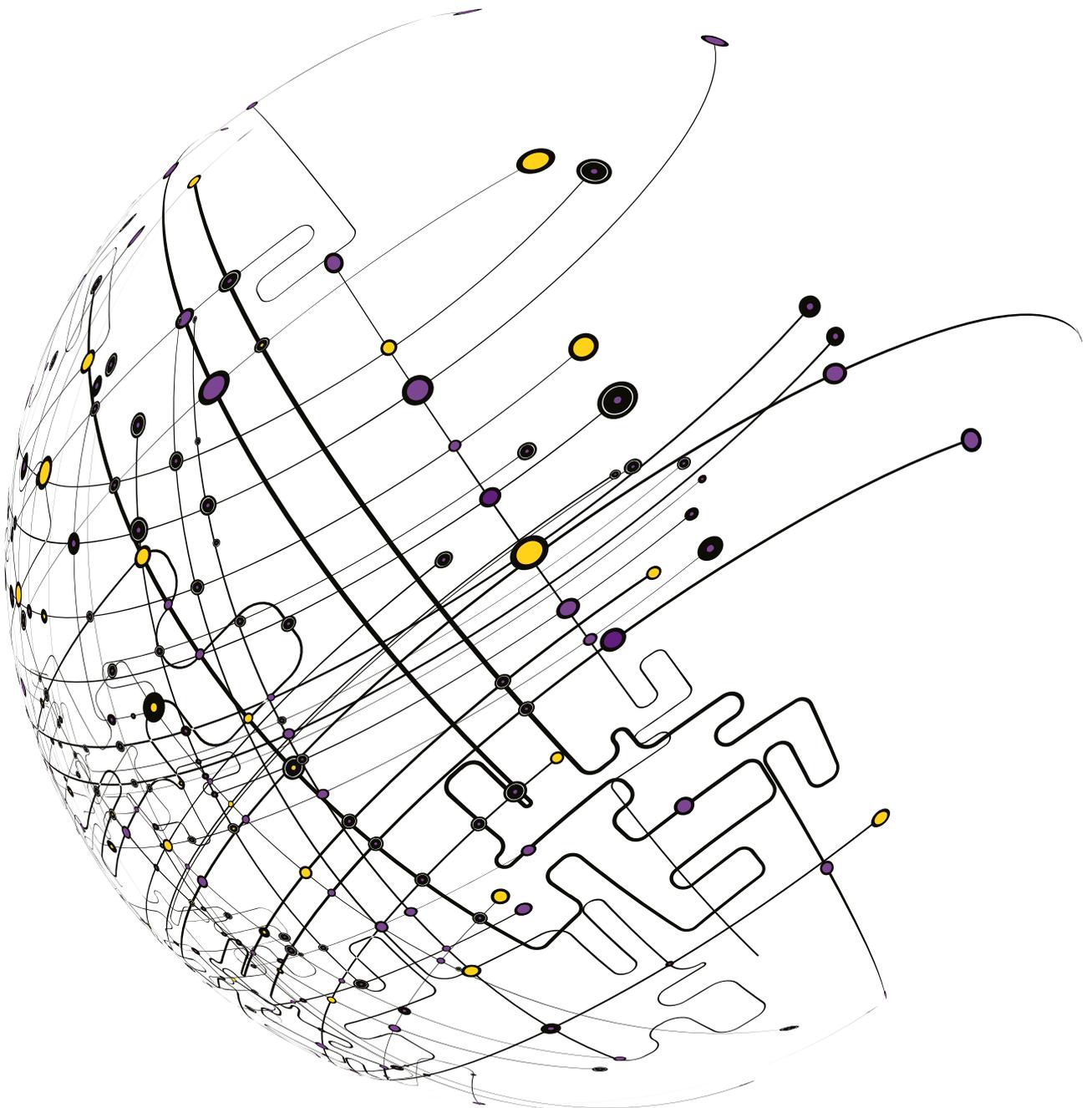


Global Media Report 2015

Global Industry Overview





Global Industry Overview

Global Industry Overview



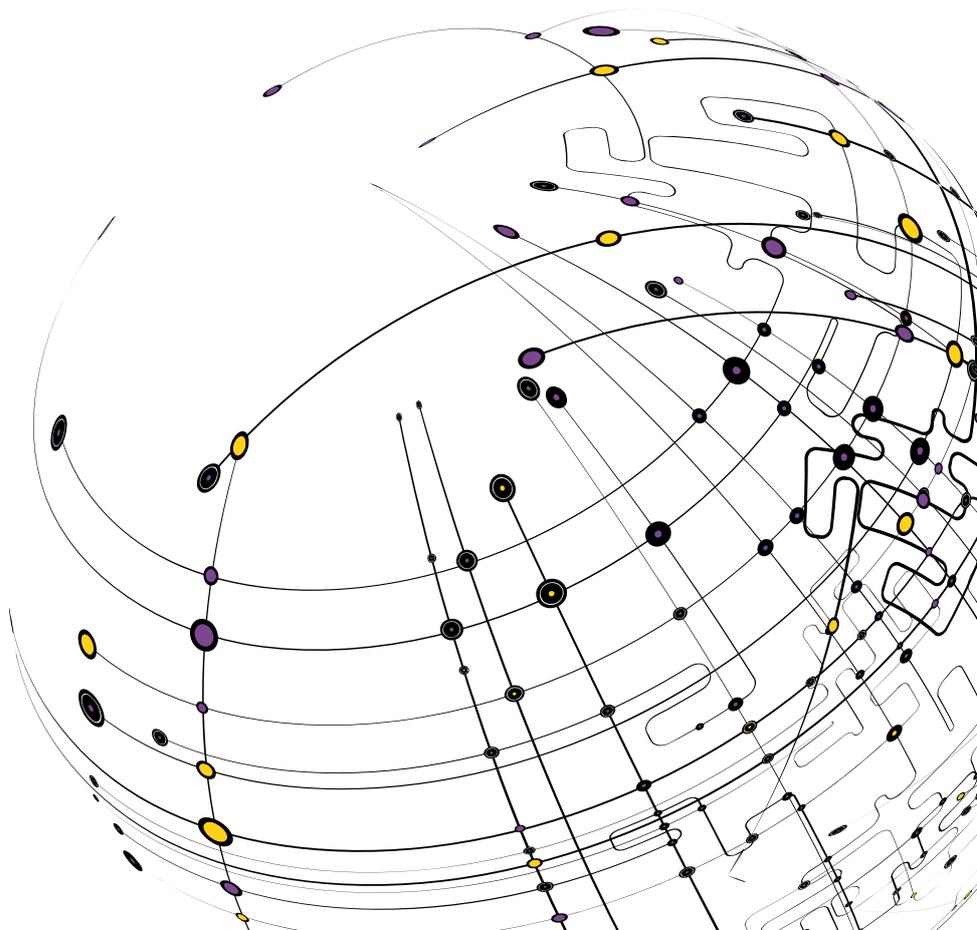
The world of media is changing at a rapid pace, and long-term beliefs about the sources of value in a given business model, media segment, or geography are also changing. In this shifting landscape, we are finding increasing demand for the kind of comprehensive data offered in our annual Global Media Report, as experts from every part of the world have an interest in the way consumers and advertisers are spending their hard-earned cash on media and entertainment.

Our Global Media Report 2015 offers both high-level data and a granular look at the media industry around the world. It provides annual historical data from 2009 through 2014, along with forecasts from 2015 through 2019, on a country-by-country basis, for 12 major media categories and numerous sub-categories.

The Global Media Report is just one of many tools that McKinsey's Global Media & Entertainment Practice has developed to help leading media companies better navigate the industry. Every day, in our offices around the world, we help our clients with their most pressing strategic and operational issues, whether finding new revenue models, winning and retaining customers, or exploring emerging digital opportunities.

This executive summary of our Global Media Report gives a high level overview of the data and trends that we found.

