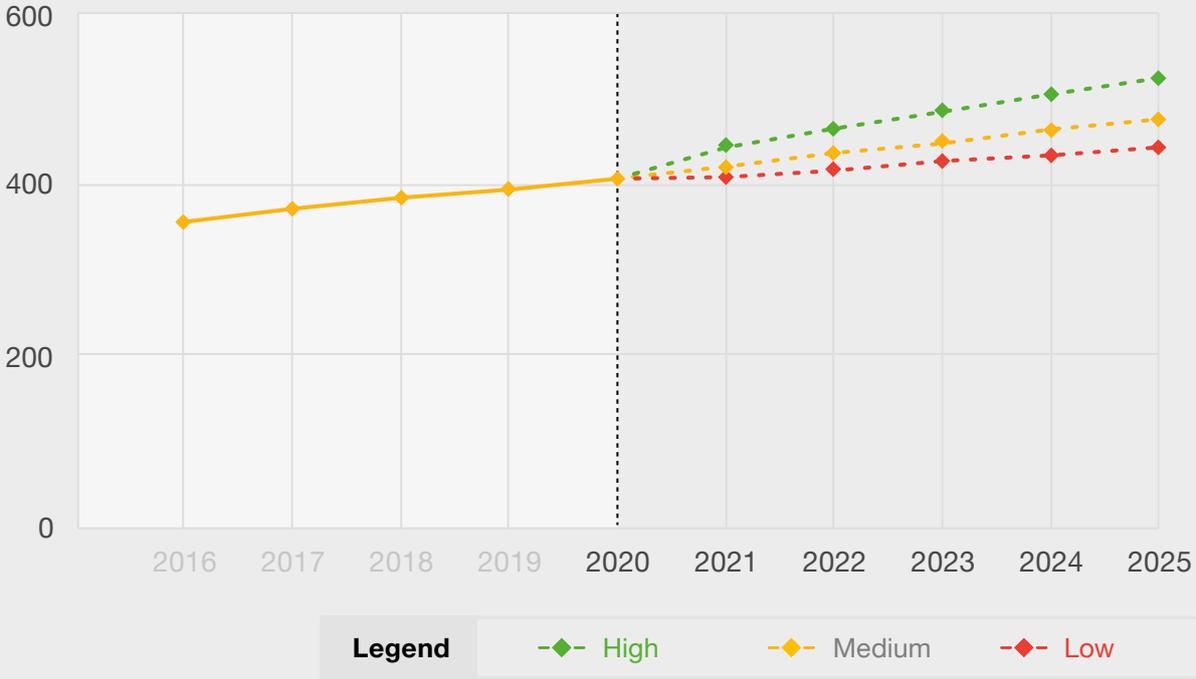
Q1 2021 highlights

- In April 2021, Booktopia entered into partnership with academic book retailer Zookal to become the supplier and distributor of its physical book sales.
- Whilst physical educational books have been declining over the last five years, COVID-19 brought about a revival of academic book consumption⁴⁶ due to the disruption faced by schools and universities during lockdown.
- Indigenous literature continues to grow in popularity, with Archie Roach's memoir *Tell Me Why* (2019) announced as the Australian Book Industry Award's audiobook of the year in 2021,⁴⁷ and Mununjali Yugambah poet Ellen van Neerven winning book of the year at the NSW Premier's Literary Awards and the Multicultural NSW Award for *Throat* (2020).⁴⁸



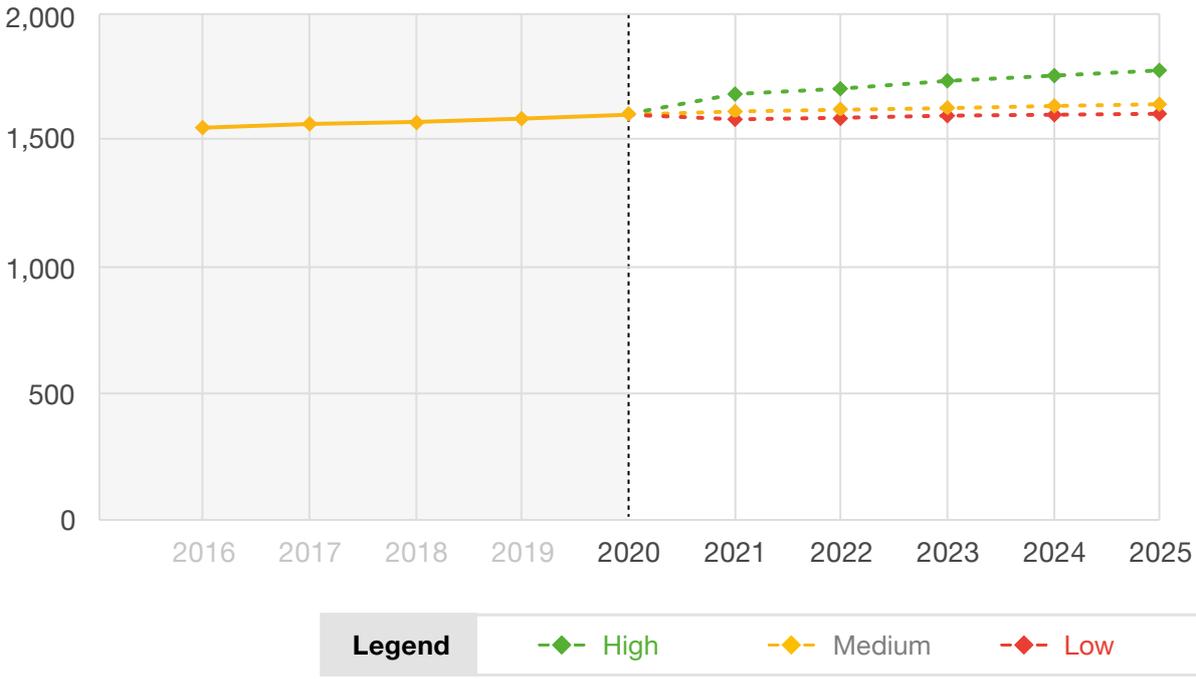
Digital books market (A\$ millions)

CAGR 2019-2025: **3.2%**



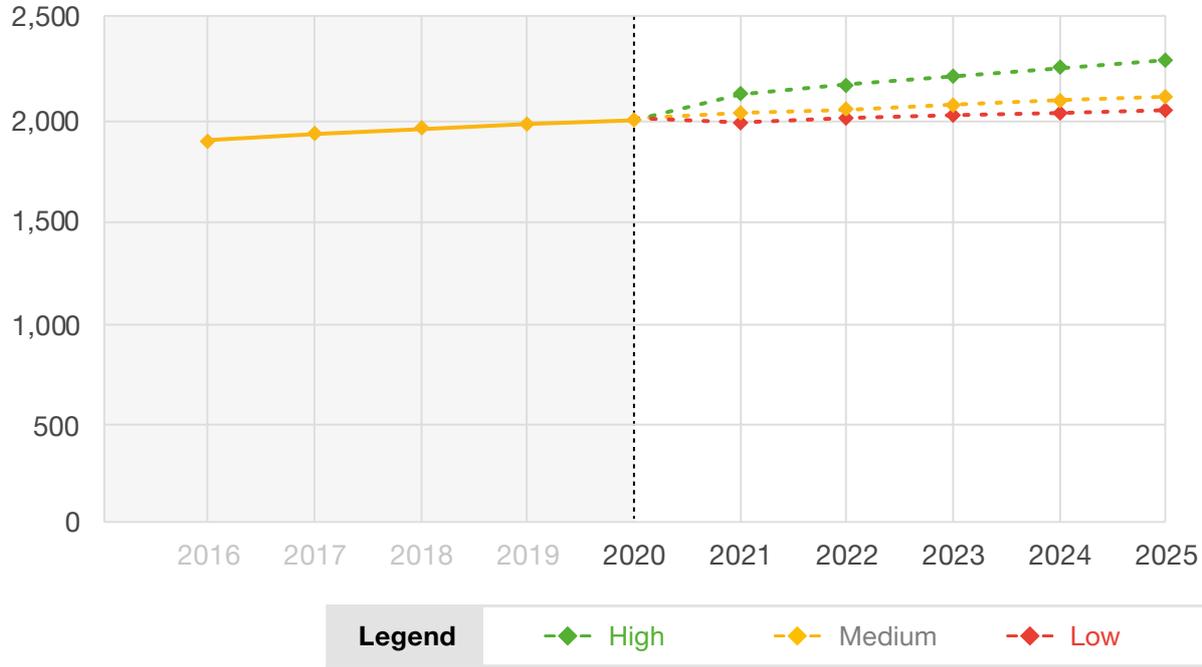
Print/Audio book market (A\$ millions)

CAGR 2019-2025: **0.6%**



Total Consumer Books market (A\$ millions)

CAGR 2019-2025: 1.1%



Newspapers

The value of news media as a reliable and trusted source of information and insight was heightened in 2020. Notwithstanding an increase in audience during the height of the pandemic, news media also felt the impact of the market-wide downturn on advertising revenue as readers increased their use of digital services to access their news.

Coming through bushfires, floods, and then the global pandemic, Australians accessed their news from a number of sources, with digital channels becoming even more critical as people sought up-to-the-minute information regarding quarantine measures, lockdowns, and vaccination programs. With 15.6 million Australians regularly engaging with news brands across platforms,⁴⁹ the immediacy of digital news is undoubtedly one of the drivers behind the increase in overall digital news consumption.

The subsequent decline of overall printed circulation and advertising revenue during 2020 occurred as digitisation plans were accelerated by major publishers. While digital advertising revenue temporarily stalled, digital circulation increased in 2020, paving the way forward for an integrated and immersive news media offering.

Leading into the pandemic, all major publishers were looking towards a predominantly digital future to compensate for the loss of print circulation and print advertising revenue, as well as meeting the readers where and when they were looking for news content. With printed circulation revenue dropping -6.7 percent in 2020 to A\$735 million, and print advertising revenue dropping more markedly by -24.0 percent to A\$882 million, all major publishers leaned into rapid transformation and a shift to a digital future.

While digital advertising revenues felt the sector-wide impact of the pandemic with a drop of -5.5 percent to A\$463 million, digital subscriptions increased 23.5 percent to A\$375 million in 2020. The University of Canberra's Digital News Report 2021 states that currently 13 percent of Australians pay for online news, below the global average of 17 percent. This means there should still be room for growth in this area, provided the positioning, value proposition and immediacy needs of potential digital subscribers can be met.

The majority of news media businesses have continued to look for revenue opportunities outside the two areas covered by this report – subscription or circulation revenue and advertising revenue. The pursuit of a bigger share of total marketing budgets has seen the news media businesses increase the number of direct relationships with advertisers to offer cross-platform opportunities that extend beyond strictly “news” and into other forms of entertainment and customer engagement within their respective portfolios. Given the specific and bespoke nature of these engagements, they are not included in this report.

Based on these trends, over the forecast period to 2025, print advertising revenue is expected to decline at a CAGR of -10.2 percent to A\$609 million, while print circulation revenue is forecast to decline at a CAGR of -5.1 percent to A\$577 million. Digital news display advertising revenue will grow at a CAGR of 3.8 percent to A\$611 million, and digital subscriptions will also grow, reaching A\$580 million, an increase of 11.4 percent CAGR, based on a mid point scenario.



Structural transformation continued across the sector in 2020, with a number of title closures as well as significant changes to printed editions and newswire services.

As reported in last year's edition of this report, News Corp announced in 2020 that a total of 112 print newspapers would stop being printed, stating that 36 would close altogether and 76 would become online only.⁴⁸ Equally, the other major players including Nine Entertainment Company and the Australian Community Media announced their own changes – whether to distribution, print centre resources, staffing or centralisation of specific functions to a shared service model – in an effort to reduce costs in the face of revenue challenges.