For further information please contact Global Media and Entertainment Practice Manager Sonja Murdoch at Sonja_Murdoch@mckinsey.com
http://www.mckinsey.com/client_service/media_and_entertainment

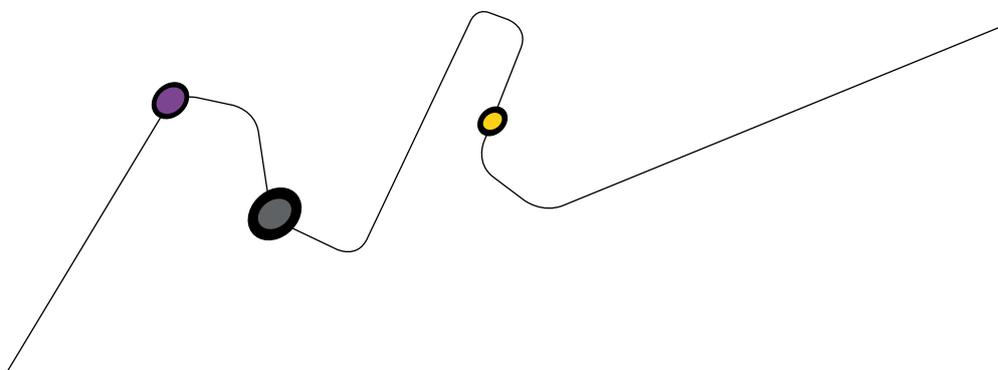


Global Media Report 2015

We are pleased to present McKinsey & Company's Global Media Report 2015. The Report provides annual historical data from 2009 through 2014 and forecasts from 2015 through 2019. Data is provided on a country-by-country basis for 12 major media categories and numerous sub-categories.

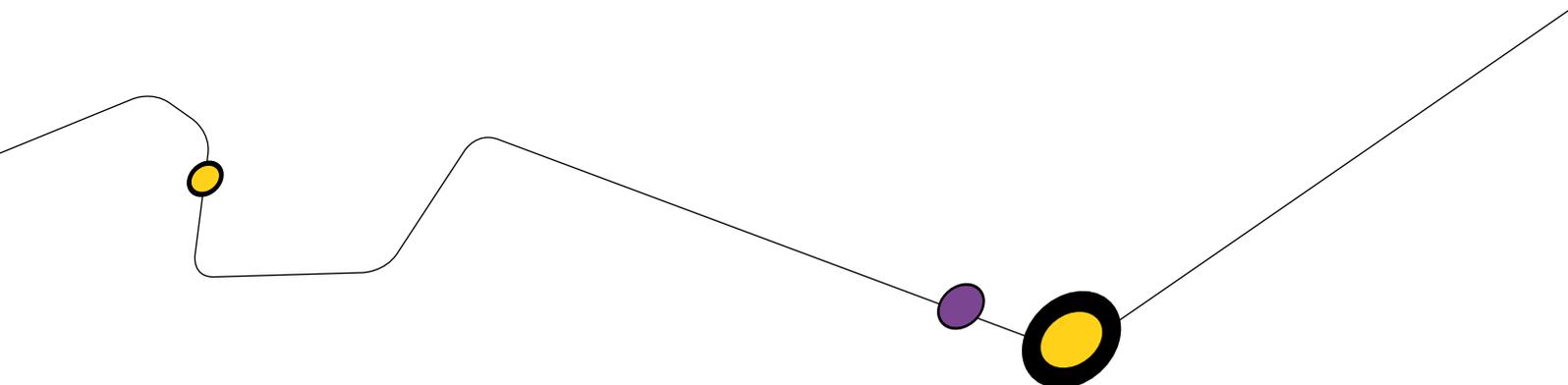
North America				
United States				
Canada				
EMEA				
Western Europe		Central and Eastern Europe		Middle East/Africa
Austria	Greece	Spain	Czech Republic	Israel
Belgium	Ireland	Sweden	Hungary	Middle East/North Africa ¹
Denmark	Italy	Switzerland	Poland	South Africa
Finland	Netherlands	United Kingdom	Romania	
France	Norway		Russia	
Germany	Portugal		Turkey	
Asia Pacific				
Australia	Indonesia	Pakistan	Taiwan	
China	Japan	Philippines	Thailand	
Hong Kong	Malaysia	Singapore	Vietnam	
India	New Zealand	South Korea		
Latin America				
Argentina	Colombia			
Brazil	Mexico			
Chile	Venezuela			

¹Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria and the United Arab Emirates.



Data provided

Digital Advertising	In-Home Entertainment
Search	Cable TV Households
Non-Video Display	Digital and Analog Cable TV Households
Video Display	TV Households
Classified Internet Advertising	Cable TV Household Penetration
Mobile Advertising	Average Monthly Spending Per Cable Household
	Cable TV Subscription Spending
Broadband	Subscription Satellite Households
Fixed Broadband Spending	Subscription Satellite TV Household Penetration
Fixed Broadband Households	Average Monthly Spending Per Satellite Household
Fixed Broadband Household Penetration	Subscription Satellite Spending
Average Monthly Spending Per Fixed Broadband Household	IPTV Households
Mobile Internet Subscribers	IPTV Household Penetration
Mobile Internet Penetration	Average Monthly Spending per IPTV Household
Average Monthly Spending Per Mobile Internet Subscriber	Subscription DTT Households
Mobile Internet Access Spending	Subscription DTT Households penetration
Total Households	Subscription DTT Households penetration
Population	Average monthly spending per subscription DTT household
	DTT subscription spending
Television Advertising	Video on Demand Through TV Subscription Providers
Free to Air Television Advertising	Physical Home Video Sell-Through
Multichannel Television Advertising	Physical Home Video Rentals
Online Television Advertising	Over-the-Top (OTT) Transactional Digital Video
Mobile Television Advertising	OTT Subscription Video-on-Demand
Mobile Television Users	Public service TV broadcasting



Audio Entertainment	Consumer Magazines	Consumer Books
Total Recorded Music Sales	Consumer Magazine Print Advertising	Print Consumer Books
Physical Recorded Music Unit Sales	Consumer Magazine Digital Advertising	Electronic Consumer Books
Physical Recorded Music Average Price	Consumer Magazine Per Issue Print Unit Circulation	
Physical Recorded Music Spending	Print Unit Circulation Per Household	Educational Publishing
Digital Recorded Music Download Unit Sales	Consumer Magazine Print Circulation Spending	Print Educational Books
Digital Recorded Music Download Average Price	Consumer Magazine Per Issue Digital Unit Circulation	Digital Learning Materials
Digital Recorded Music Download Sales	Consumer Magazine Digital Circulation Spending	
Digital Streaming Subscription Spending		Video Games
Ad Supported Digital Streaming	Newspapers	Boxed Console/Handheld Games
Concerts/Music Festivals	Daily Newspaper Print Advertising	Online Games
Radio Advertising	Daily Newspaper Print Classified Advertising	Wireless Games
Satellite Radio Subscriptions	Daily Newspaper Print Retail Advertising	Boxed PC Games
Public Service Radio Broadcasting	Daily Newspaper Print National Advertising	Advertising
	Daily Newspaper Digital Advertising	
	Daily Newspaper Print Unit Circulation	
Cinema	Daily Newspaper Print Circulation Spending	
Box Office Admissions	Daily Newspaper Paid Digital Unit Circulation	
Box Office Average Admission Price	Daily Newspaper Digital Circulation Spending	
Box Office Spending		
Cinema Advertising		
Out-of-Home Advertising		
Non-Digital OOH Advertising		
Digital OOH Advertising		

Introduction

For the past three years, McKinsey & Company has compiled a comprehensive Global Media Report (GMR) using consumer and ad spend data gathered from every global media and entertainment sector, from print publishing to digital advertising, from video games to the box office.

As we sift through the data from these sectors and markets in our GMR 2015, we find two primary themes.

The shift to digital: Redefining business models

Spending on media continues to shift from traditional to digital products and services at a rapid pace. By 2019, we believe digital spending will account for more than 50 percent of overall media spend. Within this, digital video spending will overtake physical spending by 2018, two years earlier than we had previously forecast. Digital, consisting of Internet and mobile advertising, will become the largest advertising category by 2017, surpassing TV one year earlier than forecast, and mobile will more than double its share of the digital ad market.

This rapid digital shift is being driven in part by the growing number of connected consumers, the expansion of mobile telephony, and elevated mobile broadband adoption. As it continues, it will not only expand the digital share of the media wallet, but have a structural effect on almost all media sub-sectors, redefining business models. For example, we see a growing move away from “bundled” media, such as that offered by traditional cable TV, to what might be termed “self-service re-bundling”—consumers picking and choosing from a variety of online streaming services to create their own, more streamlined personal programming bundles. As the number of direct-to-consumer services increases and the number of smart devices grows, the ability of consumers to self-serve the entertainment they desire will increase as well. We expect global pay TV growth to moderate as a result, with the rise of over-the-top (OTT) online options influencing consumer preferences and ultimately leading to cord-cutting—subscribers dropping their pay TV services altogether—and a higher degree of cord-shaving—subscribers signing up for smaller, cheaper self-selected bundles of services.

Faster broadband growth in developing regions will only increase the slowdown in pay TV. As it does, pay TV distributors will be forced to introduce unprecedented flexibility to their business models, providing OTT content as part of the subscription package, moving more quickly to introduce TV Everywhere, and allowing more and more consumers to re-bundle as they wish. Simultaneously, we expect digital subscriptions, such as those offered by premium video services, to cannibalize individual digital transactions to an even greater extent than they have in the past.

Another important change we find is the rise of global content intermediation and integration, as leading social-networking platforms, both personal and professional, provide videos, music, and news from outside sources directly to their users. They hope that aggregating and integrating additional content will boost their consumer interactions and change consumption patterns. These steps could mark a major shift for a sector that inherently struggles with monetization.

We also see a third key change: As digital media gain ground, advertisers are increasingly accepting the validity and persuasiveness of advertising on these media, moving away from the typically high cost-per-thousand (CPM) traditional media to less expensive, low-CPM Internet and mobile advertising—further accelerating the shift of analog dollars to digital.

Despite our emphasis on the shift to digital as a primary theme, however, we should not forget that traditional media remain a considerable factor. While analysts and advertisers increasingly focus on digital entertainment, traditional TV still dominates, bringing in a projected 38.7 percent of advertising spend worldwide in 2014, the largest advertising share. In addition, while traditional media segments are flat or declining in developed markets, many are still sizeable sectors in emerging regions, with a healthy outlook. The print newspaper market is an excellent example: While developed markets will see a sharp decline in print advertising spend over the next few years, despite stabilizing consumer spend, many developing markets can anticipate growth in print newspaper publishing—driven largely by advertising.

Global Industry Overview

Global spending rose 5.4 percent in 2014, up from the 5.2 percent increase in 2013, but lower than the gains recorded over the 2009-2012 period, during which spending increased at a 6.2 percent compound annual rate. We project spending over the next five years to expand at a 5.1 percent CAGR, continuing the overall slowdown.

Current state of the sectors

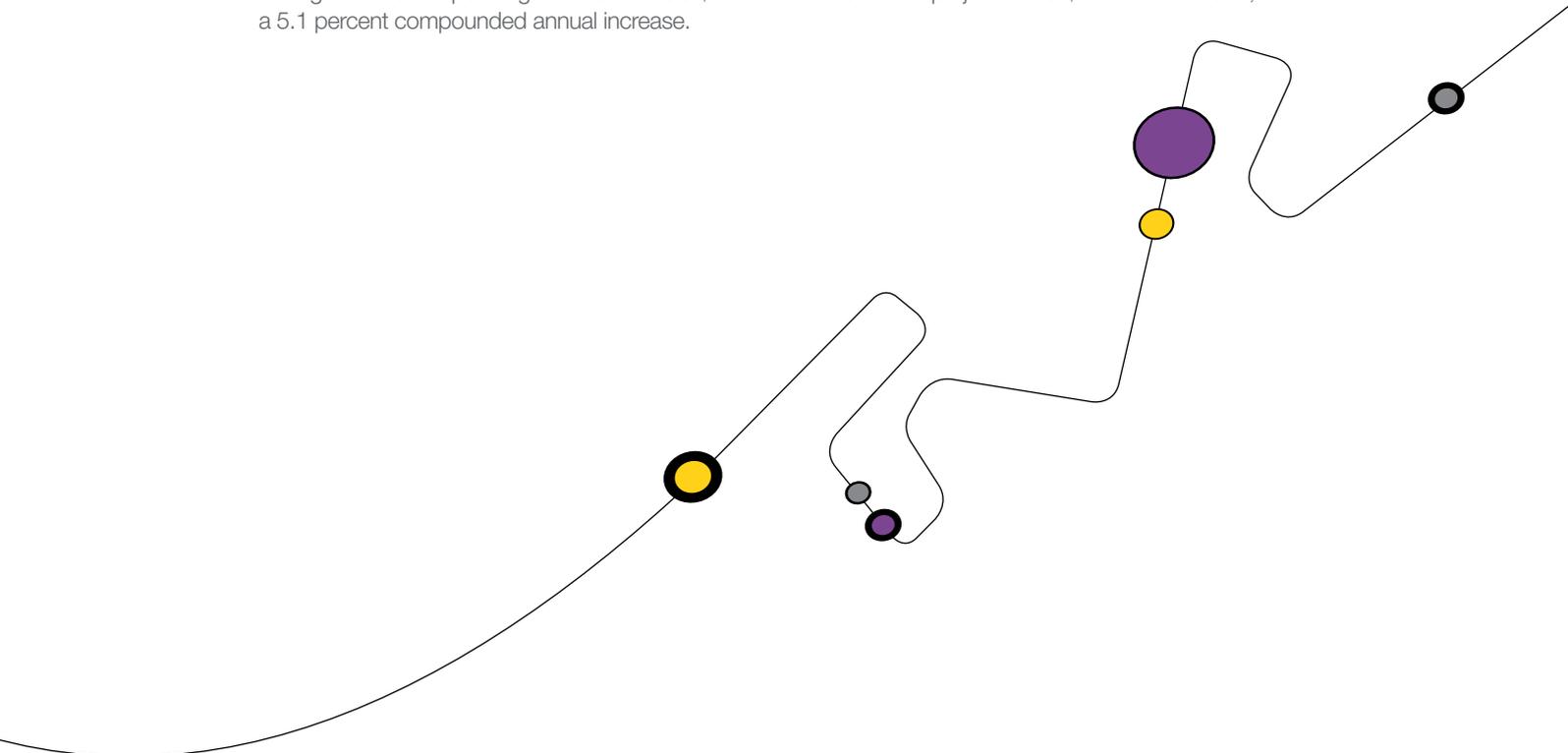
Digital advertising was the fastest-growing category in 2014, with a 16.1 percent increase, followed by video games at 14.3 percent and broadband at 9.2 percent. Both digital advertising and broadband are entirely digital, and growth in video games was fueled by its digital components. This pattern reflects the underlying transition of the market from traditional to digital media. At the other end of the growth spectrum, consumer magazines and newspaper publishing continued to decline in 2014, while audio entertainment dipped 1.0 percent following three years of modest gains. The remaining segments collectively rose 4.9 percent in 2014, led by TV advertising at 5.9 percent.

Outlook for sector spending

We expect digital advertising, video games, and broadband to continue to be the fastest-growing segments over the next five years, with projected compound annual increases to 2019 of 12.7 percent, 8.1 percent, and 7.8 percent, respectively. Cinema will expand at a projected 5.4 percent CAGR, followed by TV advertising at 5.0 percent and out-of-home at 4.9 percent, with in-home video entertainment next at 3.4 percent compounded annual growth. Audio entertainment, educational publishing, and consumer books will grow at compound annual rates of 2.0 percent or less, while consumer magazines and newspaper publishing will each be somewhat lower in 2019 than in 2014.