2020 also saw the sale of AAP's Newswire Service, which was followed by the launch of News Corp's NCA Newswire to service multiple News Corp properties and media assets. While AAP was able to gain a level of support for their ongoing role, it is clear that the consolidation of news resources is a strategy that will deliver cost savings and a more tailored news program to major publishers.

The trend towards the integration of print and digital for news media accelerated in 2020 with Enhanced Media Metrics Australia (emma) moving to a "Total Audience" reporting system delivering print figures alongside digital for each masthead. The 2020 emma audience figures showed that readership of digital news grew by 8.1 percent in 2020 and cross-platform readership by 2.3 percent.⁴⁹

2020 was a year in which regulatory matters took centre stage, most notably with the ACCC report into the role of the major digital platforms in the distribution of news content, followed by the hearing into media diversity in early 2021.

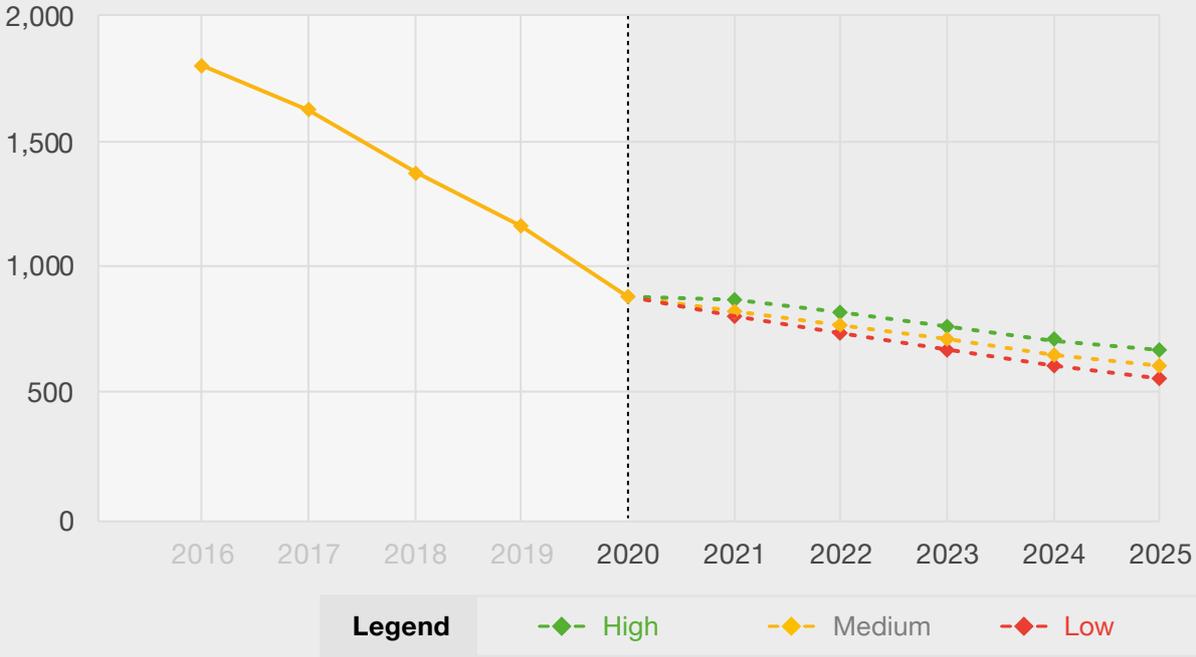
In 2020, the Government directed the ACCC to develop legislation to address the alleged impact of Google and Facebook within news media.⁵⁰ This legislation passed through the Senate in early 2021 and seeks to create revenue-sharing deals between Google and Facebook and large news media companies for the use of their news content. Since the legislation passed, there have been numerous announcements of revenue-sharing deals between news media publishers in Australia and Google and Facebook, although the intricacies of these deals are not public.

The Senate also held a hearing into media diversity following an online petition by former Prime Minister Kevin Rudd. The hearing heard from a range of players from across the media sector including former politicians as well as the major media providers in Australia.



Newspaper print advertising market (A\$ millions)

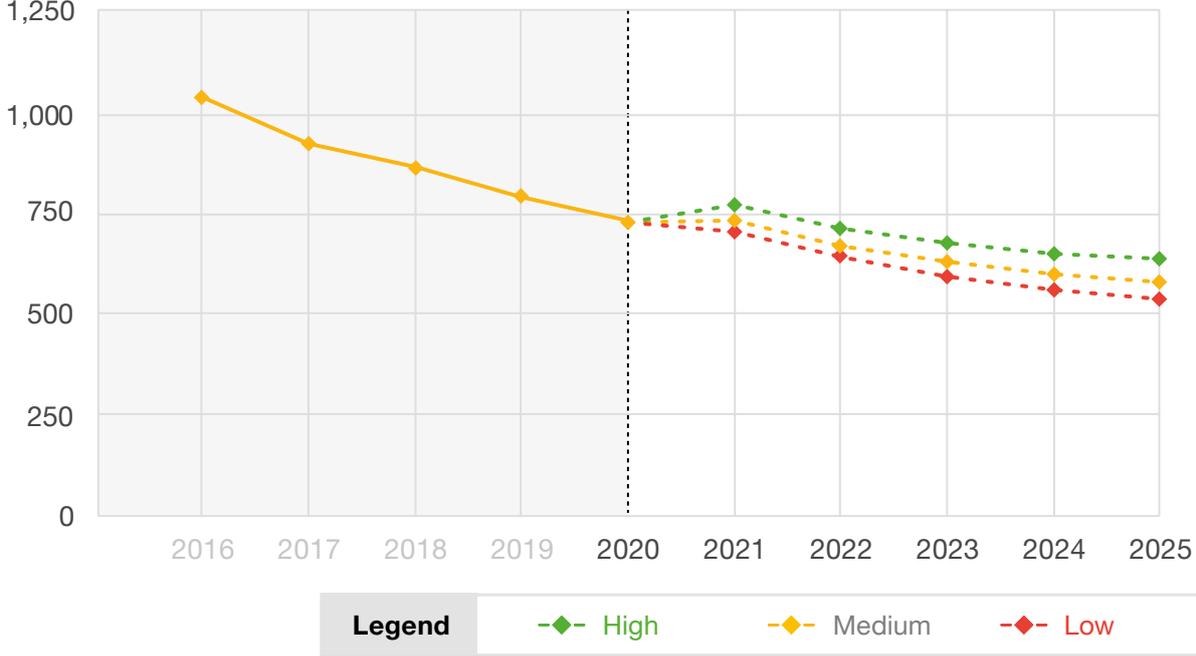
CAGR 2019-2025: -10.2%



This forecast does not include direct engagements between publishers and advertisers that may span multiple properties.

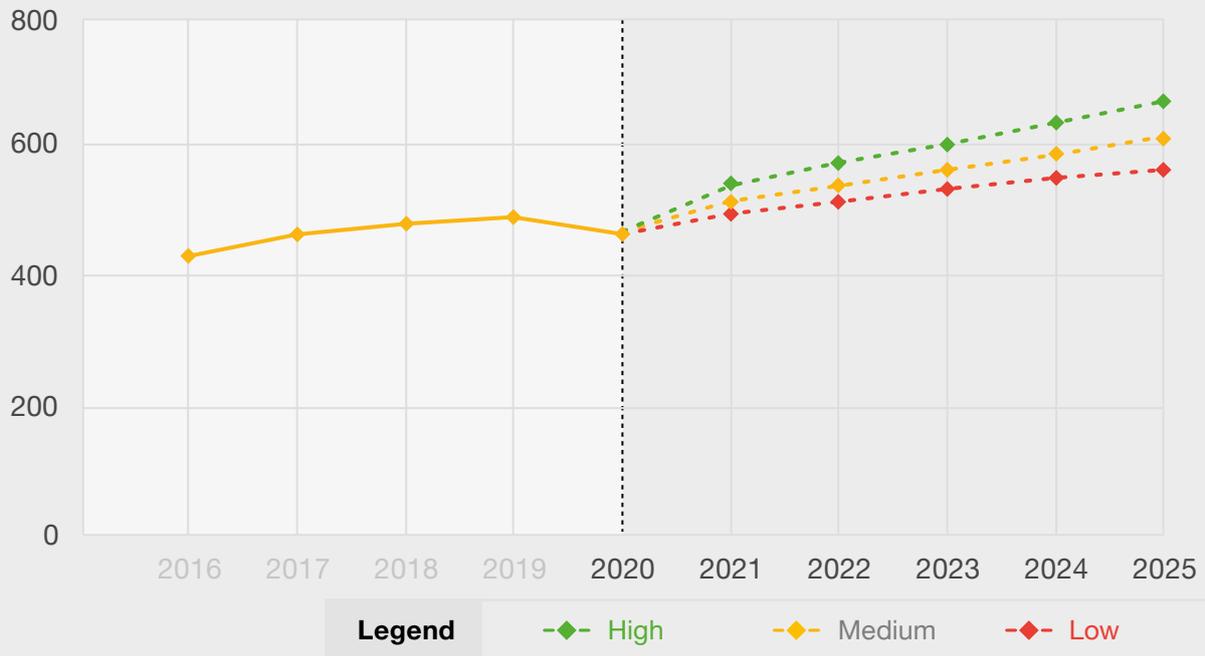
Newspaper print circulation market (A\$ millions)

CAGR 2019-2025: -5.1%



Digital news display advertising market (A\$ millions)

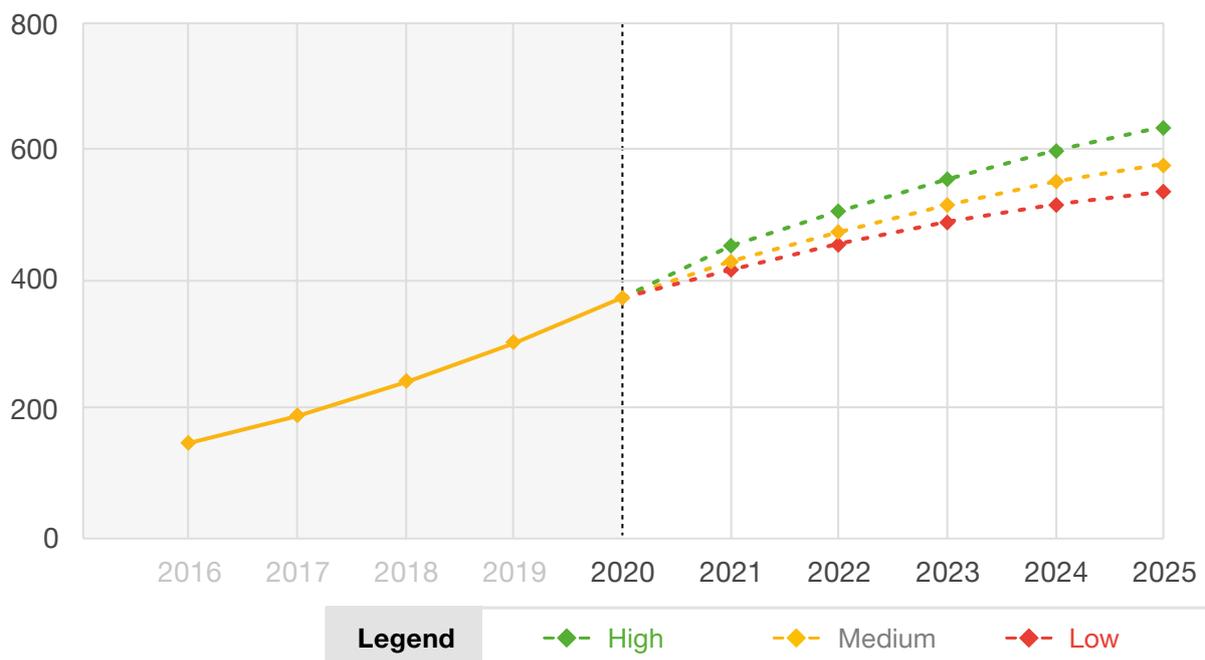
CAGR 2019-2025: 3.8%



*This forecast does not include video content and is display only advertising.
2018 – 2019 figures have been updated to reflect recently available market information.*