While the stronger segments today will continue to be strong over the next five years, we expect that the faster-growing segments in 2014 will grow more slowly over the forecast period. Simultaneously, the slower-growing or declining segments in 2014 will either grow more quickly over the next five years or decline at slower rates.

Total global media spending will rise from US \$1.6 trillion in 2014 to a projected US \$2.1 trillion in 2019, a 5.1 percent compounded annual increase.



Total global spending by category¹ (US \$ millions)

Category	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
Digital Advertising	60,336	70,756	81,544	94,065	109,686	127,345	16.1	146,617	168,538	190,822	211,955	231,442	12.7
Broadband	234,137	267,784	313,039	355,947	393,274	429,280	12.9	463,826	500,510	539,361	581,203	624,613	7.8
TV Advertising	136,792	152,824	159,985	168,749	173,314	183,501	6.1	189,445	202,511	208,960	223,099	233,876	5.0
In-Home Video Entertainment	257,841	270,985	283,287	297,662	310,783	323,408	4.6	331,922	347,781	358,950	370,244	381,648	3.4
Audio Entertainment	92,551	91,294	92,470	93,681	96,559	95,636	0.7	96,984	98,772	100,667	102,767	104,648	1.8
Cinema	30,147	31,692	32,245	34,719	35,972	37,133	4.3	39,359	41,614	43,799	45,834	48,334	5.4
Out-of-Home	24,817	27,044	27,816	29,150	30,627	31,747	5.0	33,220	34,824	36,468	38,337	40,334	4.9
Consumer Magazine Publishing	65,573	65,010	65,376	63,635	61,167	59,061	-2.1	57,640	56,546	55,710	55,080	54,610	-1.6
Newspaper Publishing	153,392	154,521	153,900	150,311	145,688	142,430	-1.5	140,647	139,917	140,023	140,766	141,968	-0.1
Consumer Books	69,687	70,034	69,504	69,944	70,750	72,357	0.8	72,976	74,020	74,794	75,425	75,968	1.0
Educational Publishing	38,619	39,608	40,135	39,347	39,955	40,980	1.2	41,624	42,138	42,629	43,241	43,929	1.4
Video Games	55,190	57,791	60,822	66,444	73,973	84,534	8.9	94,117	103,454	111,634	118,738	124,542	8.1
Total	1,208,470	1,286,526	1,364,933	1,446,077	1,521,420	1,603,951	5.8	1,681,314	1,779,536	1,868,556	1,966,897	2,061,479	5.1

¹At average 2014 exchange rates.

Note: Television, audio, newspaper, and consumer magazine digital advertising as well as video games advertising are included in their respective segments and also in the digital advertising segment, but only once in the overall total.

Sources: McKinsey & Company, Wilkofsky Gruen Associates

Current state of the regions

Latin America was the fastest-growing region in 2014, with an 11.8 percent advance, followed by Asia Pacific, which rose 7.2 percent. In both cases, the gains were the smallest of the past five years, largely reflecting moderating increases for the key countries—Brazil in Latin America and China in Asia Pacific—that are the principal contributors to growth, generating 54 percent and 55 percent, respectively, of their region's increase in 2014.

In North America, by contrast, the 4.4 percent increase in 2014 matched 2012 and was the largest gain since 2010, as improving economic conditions and an influx of advertising associated with the Olympics and the elections boosted spending.

EMEA continued to be the slowest-growing region, with a 3.3 percent advance in 2014. That gain maintained a pattern of improved growth since 2012, but was lower than the gains posted in 2010 and 2011. Western Europe increased 2.2 percent in 2014, its largest gain since 2010, but growth in Central and Eastern Europe slowed to 6.0 percent, the smallest increase of the past five years, as Russia began to feel the pinch of international sanctions and plunging oil prices. Middle East/Africa continued to grow at double-digit annual rates in 2014; however, the 11.1 percent increase was also the smallest gain of the past five years.

Outlook for regional spending

We expect Latin America and Asia Pacific to continue to be the fastest-growing regions over the next five years despite moderating growth in Brazil and China, with compound annual increases of 10.6 percent and 5.9 percent, respectively. High inflation in several countries in Latin America will contribute to double-digit nominal growth. Collectively, Latin America and Asia Pacific will account for 42.9 percent of total global spending in 2019, up from 39.7 percent in 2014. However, growth in these regions will continue to ease, with increases less than those experienced in any of the past five years.

We project total media spending in North America to increase at a 4.0 percent CAGR, down from the 4.4 percent gain in 2014 and a bit lower than the 4.2 percent CAGR between 2009 and 2014.

EMEA as a whole will also rise at a projected 4.0 percent compound annual rate, matching North America, and is the only region in which projected growth will be above the increase experienced in 2014. We project that the economic doldrums that have plagued Western Europe for many years will ease a bit beginning in 2016; nevertheless, Western Europe will still be the slowest growing area, with a projected 2.8 percent CAGR over the next five years. We expect growth in Central and Eastern Europe to slow further in 2015 as Russia's problems continue, but pick up in 2016 as Russia begins to pull out of its recession. For the forecast period as a whole, CEE will expand at a 6.2 percent CAGR. We look for Middle East/Africa to continue its pattern of double-digit annual growth, with increases projected at 11.5 percent compounded annually.

Total global spending by region¹ (US \$ millions)

Region	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
North America	389,934	407,426	421,930	440,564	458,685	478,770	4.2	497,051	521,620	540,922	564,906	583,783	4.0
EMEA													
Western Europe	360,339	371,754	382,038	384,926	388,710	397,449	2.0	407,598	419,548	431,507	443,666	455,831	2.8
Central and Eastern Europe	31,937	35,298	40,622	44,158	48,632	51,565	10.1	54,028	57,059	60,701	65,099	69,606	6.2
Middle East/ Africa	19,744	22,399	27,982	31,554	35,585	39,518	14.9	43,722	49,031	54,837	61,216	68,027	11.5
EMEA Total	412,020	429,451	450,642	460,638	472,927	488,532	3.5	505,348	525,638	547,045	569,981	593,464	4.0
Asia Pacific	353,971	387,426	417,924	457,725	491,880	527,160	8.3	558,359	597,417	632,777	668,106	702,864	5.9
Latin America	52,545	62,223	74,437	87,150	97,928	109,489	15.8	120,556	134,861	147,812	163,904	181,368	10.6
Total	1,208,470	1,286,526	1,364,933	1,446,077	1,521,420	1,603,951	5.8	1,681,314	1,779,536	1,868,556	1,966,897	2,061,479	5.1

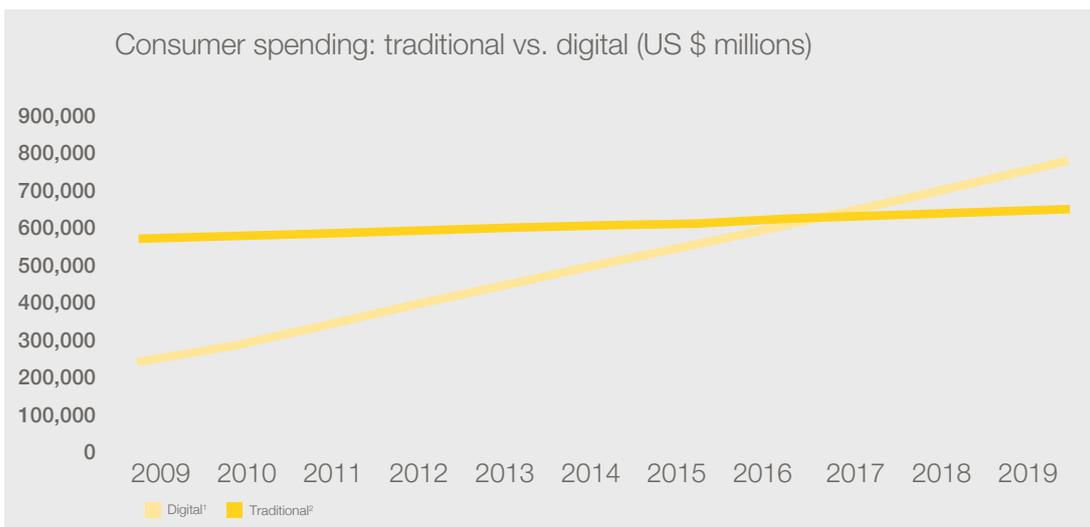
¹At average 2014 exchange rates.