Newspaper digital circulation market (A\$ millions)

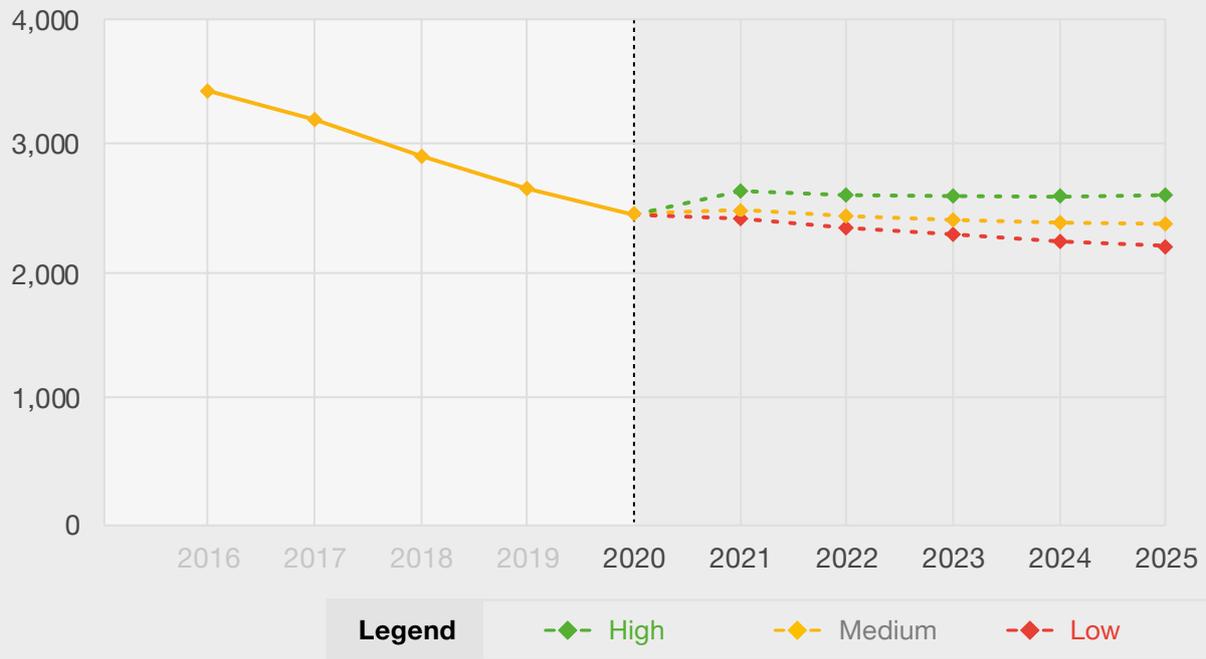
CAGR 2019-2025: 11.4%





Total Newspaper market (A\$ millions)

CAGR 2019-2025: -2.3%



Excludes digital video and direct publisher/advertiser revenues.



Music

The live music sector was hit hardest of all sectors in 2020, and the recovery is clouded by a range of factors outside the control of artists, promoters and entertainers. Sporadic lockdowns, a delayed vaccine roll out and ongoing border closures did not stifle the ingenuity and innovation shown throughout the sector in 2020 as alternative programs were developed to keep the industry afloat.

Australia's live and recorded music market was valued at A\$1.1 billion in 2020, a decline of nearly 39 percent on the previous year, driven almost entirely by the suspension of the live music industry, which shed 90 percent of its revenue at A\$86 million. As the live music industry recovers from the pandemic, total revenue is expected to climb to A\$2.2 billion by 2025, at a 3.3 percent CAGR based on the midpoint forecast scenario.

Continuing to be buoyed by major streaming services Spotify and Apple Music, Australia's digital music market grew 8.3 percent in consumer revenue during COVID-19, although the rate of growth was slower than previous years. This may be due to maturation of the two services as they reach critical mass, or a result of there being more entertainment and media services for consumers to spend their money on.

COVID-19 severely impacted Australia's live music and entertainment industry, but the market is expected to recover across the forecast period as venues reopen and local and international acts return to touring.

Australia saw a swathe of tour cancellations and rescheduling after the Government limited public gatherings from March 2020 with many festivals cancelling their 2020 events altogether or running at heavily reduced capacity.⁵³ Recovery, however, is already being boosted by the local and global trials for socially-distanced shows which occurred in the later part of 2020 featuring local line-ups. Moreover, with the threat of COVID-19 reducing as rates of local infection remain relatively low and the roll out of vaccines continues, the confidence in a return to a greater slate of live music, closer to pre-COVID levels remains positive, albeit the timing is still somewhat uncertain.



Australia's Tones and I became the first female – and first Australian – to top 2 billion streams on Spotify in 2020.⁵⁴



Though not back to levels seen pre-2020, Australia's biggest live entertainment promoters have confirmed a number of major acts to be touring in 2021. These tours are mainly with a home-grown flavour such as Amy Shark, Guy Sebastian and Delta Goodrem, but international acts such as KISS, Guns N' Roses and Alanis Morissette are also slated to return for arena performances in late 2021. The success of these international tours rests largely on the ability for acts to quarantine safely for the prescribed period, and their ability to move between states that may have different lockdown requirements and travel restrictions at any given point in time.

The threat of last minute cancellations due to short-term health warnings continue to be the biggest threat to the recovery of this sector for the foreseeable future. As was seen with the 11th hour cancellation of the Byron Bay Bluesfest in March, the industry will remain beholden to State governments regarding events' ability to proceed. Additionally, until international movements are more fluid and conditions regarding 14 day quarantine are modified, we are unlikely to see a return of the biggest world tours to Australia's arenas, though confidence grows that this may be addressed from mid to late 2022.

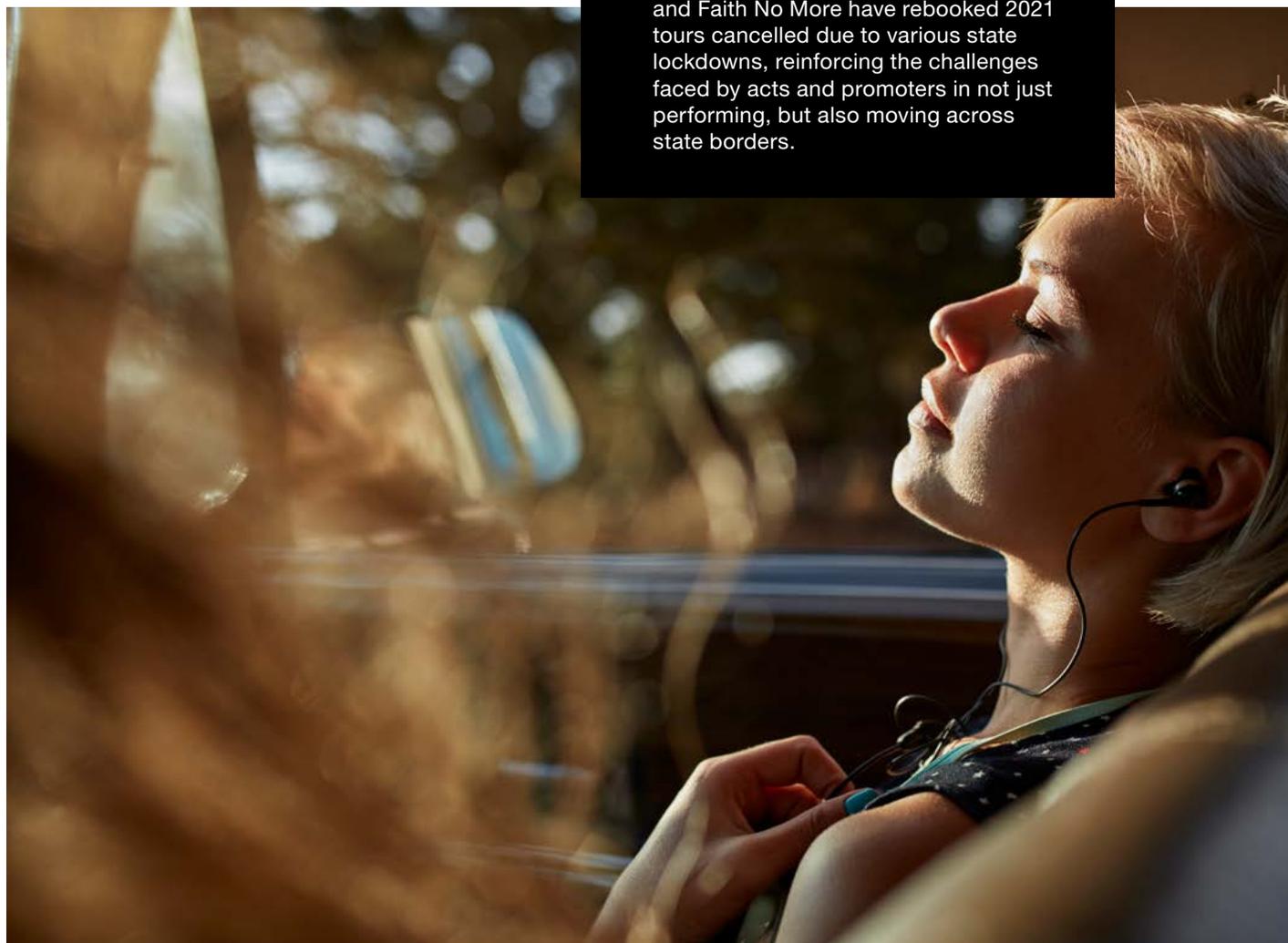
In a year where people were less able to discover new music live, it could be expected Australia would not have the break-out artists of previous years.

Tones and I's 2019 hit *Dance Monkey* was the only to reach ARIA's annual top 10 singles in 2020,⁵⁵ though new albums from local acts Tame Impala, AC/DC and Guy Sebastian performed well in the album charts.

2020 was also a year of platform crossover in music as tracks regularly found themselves the subject of TikTok dance challenges, increasing their awareness. *Blinding Lights* by The Weeknd coupled catchiness and a retro aesthetic with an engaging dance challenge that peaked at the height of lockdown boredom for many, to register over 2 billion streams on Spotify globally⁵⁶ and number one on the ARIA charts.