Sources: McKinsey & Company, Wilkofsky Gruen Associates

Consumer spending

Consumer spending rose 5.5 percent in 2014, the smallest gain of the past five years, largely reflecting a slowdown in the audio segment. Broadband, which generated 60 percent of the increase in 2014, dropped to single-digit growth of 9.2 percent, as that market is beginning to mature. Video games was the fastest-growing consumer category in 2014, with a 14.0 percent increase. It has also been the only category to grow successively faster during each of the past five years propelled by growth in online and mobile games, which now account for the majority of consumer spending on video games.

For consumer spending as a whole, digital components¹ rose 11.2 percent in 2014 and accounted for 46.2 percent of the market. Traditional components² of the market increased only 1 percent in 2014. We project digital consumer spending to continue to be the principal market driver, increasing by a projected 8.6 percent compounded annually to 2019, compared with a 1.3 percent projected CAGR for traditional consumer spending. As a result, digital consumer spending will overtake traditional consumer spending in 2017 and will generate 55 percent of total consumer spending by 2019.



Sources: McKinsey & Company, Wilkofsky Gruen Associates

¹Digital consists of spending on broadband, OTT transactional digital video, OTT subscription digital video, digital recorded music downloads, digital recorded music-streaming subscriptions, consumer magazine digital circulation, daily newspaper digital circulation, electronic consumer books, digital learning materials, online video games, mobile video games and satellite radio subscription spending.

²Traditional consists of spending on pay TV subscriptions, transactional video on demand through TV subscription providers, physical home video sales and rentals, public-service TV and radio broadcasting, physical recorded music, concerts and music festivals, box office, consumer magazine print circulation, daily newspaper print circulation, print consumer books, print educational books, and boxed console and PC video games.

Looking at individual segments, we project video games and broadband to continue to be the fastest-growing, with compound annual increases of 7.7 percent and 7.8 percent, respectively. Cinema, at 5.3 percent, and in-home video, at 3.4 percent, will be the only other categories to expand at compound annual rates of 3 percent or more. China alone will generate 34 percent of the global increase in box office spending, as new cinemas opening in underserved areas expand that market. In the in-home video market, double-digit growth in over-the-top (OTT) services will be countered by a maturing pay TV market, declines in physical home video, and a slow-growing public service broadcasting market, resulting in slower projected growth in this segment compared with the past five years.

Compound annual growth for the print categories—newspapers, magazines, consumer books, and educational publishing—will range from 1.4 percent to -1.0 percent.

Global consumer spending by category¹ (US \$ millions)

Category	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
Broadband	234,137	267,784	313,039	355,947	393,274	429,280	12.9	463,826	500,510	539,361	581,203	624,613	7.8
In-Home Video	257,841	270,985	283,287	297,662	310,783	323,408	4.6	331,922	347,781	358,950	370,244	381,648	3.4
Audio	64,590	61,463	62,197	62,942	65,613	64,593	0.0	65,882	67,501	69,271	71,226	72,974	2.5
Cinema	28,428	29,800	30,254	32,607	33,853	34,992	4.2	37,123	39,225	41,211	43,013	45,257	5.3
Consumer Magazines	40,648	39,426	39,402	38,480	37,019	35,829	-2.5	35,139	34,643	34,328	34,157	34,061	-1.0
Newspapers	69,232	69,903	69,999	70,055	69,642	69,330	0.0	69,265	69,528	69,935	70,485	71,143	0.5
Consumer Books	69,687	70,034	69,504	69,944	70,750	72,357	0.8	72,976	74,020	74,794	75,425	75,968	1.0
Educational Publishing	38,619	39,608	40,135	39,347	39,955	40,980	1.2	41,624	42,138	42,629	43,241	43,929	1.4
Video Games	53,767	56,126	58,910	64,260	71,189	81,123	8.6	89,975	98,548	106,020	112,457	117,632	7.7
Total	856,949	905,129	966,727	1,031,244	1,092,078	1,151,892	6.1	1,207,732	1,273,894	1,336,499	1,401,451	1,467,225	5.0

¹At average 2014 exchange rates.

Sources: McKinsey & Company, Wilkofsky Gruen Associates

Overall consumer spending will rise at a 5.0 percent CAGR to US \$1.5 trillion in 2019, up from US \$1.2 trillion in 2014. Latin America and Asia Pacific will be the fastest-growing regions, with compound annual increases of 9.7 percent and 5.7 percent, respectively. EMEA will expand at a 3.9 percent CAGR, with Western Europe at 2.4 percent. Middle East/Africa, at 12.8 percent compounded annually, and Central and Eastern Europe, at 6.3 percent, will outpace all other regions except Latin America. We project North America to increase at a 3.8 percent CAGR.

The advertising market

Economic sensitivity. Advertising is sensitive to the economy, generally more so than consumer spending: Historically, advertising has grown more slowly than the economy when the economy has been weak and more quickly than the economy when the economy has been strong. More recently, however, advertising has generally lagged economic growth over the entire economic cycle because of the growing share of digital advertising in the overall advertising mix. The primary reason is that digital ad rates are generally much lower than ad rates in traditional media. Consequently, advertisers can maintain or expand their reach through digital media without necessarily having to spend more money. The transition of advertising from traditional to digital media has therefore resulted in slower growth in advertising spend than was experienced when there was little or no digital advertising.

Global consumer spending by region¹ (US \$ millions)