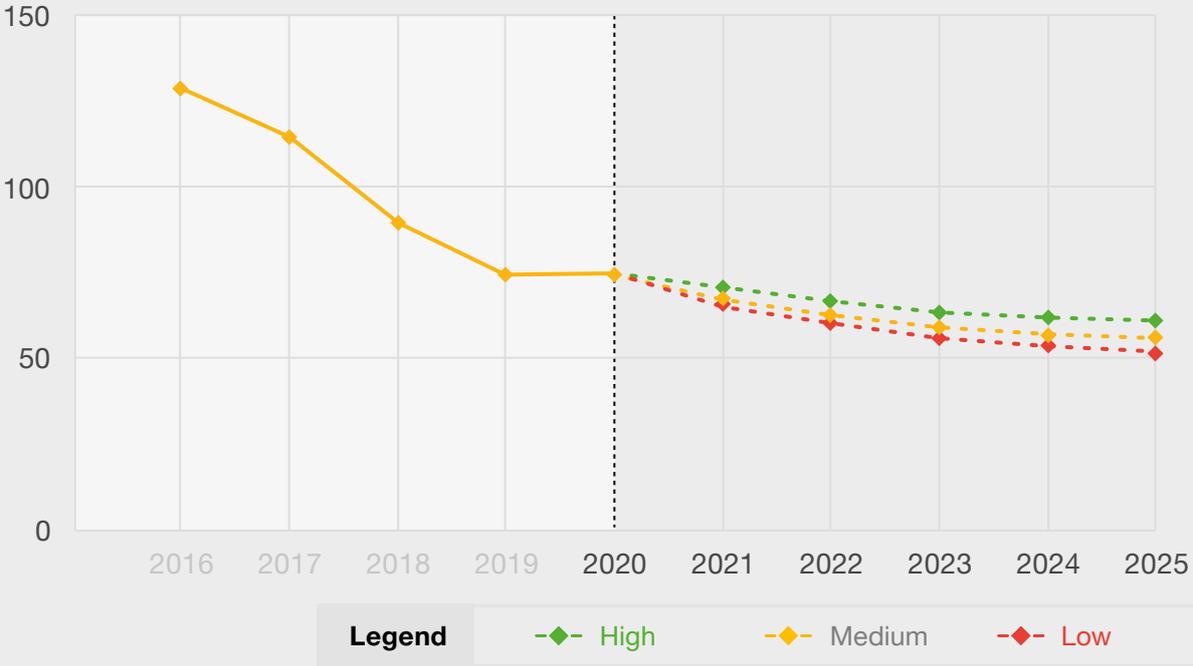
Q1 2021 highlights

- Sentiment continues to improve within the live music industry as venues reopen and a more regular slate of predominantly local acts return to Australian stages.
- International acts are booked for dates starting in late 2021. However, the cancellation of high profile events such as the Byron Bay Bluesfest, and Australia's ongoing border closures remain challenges for the industry.
- Major international acts such as Bon Iver and Faith No More have rebooked 2021 tours cancelled due to various state lockdowns, reinforcing the challenges faced by acts and promoters in not just performing, but also moving across state borders.



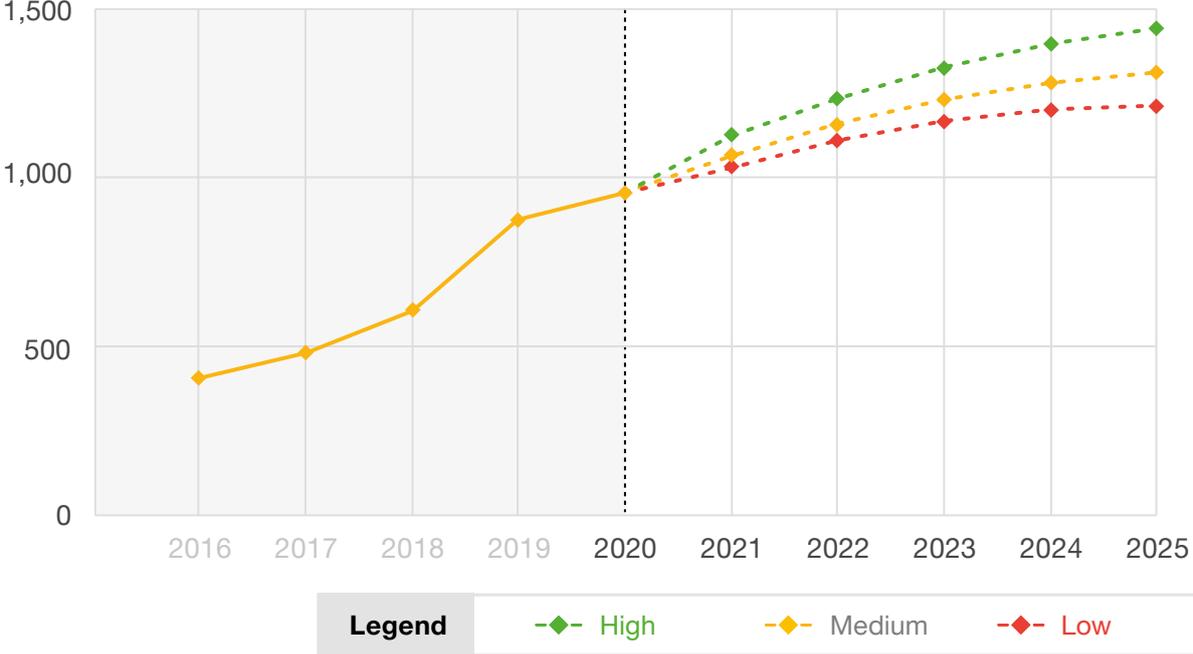
Physical distribution music market (A\$ millions)

CAGR 2019-2025: -4.8%



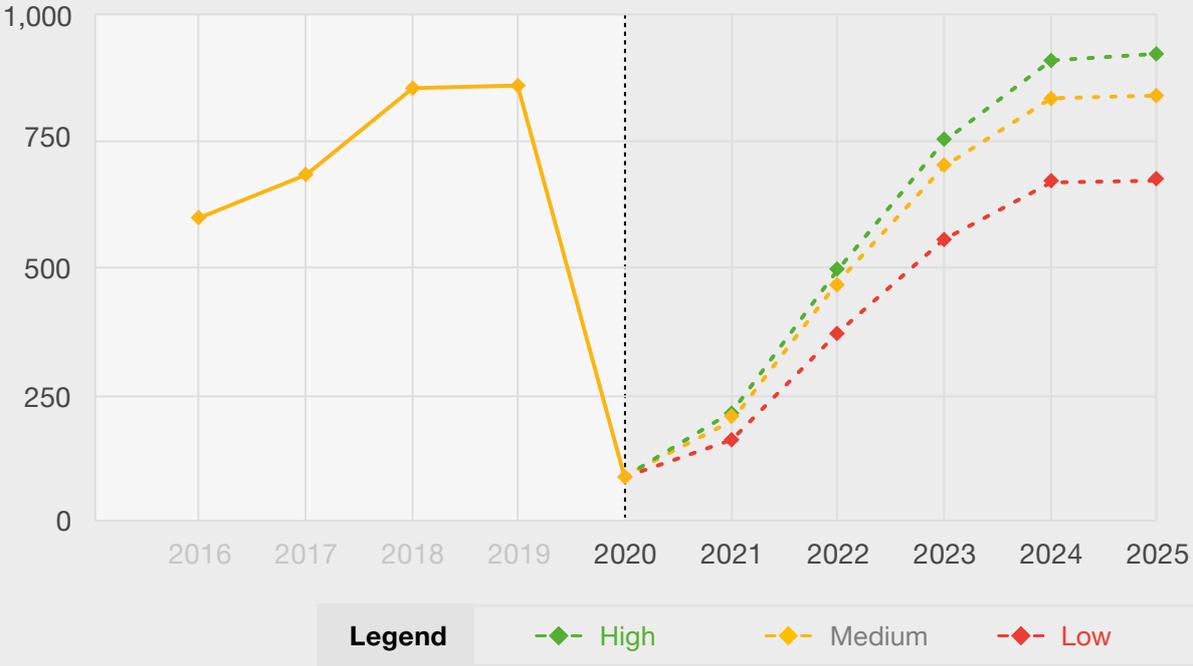
Digital distribution music market (A\$ millions)

CAGR 2019-2025: 6.8%



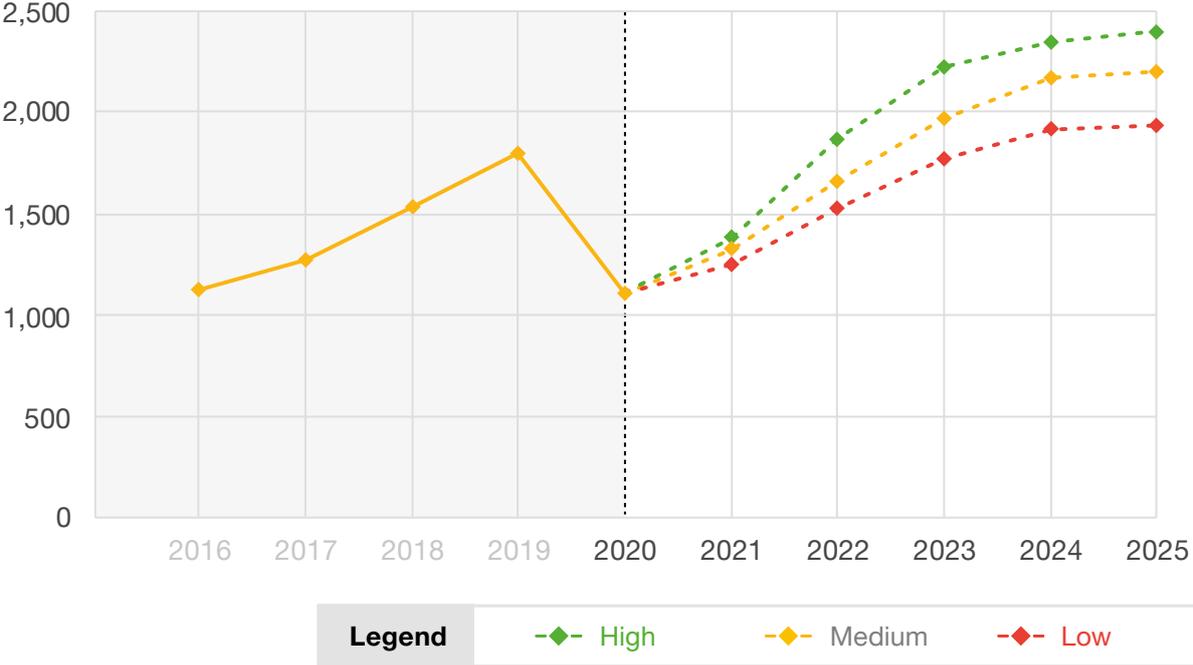
Live music market (A\$ millions)

CAGR 2019-2025: **-0.35%**



Total Music market (A\$ millions)

CAGR 2019-2025: **3.3%**



Out-of-home

The Out-of-home (OOH) industry was disproportionately affected by COVID-19. The market was severely impacted due to reduced audience movement and the subsequent decline in reach available to advertisers. As a result, 2020 saw a 39 percent decrease in year-on-year revenue to A\$772 million.

The OOH industry is beginning to see green shoots of recovery, with year-on-year declines in revenue continuing to improve since the second quarter of 2020 (April – June).⁵⁷

While all formats and almost all advertiser categories declined throughout the year, the market was particularly impacted by decreased investment across advertiser categories with historically large investments in OOH, including Automobile, Travel, Media and Retail.⁵⁸ The market has seen a gradually improving rate of decline since the second quarter of 2020, the hardest hit due to the severe and sudden restriction to movement. Early in 2021, large format roadside billboards have primarily driven demand. The share of investment of digital assets as a percentage of the total market slightly increased year-on-year in 2020,⁵⁹ indicating advertisers' preference and requirement for flexibility in a volatile market, and this trend is continuing in 2021.⁶⁰

Looking forward, growth in digital revenues will continue to be a strong revenue driver for the industry, as the major players continue to convert their suite of assets to digital, and advertisers embrace the functionality.

Digital revenues have been a major growth driver in recent years. This is expected to continue as advertisers become further accustomed to trading their media investment with short lead times as a result of COVID-19 volatility. The immediacy of digital assets is a key and emerging value proposition for the market and a driver of incremental revenue for the sector. Further, the dynamic nature of digital formats means that creativity can be tailored to the environment and updated with ease, an attractive proposition for marketers and sectors needing to update messaging frequently.



Looking forward, growth in digital revenues will continue to be a strong driver for the industry, as the major players continue to convert their suite of assets to digital, and advertisers embrace the functionality.



Reach remains critical for advertisers, and the OOH industry will be somewhat future-proofed through more sophisticated measurement, with the Outdoor Media Association (OMA) announcing a \$10 million investment in the evolution of the industry's measurement system, MOVE (Measurement of Outdoor Visibility and Exposure) 2.0.