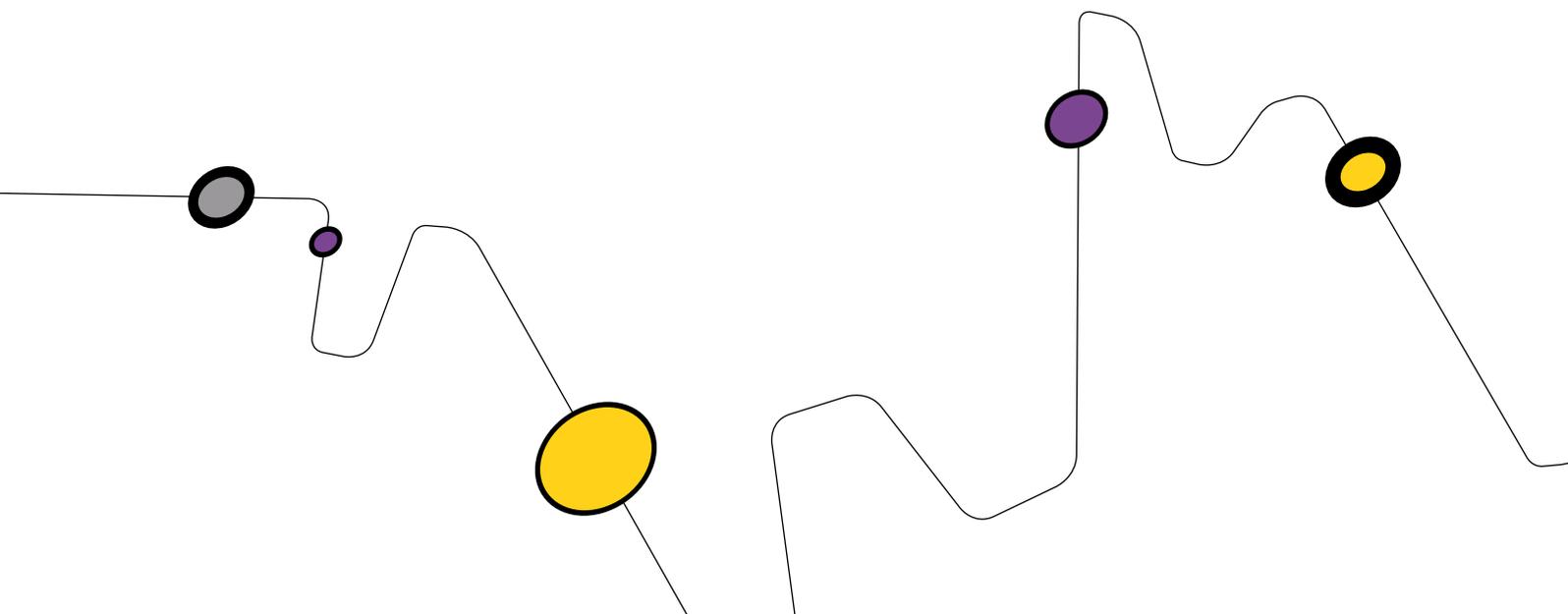
Region	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
North America	251,558	259,795	269,245	278,961	293,220	304,718	3.9	316,891	329,241	341,058	353,964	366,536	3.8
EMEA													
Western Europe	267,710	273,294	281,368	286,837	290,916	296,758	2.1	303,276	311,078	318,646	325,995	333,663	2.4
Central and Eastern Europe	23,397	25,750	29,888	32,738	36,494	39,047	10.8	41,051	43,382	46,130	49,513	52,900	6.3
Middle East/Africa	13,002	15,004	20,854	24,262	27,871	31,517	19.4	35,380	40,266	45,585	51,399	57,600	12.8
EMEA Total	304,109	314,048	332,110	343,837	355,281	367,322	3.8	379,707	394,726	410,361	426,907	444,163	3.9
Asia Pacific	263,247	286,187	309,991	342,141	368,567	396,416	8.5	419,444	449,151	474,497	499,340	523,929	5.7
Latin America	38,035	45,099	55,381	66,305	75,010	83,436	17.0	91,690	100,776	110,583	121,240	132,597	9.7
Total	856,949	905,129	966,727	1,031,244	1,092,078	1,151,892	6.1	1,207,732	1,273,894	1,336,499	1,401,451	1,467,225	5.0

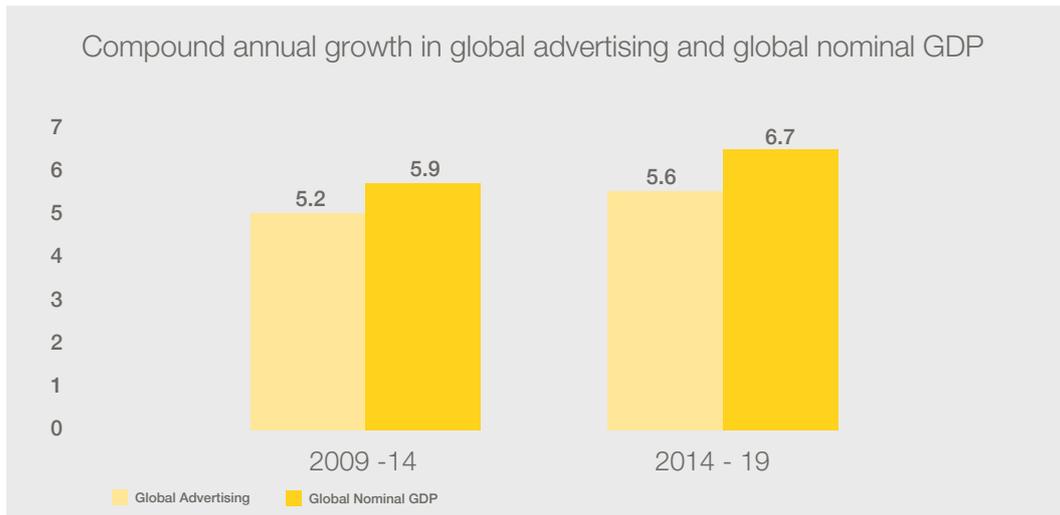
¹At average 2014 exchange rates.

Sources: McKinsey & Company, Wilkofsky Gruen Associates

This does not mean that the economy plays less of a role, only that advertising growth may not necessarily keep pace with economic growth. Over the past five years, for example, global advertising has risen at a 5.2 percent CAGR, 0.7 percentage points less than the 5.9 percent CAGR in nominal GDP growth over the same period.

With the global economy now expected to improve over the forecast period and with inflation picking up in Latin America, nominal GDP will rise at a projected 6.7 percent CAGR. We anticipate an improvement in global advertising growth of 5.6 percent compounded annually, 0.4 percentage points faster than over the past five years, but that gain will not keep pace with the accelerated growth in nominal GDP.