MOVE 2.0, developed in conjunction with IPSOS and Veitch Lister Consulting (VLC),⁶¹ is expected to be available to media planners and buyers in 2023 and will offer significant enhancements to the measurement of OOH in order to meet the changing shape of the industry. Enhancements include the inclusion of the measurement of all formats and the inclusion of Digital Out Of Home (DOOH) assets, across more than 100,000 locations in both metropolitan and regional Australia. This new system will encompass “precise passive measurement that utilises multi-sensor fusion, as well as big data coming from multiple sources ranging from a large-scale travel survey, mobility data and official traffic and pedestrian counts”. MOVE’s qualitative metric evolves from the current ‘Likelihood To See’ (LTS) to ‘Visibility Adjusted Contacts’ (VAC).⁶² This new methodology and metric will provide a more accurate and granular measurement of audiences across all formats and inventory.

MOVE 2.0 will be of considerable value to advertisers given it is an industry-wide, cross-format solution, which differentiates it from many other channels. It is expected that MOVE 2.0 will play an important role in growing the size of the OOH sector as a proportion of the total advertising market, as advertisers continue to demand and favour channels with strong measurement capability.

The increasing sophistication and industry adoption of programmatic buying will be one to watch throughout the forecast period. Although it remains a focus for many of the major players, it is not expected to completely replace current methods of buying.

Programmatic buying for OOH focuses on “the better many”, and may realise growth in a number of ways.

First, it may allow the OOH industry to compete for advertising investment not traditionally available to it; specifically, investment that has been usurped by digital players due to a requirement for granular audience targeting and flexibility. This type of investment may increase as a result of the pandemic driving marketers to favour environments which offer flexibility with their media buying (a differentiating trait of programmatic buying).

Second, the availability of programmatic buying may increase ease and access of planning and buying. This has the benefit of opening up the market more effectively to direct advertisers – an advertiser group traditionally dominated by the digital platforms.

Third, the move to programmatic allows the OOH sector to realise the true value of its digitised assets, including lower yield sites, as it introduces a data overlay which drives confidence for the buyer and provides site value beyond location.

While programmatic buying presents an opportunity for the market, significant work is required to lay the groundwork to effectively capture it. Specifically, the industry requires a focus on business processes, sales platforms and education.



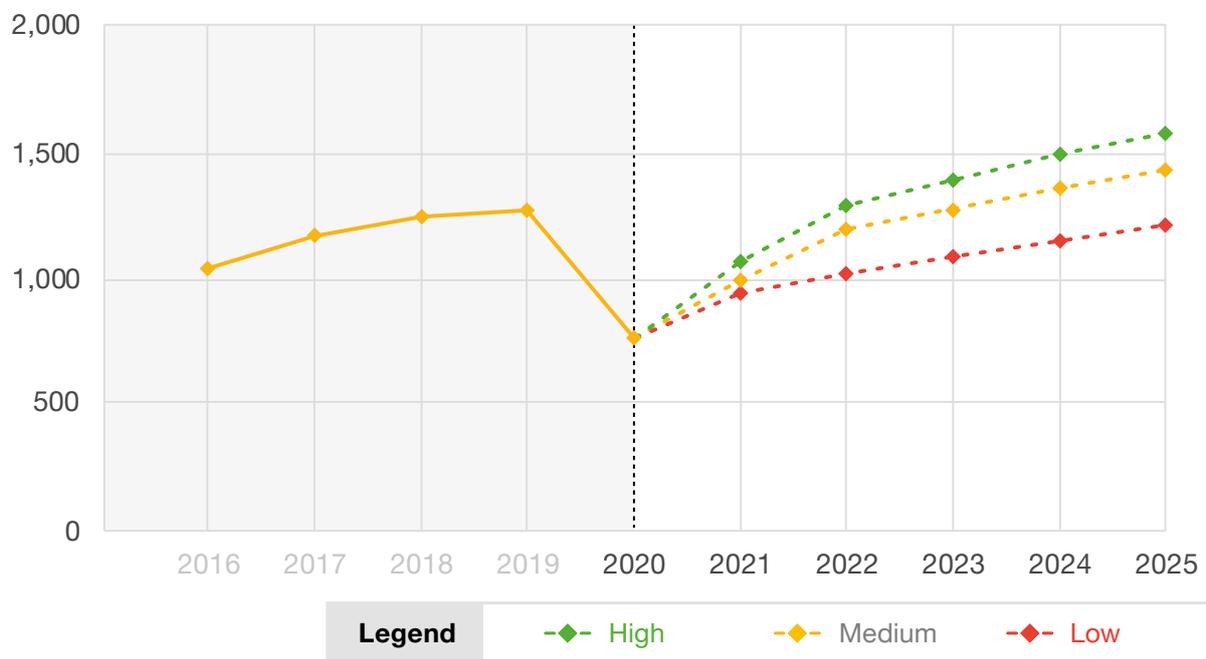
Q1 2021 highlights

Early data in 2021 suggests green shoots, with:

- Automobile, Media and Retail are driving the recovery;⁶³
- Increasing demand for Roadside and Retail formats;
- Increasing share of investment of digital assets as a percentage of the total OOH market, indicating advertisers' preference and requirement for flexibility in a volatile market.⁶⁴

Total Out-of-home (OOH) market (A\$ millions)

CAGR 2019-2025: 2.0%



Radio

The audio market has continued to evolve, with the segment now covering a range of products that consumers use to access audio services. The traditional stronghold of terrestrial radio is now fully complemented by streaming, podcast, and catch-up services.

What was once referred to simply as “Radio” may now be better referred to as “Audio” as the competition for share of people’s time listening to content intensifies.

This segment was traditionally led by linear radio delivered through terrestrial and digital audio broadcasting (DAB), with music, podcasts, and live radio streaming a small percentage of the industry. As consumers’ choice for audio content increases, coupled with the 2020 decline in traditional radio revenue, the market is close to an even split between consumer and advertising revenue.

The total segment declined 8.1 percent in 2020 to A\$1.5 billion. As audiences return to more predictable listening patterns within key dayparts, terrestrial radio will see a recovery however, it is not predicted to return to 2019 levels within the forecast period. Streaming will continue to see growth of 12.0 percent CAGR to 2025 based on the midpoint forecast scenario as podcasting and music streaming offer alternative ways to access audio content for consumers.

Much of 2020’s consumer surveying was cancelled due to COVID-19, but when surveying resumed in September, talk back radio grew its share to dominate radio listenership.

Terrestrial radio has always been a trusted and reliable source of up-to-date and essential news in Australia during times of crisis, and COVID-19 was no exception. The talk show dominance of the AM bands is no surprise during challenging times as people sought insights regarding the latest issues as they occurred. While metropolitan stations saw a decline in revenue over 2020, regional radio was reported to have largely held on to its share. During sometimes confusing border closures, regional stations demonstrated the power that terrestrial radio still has to provide localised real-time content to those most in need while also being supported by and supportive of local advertisers.

The 2020 Australian Podcast Awards highlighted the breadth of local talent and variety of content, demonstrating that the medium is growing in popularity and maturity of the content produced.





The evolution of the terrestrial radio offering to embrace purpose-built applications has provided a tailored listening opportunity for audiences while also fulfilling the critical news source role.

The ability to engage with key programs in real-time and thus create a tailored audio experience adds to the segment's relevance and retention during a highly competitive period. These advances blur the lines between live radio and streaming in some instances, although the retention of audiences is rapidly becoming more critical than the method through which they engage.

It is expected that the terrestrial radio market will follow other channels in developing capability for the automated trading of advertising inventory. Should a common portal for all asset types be developed it would help simplify the audio ecosystem and improve accessibility for buyers. As well as simplifying the buying process, further steps will need to be taken on the provision of broadcast and digital audience data across platforms to retain buyer demand.

Streaming services continue to grow as radio operators evolve their offerings to capture live and streamed audiences, increasing targeting opportunities for advertisers.

Streaming listenership continues to grow in Australia. The marketplace is dominated by Spotify, and iHeartRadio and TuneIn continue to retain a share of the market. Competitors, such as the SCA Listnr platform, which offer live radio, podcasts and other audio content, have benefited from extensive in-program promotion, helping migrate live listeners to additional listening opportunities. Much of the audio revenue growth in the forecast period is expected to come from the ongoing increase in subscription revenues in streaming. Although the sub-segment is disproportionately skewed towards consumer subscription revenue, advertiser spend will also continue to grow as audience targeting and outcome measurement develops alongside the use of digital-only features such as dynamic advertising across the various platforms.

Another example of the shift towards consumer-led audio is the innovation occurring within live streaming. The US-based app Clubhouse launched in 2020 as an invitation-only service where users live stream or host discussions. It gained wider attention through celebrity users and has led Twitter, Facebook and Spotify to develop similar streaming offerings.

The Australian podcast market is growing steadily. The number of monthly listeners (defined as people aged 12+ who listened to at least one podcast in the last month) reached 25 percent of the Australian population in 2020, up from 17 percent in 2017.⁶⁵

Spotify, YouTube, and Apple, continue to dominate podcast listening. The Australian Broadcasting Corporation's ABC Listen app service is the most-used local source, and the Acast and SCA's Listnr apps are growing their audience. The 2020 Australian Podcast Awards⁶⁶ highlighted the breadth of local talent and variety of content, demonstrating that the medium is growing in popularity and maturity in the content produced. From the overall winner *Birds Eye View*, which tells the stories of women in a Darwin correctional facility, through to ABC's *Coronacast* with Dr Norman Swan, Australia's interest in newsworthy and long-form content continues to grow.

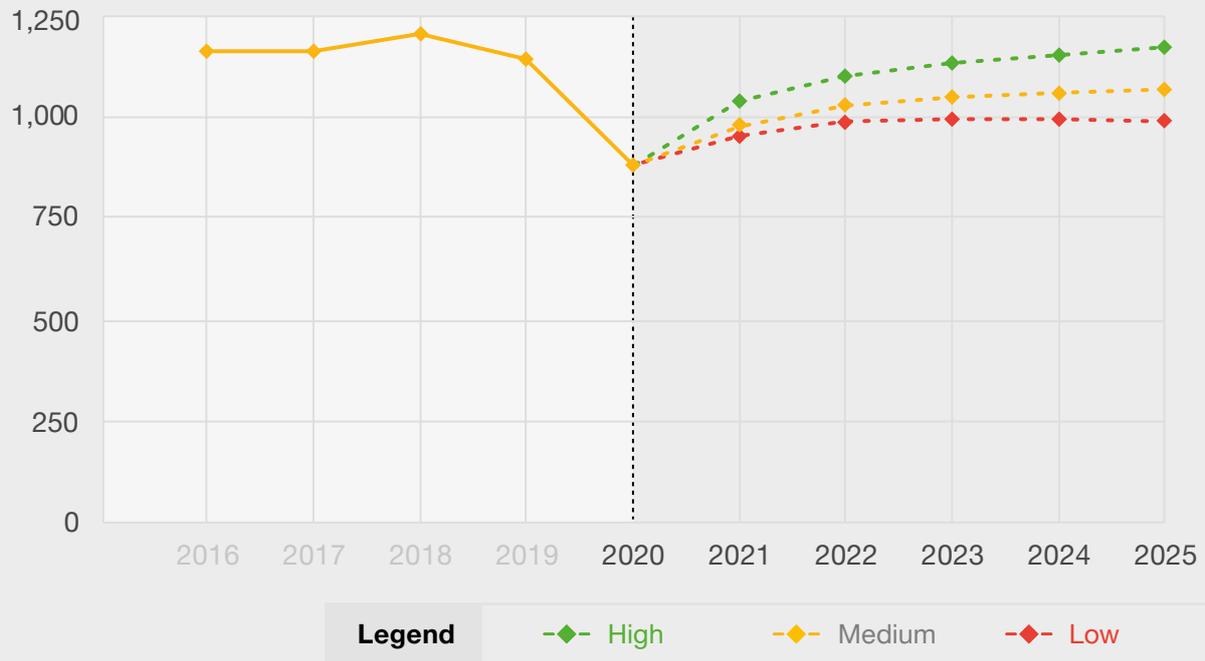
In 2020, the true crime genre continued to feature across all notable charts. There was a marked increase in experience storytelling coupled with strong listenership across terrestrial radio show catch-up podcasts. Of the 420 million podcasts downloads measured by Triton, 101.3 million were of radio show content. While a tumultuous year in global health and politics may have influenced listenership, such high volumes (85.3 million) for a deeper level of storytelling, news and lifestyle content is perhaps a precursor to a different type of news engagement for audiences who are looking to go beyond headlines to gain a deeper understanding of the world and people around them.⁶⁷ Podcasts have been seen as a growing opportunity for advertisers and are expected to continue to be as the format further develops its buying and measurement capabilities.