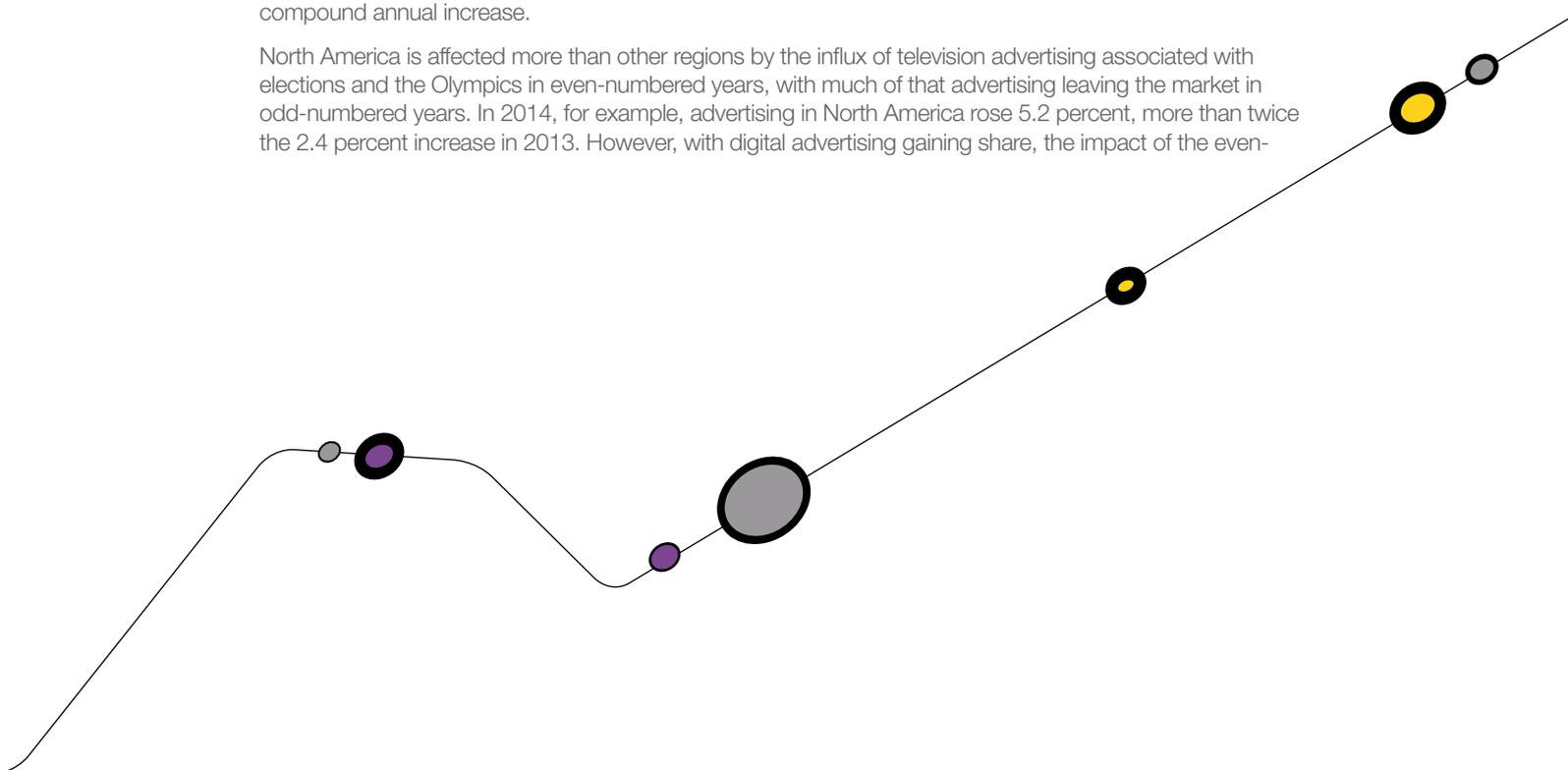


Sources: McKinsey & Company, Wilkofsky Gruen Associates

Regional growth. We expect Latin America to be the fastest-growing advertising region, with a projected 13.4 percent compound annual increase, in large part reflecting high inflation rates in several countries. Asia Pacific will be a distant second, with a projected 6.5 percent CAGR.

EMEA has had the slowest-growing economy in recent years and also the slowest-growing advertising market. While we expect economic growth to improve somewhat in EMEA over the next five years, leading to faster advertising growth, EMEA's economy will still grow more slowly than that of other regions. We expect it will still have the slowest-growing advertising market as well, with a projected 4.3 percent compound annual increase.

North America is affected more than other regions by the influx of television advertising associated with elections and the Olympics in even-numbered years, with much of that advertising leaving the market in odd-numbered years. In 2014, for example, advertising in North America rose 5.2 percent, more than twice the 2.4 percent increase in 2013. However, with digital advertising gaining share, the impact of the even-



Global advertising by region¹ (US \$ millions)

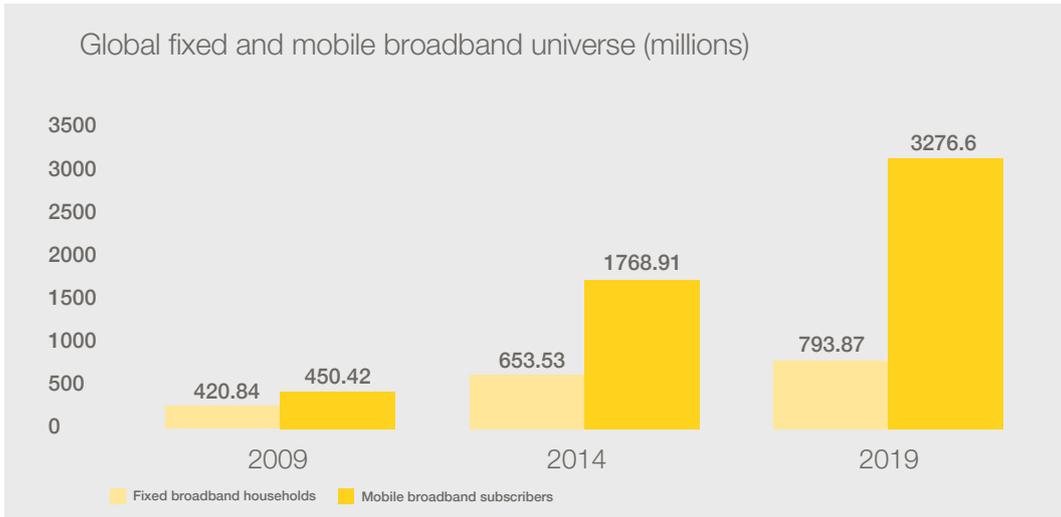
Region	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
North America	138,376	147,631	152,685	161,603	165,465	174,052	4.7	180,160	192,379	199,864	210,942	217,247	4.5
EMEA													
Western Europe	92,629	98,460	100,670	98,089	97,794	100,691	1.7	104,322	108,470	112,861	117,671	122,168	3.9
Central and Eastern Europe	8,540	9,548	10,734	11,420	12,138	12,518	7.9	12,977	13,677	14,571	15,586	16,706	5.9
Middle East/ Africa	6,742	7,395	7,128	7,292	7,714	8,001	3.5	8,342	8,765	9,252	9,817	10,427	5.4
EMEA Total	107,911	115,403	118,532	116,801	117,646	121,210	2.4	125,641	130,912	136,684	143,074	149,301	4.3
Asia Pacific	90,724	101,239	107,933	115,584	123,313	130,744	7.6	138,915	148,266	158,280	168,766	178,935	6.5
Latin America	14,510	17,124	19,056	20,845	22,918	26,053	12.4	28,866	34,085	37,229	42,664	48,771	13.4
Total	351,521	381,397	398,206	414,833	429,342	452,059	5.2	473,582	505,642	532,057	565,446	594,254	5.6

¹At average 2014 exchange rates.

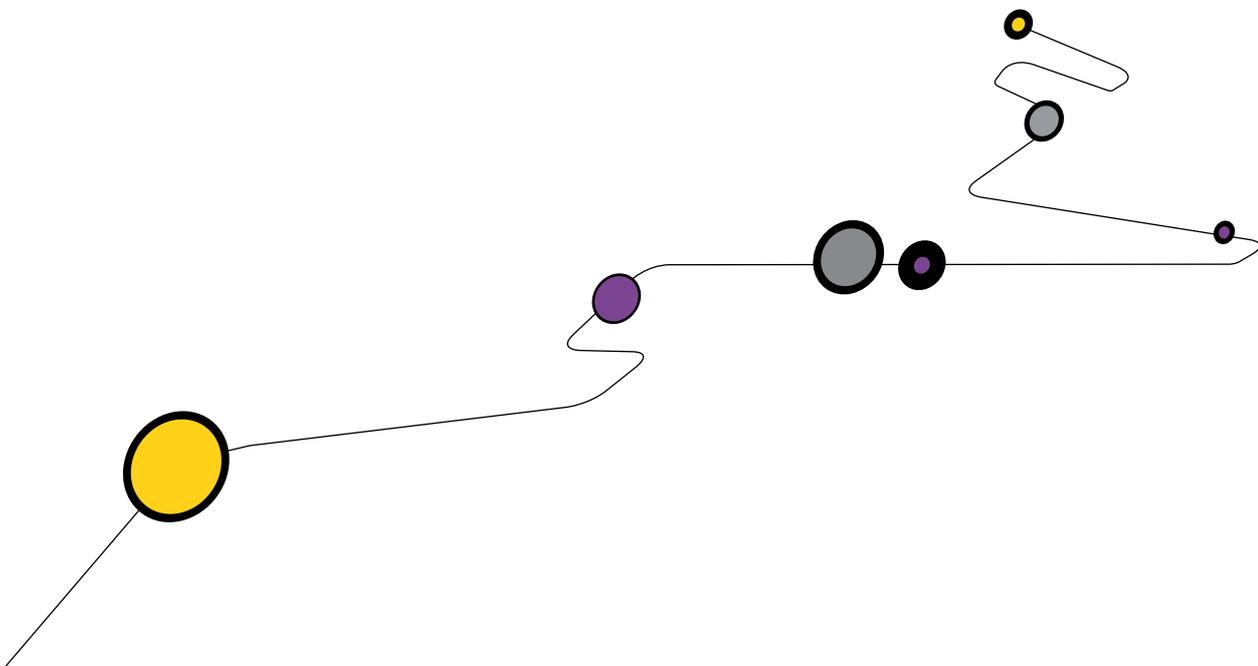
Sources: McKinsey & Company, Wilkofsky Gruen Associates

numbered/odd-numbered pattern for television is beginning to have less of an effect on the overall market. Thus, even though the next five years will have one fewer even-numbered year and one additional odd-numbered year, the projected 4.5 percent gain for North America as a whole over the next five years will be only slightly lower than the 4.7 percent CAGR experienced between 2009 and 2014.