Q1 2021 highlights

- Advertiser demand for radio is returning, though not at the rate seen in TV, with radio still down -10.6 percent year-on-year.
- SCA's Listnr app launches and the growing volumes of podcast listenership point to ongoing reconfiguration in the segment.
- According to Triton's Podcast Measurement service, 50.2 million podcasts (excluding ABC) were listened to in Australia in May 2021, with podcast listeners expected to reach 15.4 million by 2025.⁶⁸

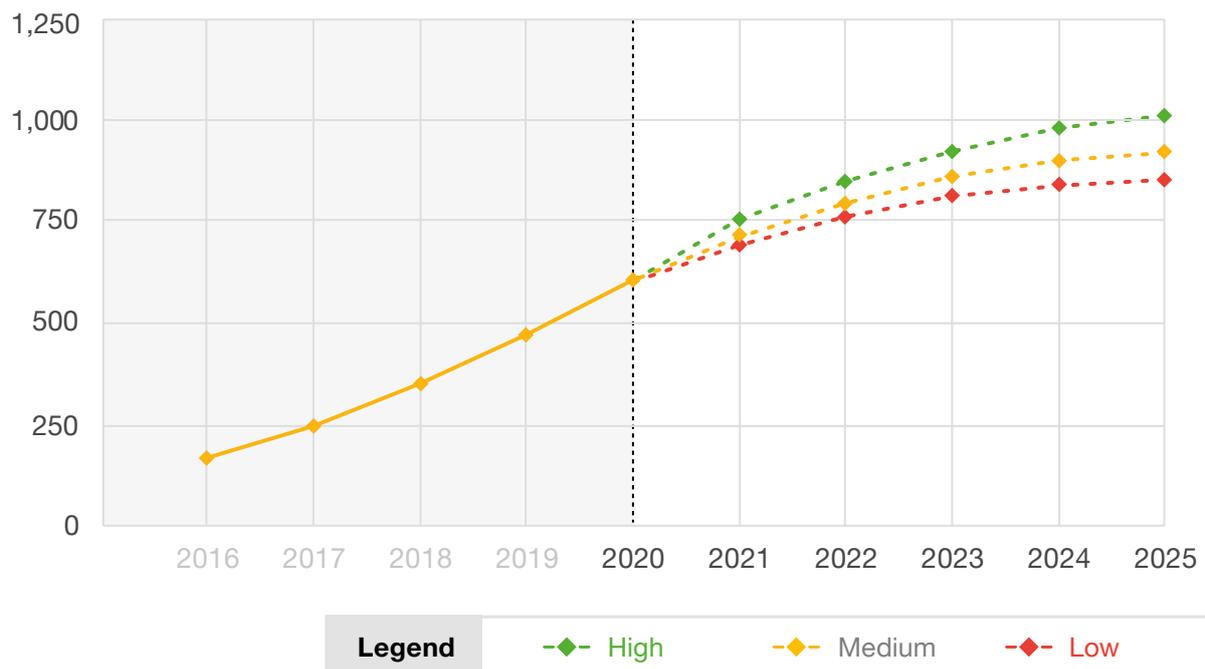
Terrestrial radio market (A\$ millions)

CAGR 2019-2025: -1.1%



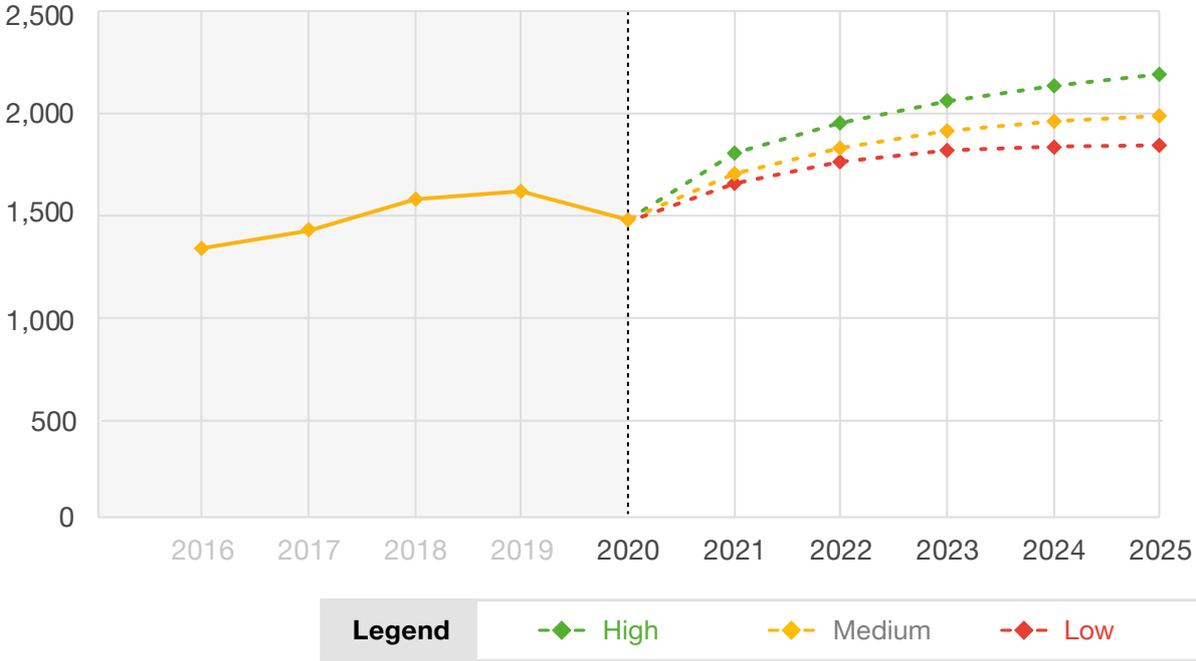
Streaming/internet radio market including podcasts (A\$ millions)

CAGR 2019-2025: 12.0%



Total Radio market (A\$ millions)

CAGR 2019-2025: **3.6%**



Subscription TV

The subscription television market was one of the few beneficiaries of the behavioural changes brought on by COVID-19. Questions remain as to the total opportunity in a market that is getting increasingly competitive, and where consumers are spoilt for choice. While premium box (e.g. Foxtel, Fetch) is expected to continue to decline by -7.1 percent CAGR over the forecast period, Subscription Video on Demand (SVOD) services are expected to grow at 20.4 percent over the same time period.

2020 was a year of continued growth for SVOD as consumers flocked to on-demand services during enforced lockdowns.

Many Western economies saw subscriber numbers double, and Australia similarly saw significant growth as established players such as Netflix, Amazon and Stan expanded their content libraries. Binge and BritBox also entered the market, and relative newcomers such as Disney+ used the opportunity to try different business models, including Premium Video on Demand (PVOD) for new release movies.

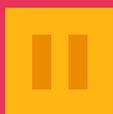
Premium box continues to decline, but overall segment growth is much more than simple substitution.

Australia's leading premium box delivered service, Foxtel, saw declines in its premium box service, losing approximately 267,000 cable customers in 2020 and bringing the number close to 2 million. Despite this, the increase in customers on their SVOD services such as Kayo (624,000 paying

subscribers) and Binge (431,000 paying subscribers in just seven months) show the company with net growth in total subscribers of approximately 12 percent.⁶⁹ These numbers demonstrate not only an evolution in business models but, more importantly, the demand for premium "cord free" SVOD services in retaining and attracting subscribers in a market competing for attention as much as subscription revenue.

SVOD has evolved at pace as local content came into focus.

Australia continues to be spoilt for SVOD choice, with a combination of international and local players creating a market where consumers are close to the point of overload as to where to find the content they want. With unique and exclusive content becoming an important drawcard in both acquisition and retention, 2020 saw an increase in commitment to local productions from SVOD providers, along with a continued foray into the traditional domains of the free-to-air television networks of reality and sport.



AVOD – Ad-funded Video on Demand
BVOD – Broadcast Video on Demand
SVOD – Streaming Video on demand
PVOD – Premium Video on Demand





Local productions such as the successful *Bump* on Stan, *The Test* on Amazon Prime and *Mr Inbetween* on Binge, show there is an appetite for Australian content, and that they may well bring in new subscribers to the respective platforms. The commitment to local content production will benefit the local production industry, as well as showcase Australian stories across international and local SVOD providers.

Power shifts continue as SVOD pushes further into the sports arena.

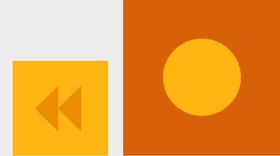
Despite the disruption to sport during 2020, Kayo continued to resonate with consumers as a specialist sports platform. It grew its subscriber base during 2020 – recovering from a mid-2020 content drought to a stronger position by the end of the calendar year.⁷⁰ The interest in sport is clearly not limited to Kayo as other streaming providers such as Amazon Prime and Stan have used sport as an entry point for live content, with Stan securing the rights to Rugby Union and UEFA tournaments, and Amazon Prime the rights to Australian Swimming ahead of the delayed Tokyo Olympics. Optus Sport also continues to gain traction in this space with their commitment to football – specifically the English Premier League and International tournaments. While movies, drama, and documentaries may well be the staple for many providers, sport is shaping up to be a battleground for SVOD platforms as the war for subscribers – and retaining them – continues into 2021.

Where will I watch football on paid services?

Stan	Optus	10/10 play	Foxtel/Kayo
UEFA Champions League	English Premier League	A-League	Carabao Cup
UEFA Europa league	FA Women’s Super League	W-League	EFL Championships
UEFA Conference League	EUROS	Socceroos	Serie A (Italy)
	Copa America	Matildas	Ligue 1 (France)
	Women’s World Cup 2023		Bundesliga (Germany)
			Premier League (Scotland)
			MLS (USA)

Source: ‘Stan Sport secures UEFA Champions League, fragments football streaming landscape’, Sydney Morning Herald, 28 June 2021





With cinemas largely shut for most of 2020, the streaming services were quick to adjust their business models to trial Premium Video On Demand (PVOD) over and above normal subscription services.

While PVOD is not new – Main Event has been in play through various providers since 1997 – its use for simultaneous or exclusive release of movies originally destined for the cinema was advanced during the 2020 lockdowns. The Disney+ release of *Mulan* was considered a successful experiment by the studio in “premium access”, and there is a possibility that this may be a regular part of the model in coming years,⁷¹ putting further pressure on cinema operators.

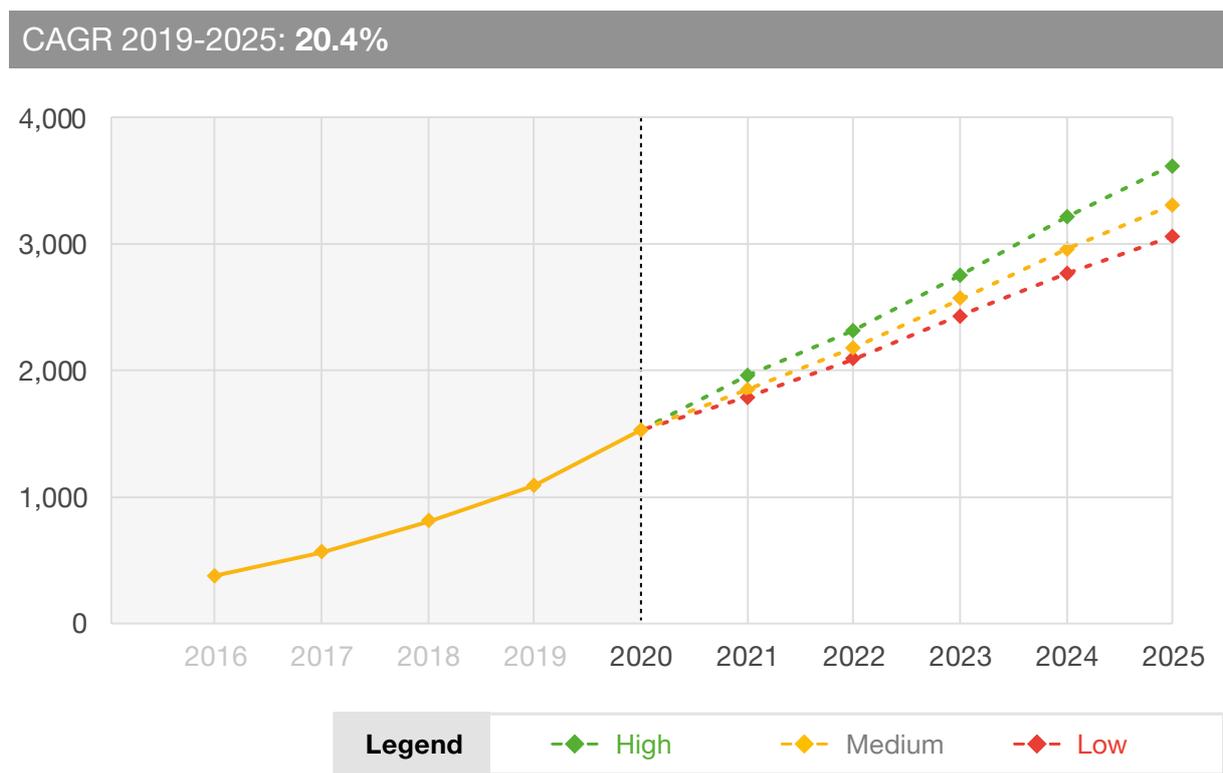
Competition will continue across SVOD services, but the power still rests with consumers.

With the addition of Star to Disney+, the imminent arrival of Paramount+, the growth of a range of other mass and niche streaming services, this is a sector that will continue to see intense competition for subscribers and content. Ultimately, the greatest limitation to growth is what consumers are prepared to pay – with their money and their time across a finite number of services – to access the content they want. Attracting and retaining those subscribers at a price that delivers positive Average Revenue Per User (ARPU) and a strongly differentiated value proposition will determine growth in this critical part of the contemporary entertainment landscape.

Q1 2021 highlights

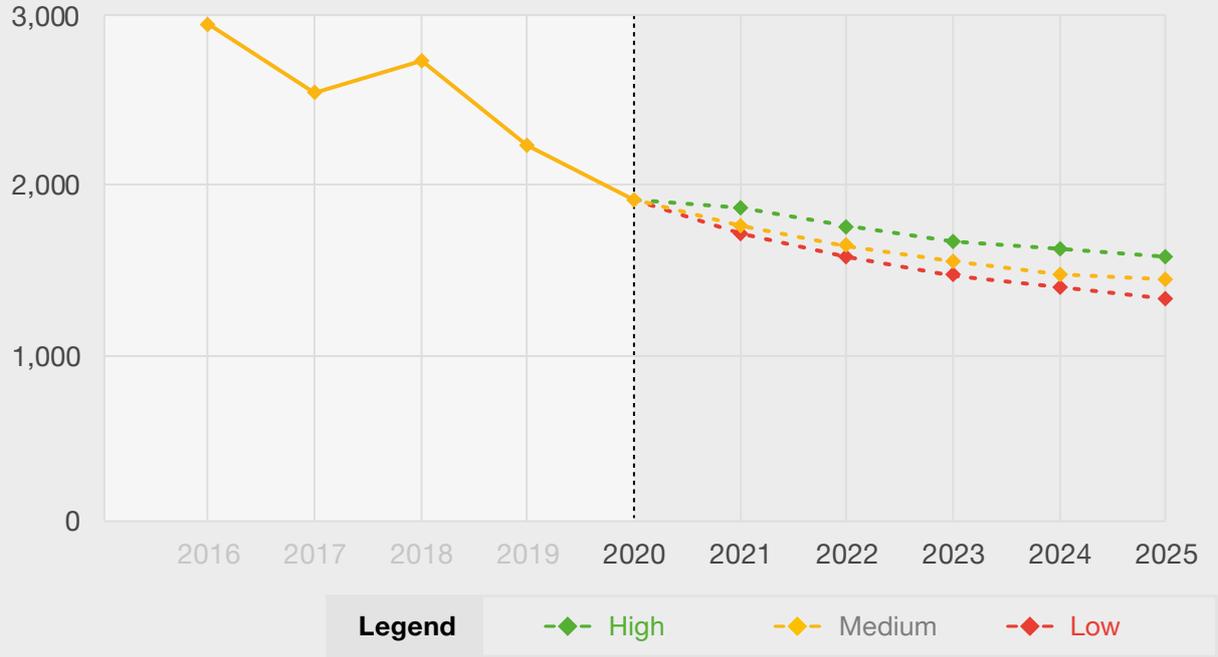
- Kayo breaks through 1,000,000 paying subscribers in March 2021.⁷²
- Star is added to Disney+, showcasing content gained through the acquisition of 20th Century Fox.
- ViacomCBS announce the launch of Paramount+ in Australia on 11 August, replacing 10AllAccess.⁷³

Subscription video on demand (SVOD) market (A\$ millions)



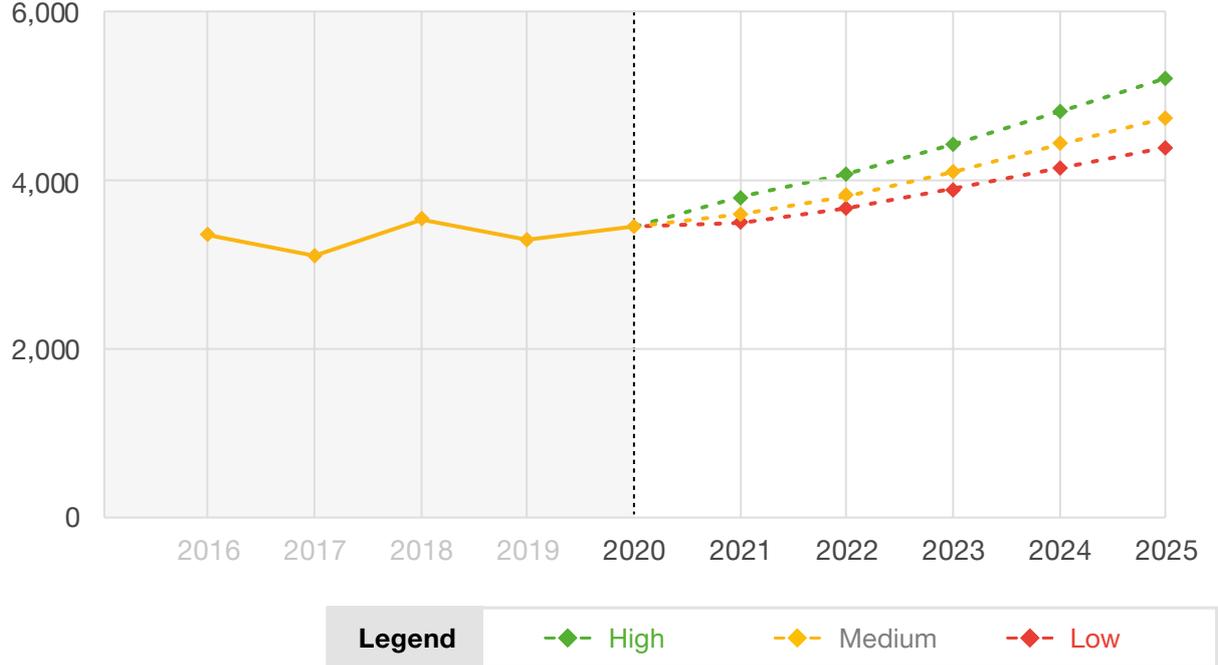
Premium box delivered market (A\$ millions)

CAGR 2019-2025: -7.1%

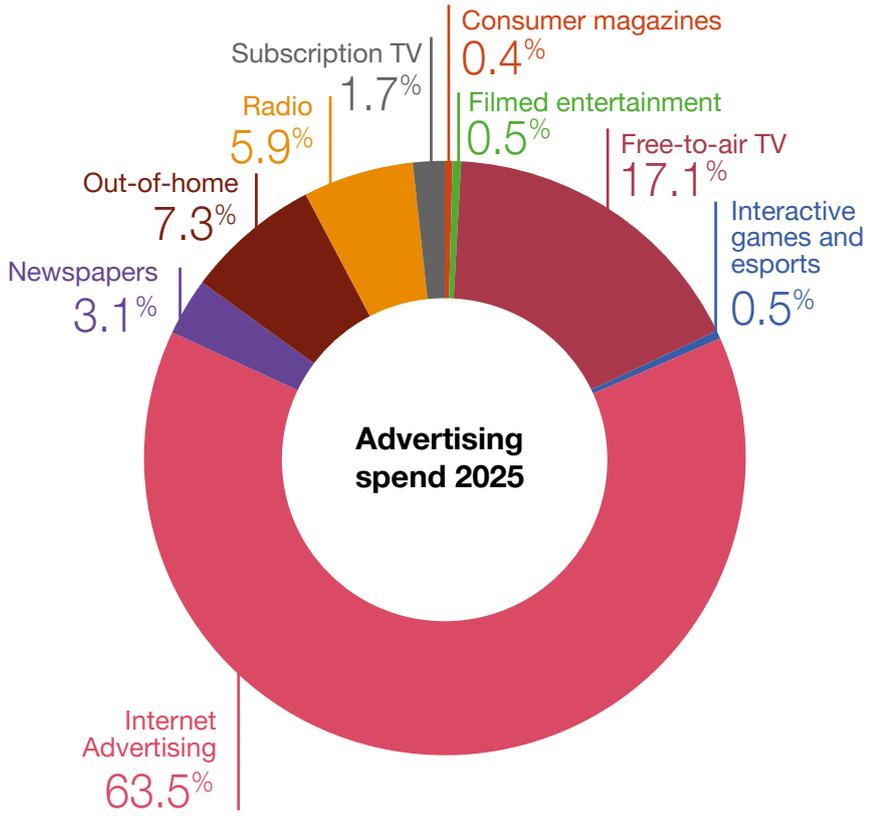
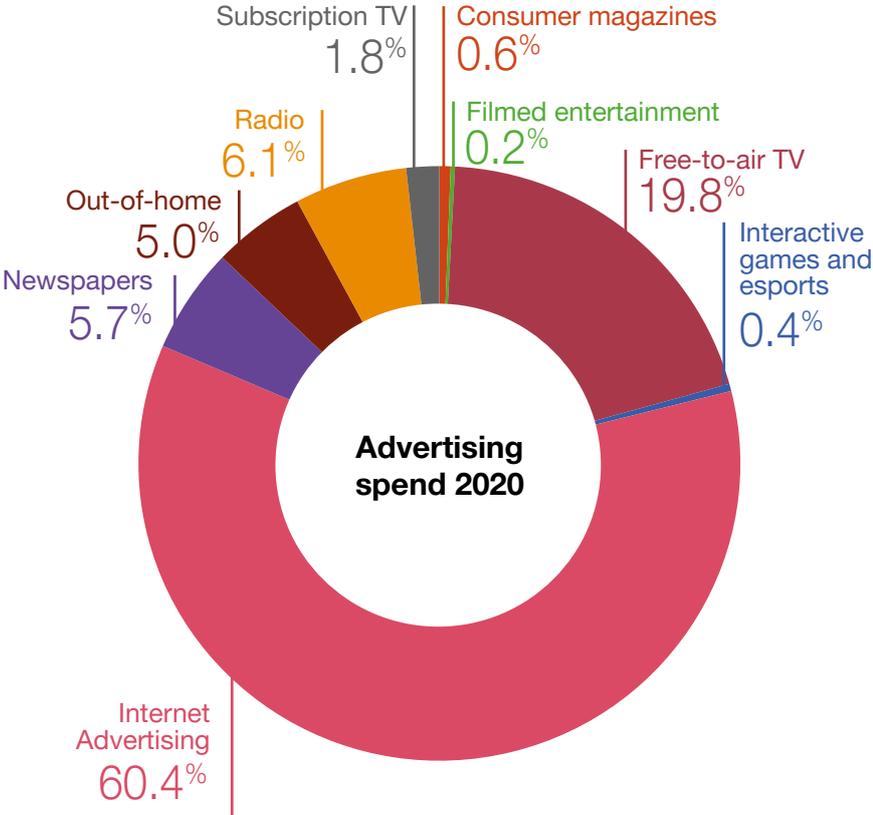


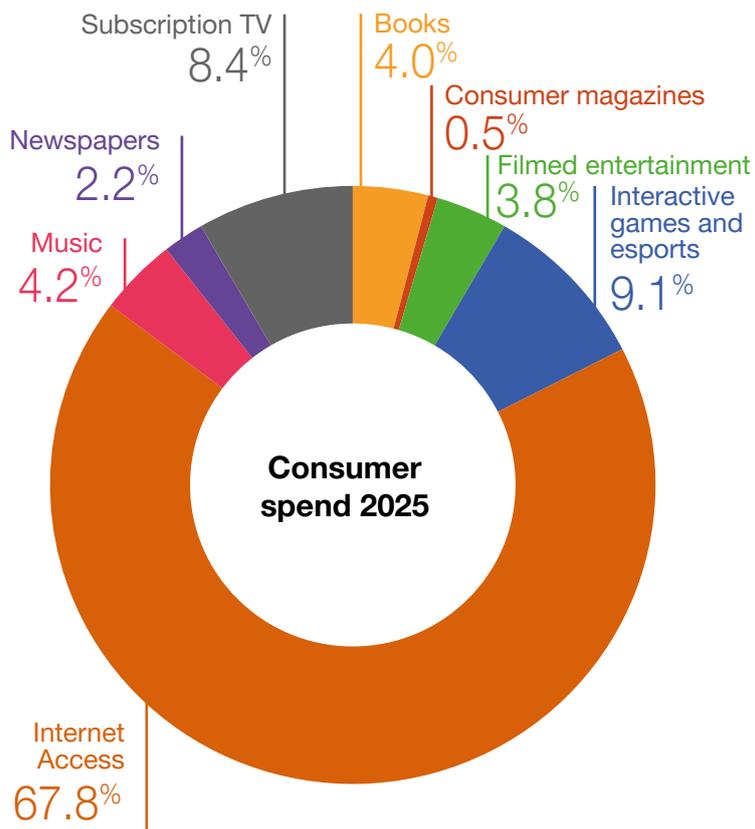
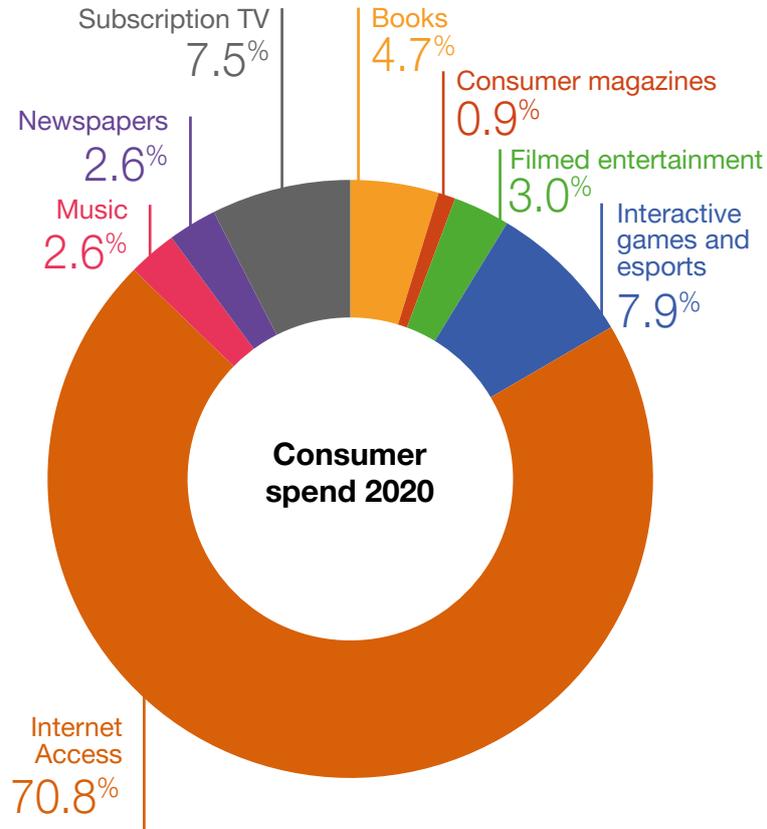
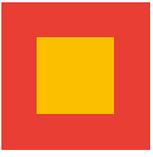
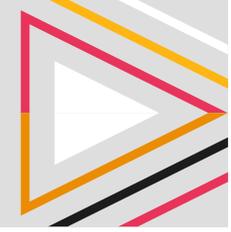
Total Subscription TV market (A\$ millions)

CAGR 2019-2025: 6.2%



Current and forecast market share data





Market definitions

Consumer books

Print/audio books and ebooks 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, it includes advertising on broadcast channels as well as “broadcast on demand” or 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 is included in the total market. Video game advertising revenue is also covered and comprises B2B revenue from brands built into games, e.g. via product placement. It excludes advertising delivered dynamically via the internet.

Internet access

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

Internet advertising

Advertising expenditure for paid search, display and classifieds, with video advertising broken out as a subset of display. Search and display includes mobile internet advertising.

Music

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

Newspapers

Physical and digital newspapers, both advertising revenue and circulation spending. Newspaper inserted magazines (NIMs) are included in print advertising. Includes digital news display advertising (excluding video), which also sits in Internet Advertising under ‘general display’.

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 and internet radio. Podcasting revenues are included in the total market.

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 records content. Also consists of consumer subscription fees for subscription video-on-demand (SVOD) services such as 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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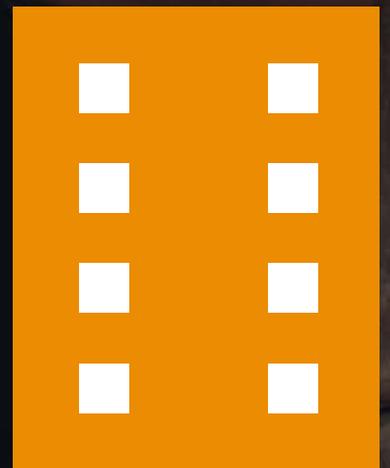
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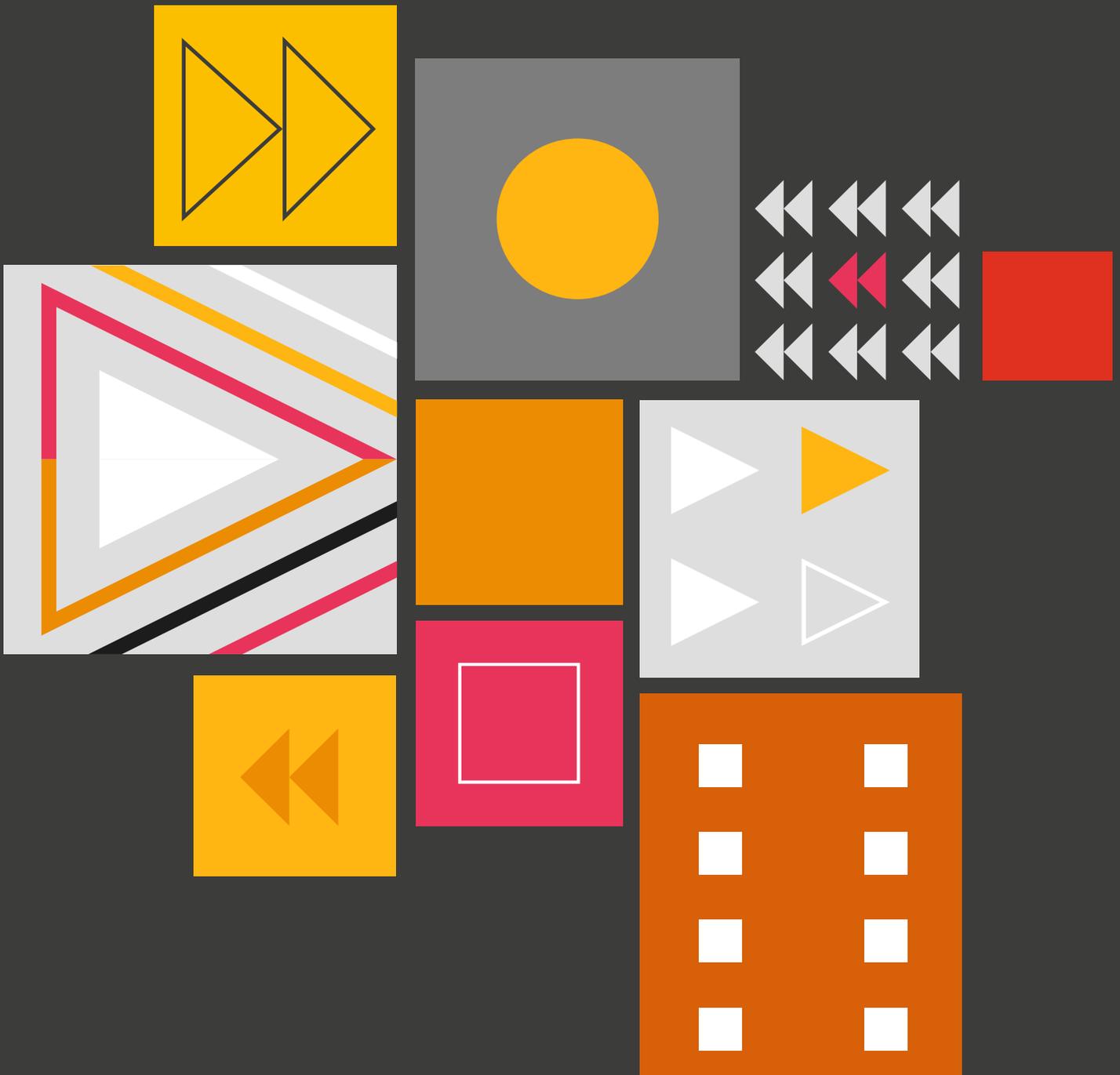
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