Digital expansion. The key development in the market is the shift in advertising from traditional to digital media. Advertising in digital media rose 16.1 percent in 2014, while ads in the remaining media increased a collective 1.6 percent. This discrepancy is not new. Over the past five years, digital advertising has expanded at a 16.1 percent CAGR, compared with 2.2 percent growth compounded annually for non-digital advertising. This trend reflects enormous growth in the broadband universe. Between 2009 and 2014, the number of fixed broadband households increased by nearly 233 million and the number of mobile broadband subscribers rose by 1.3 billion. As a result, there were 55 percent more fixed broadband households in 2014 than in 2009, while the number of mobile broadband subscribers nearly quadrupled over the same period. As the fixed and mobile broadband universe has grown, media usage has steadily transitioned from traditional to digital. Advertisers have followed consumers, allocating more resources to digital channels. Digital advertising accounted for 28.2 percent of total global advertising in 2014, up from 17.2 percent in 2009.



Sources: McKinsey & Company, Wilkofsky Gruen Associates



Global advertising shares by category (percent)

Category	2009	2010	2011	2012	2013	2014p	2015	2016	2017	2018	2019
Digital	17.2	18.6	20.5	22.7	25.5	28.2	31.0	33.3	35.9	37.5	38.9
Television ¹	38.3	39.2	39.1	39.3	38.7	38.7	37.8	37.5	36.4	36.3	35.9
Audio ¹	7.9	7.8	7.5	7.3	7.1	6.7	6.4	5.9	5.6	5.3	5.0
Cinema	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Out-of-Home ²	7.1	7.1	7.0	7.0	7.1	7.0	7.0	6.9	6.9	6.8	6.8
Consumer Magazines ²	6.7	6.3	6.0	5.5	5.0	4.5	4.1	3.7	3.3	3.0	2.7
Newspapers ²	22.4	20.6	19.4	17.6	16.0	14.4	13.3	12.2	11.4	10.7	10.1

¹Does not include online or mobile advertising.

²Print only.

Sources: McKinsey & Company, Wilkofsky Gruen Associates

Over the next five years, we expect the fixed broadband household base to increase by an additional 140 million, a 21 percent gain from 2014, and the number of mobile broadband users to grow by more than 1.5 billion, rising to nearly 3.3 billion in 2019, an 85 percent increase.

These large increases in the size of the broadband universe will continue to attract advertisers to the Internet. We project digital advertising to grow 12.7 percent compounded annually to 2019, accounting for 73 percent of the total increase in global advertising over the next five years. Non-digital advertising will expand at a projected 2.2 percent CAGR. Digital advertising will overtake television advertising (the non-digital components) in 2018 and make up 38.9 percent of total global advertising by 2019. (Note that non-digital advertising numbers are not broken out in the global advertising table below, as segment data include both traditional and digital advertising.)

The overall advertising market will grow from US \$452 billion in 2014 to a projected US \$594 billion in 2019, expanding at a 5.6 percent compound annual rate.

Global advertising by category¹ (US \$ millions)

Category	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
Digital	60,336	70,756	81,544	94,065	109,686	127,345	16.1	146,617	168,538	190,822	211,955	231,442	12.7
Television	136,792	152,824	159,985	168,749	173,314	183,501	6.1	189,445	202,511	208,960	223,099	233,876	5.0
Audio	27,961	29,831	30,273	30,739	30,946	31,043	2.1	31,102	31,271	31,396	31,541	31,674	0.4
Cinema	1,719	1,892	1,991	2,112	2,119	2,141	4.5	2,236	2,389	2,588	2,821	3,077	7.5
Out-of-Home	24,817	27,044	27,816	29,150	30,627	31,747	5.0	33,220	34,824	36,468	38,337	40,334	4.9
Consumer Magazines	24,925	25,584	25,974	25,155	24,148	23,232	-1.4	22,501	21,903	21,382	20,923	20,549	-2.4
Newspapers	84,160	84,618	83,901	80,256	76,046	73,100	-2.8	71,382	70,389	70,088	70,281	70,825	-0.6
Video Games	1,423	1,665	1,912	2,184	2,784	3,411	19.1	4,142	4,906	5,614	6,281	6,910	15.2
Total	351,521	381,397	398,206	414,833	429,342	452,059	5.2	473,582	505,642	532,057	565,446	594,254	5.6

¹At 2014 average exchange rates.

Note: Television, audio, newspaper, and consumer magazine digital advertising as well as video games advertising are included in their respective segments and also in the digital advertising segment, but only once in the overall total.

Sources: McKinsey & Company, Wilkofsky Gruen Associates

Key global drivers

1. Broadband expansion will drive overall digital spending. Growth in the broadband universe will drive digital spending in three ways. First, growth in the number of fixed broadband and mobile broadband subscriptions will generate US \$195 billion in incremental subscription spending, by itself representing 43 percent of the total increase in all media spending over the next five years. Second, the expanding broadband universe will attract new advertising, which we project will add US \$104 billion in incremental spending over the same period. Finally, as more and more people have a broadband connection, opportunities for digital spending on the part of consumers will multiply. In addition to broadband subscriptions, consumer digital spending will contribute an incremental US \$77 billion over the next five years. Digital spending as a whole will increase at a 9.5 percent CAGR, well above the 1.7 percent projected for non-digital spending. In addition, the digital components of the market will generate 82 percent of the total increase in media spending, surpassing the non-digital components in 2019 and accounting for 50.3 percent of global media spending in that year.

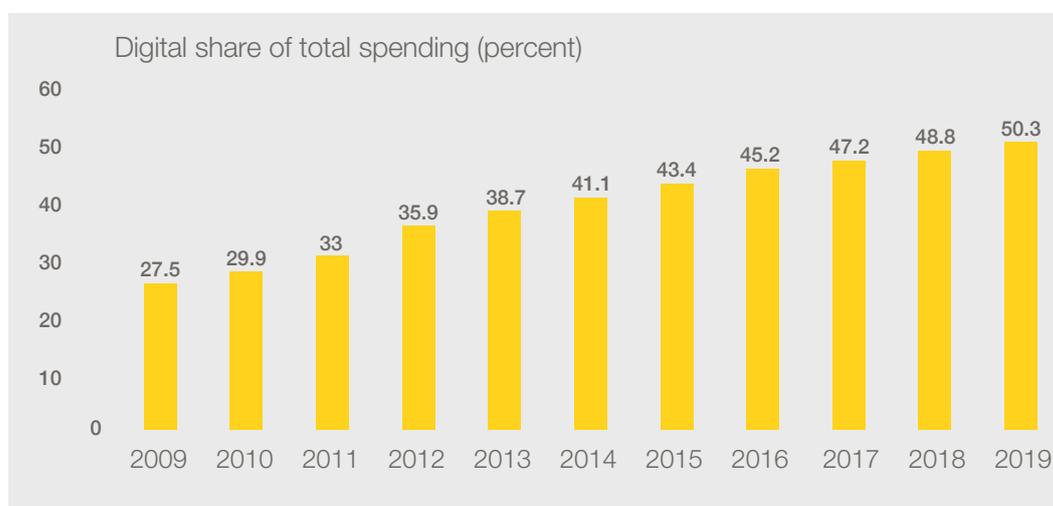
Global spending by digital/non-digital status¹ (US \$ millions)

Status	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
Digital ²	332,850	384,560	450,155	519,431	588,232	659,513	14.7	729,859	804,714	881,299	959,040	1,035,973	9.5
Non-digital	875,620	901,966	914,778	926,646	933,188	944,438	1.5	951,455	974,822	987,257	1,007,857	1,025,506	1.7
Total	1,208,470	1,286,526	1,364,933	1,446,077	1,521,420	1,603,951	5.8	1,681,314	1,779,536	1,868,556	1,966,897	2,061,479	5.1

¹At average 2014 exchange rates.

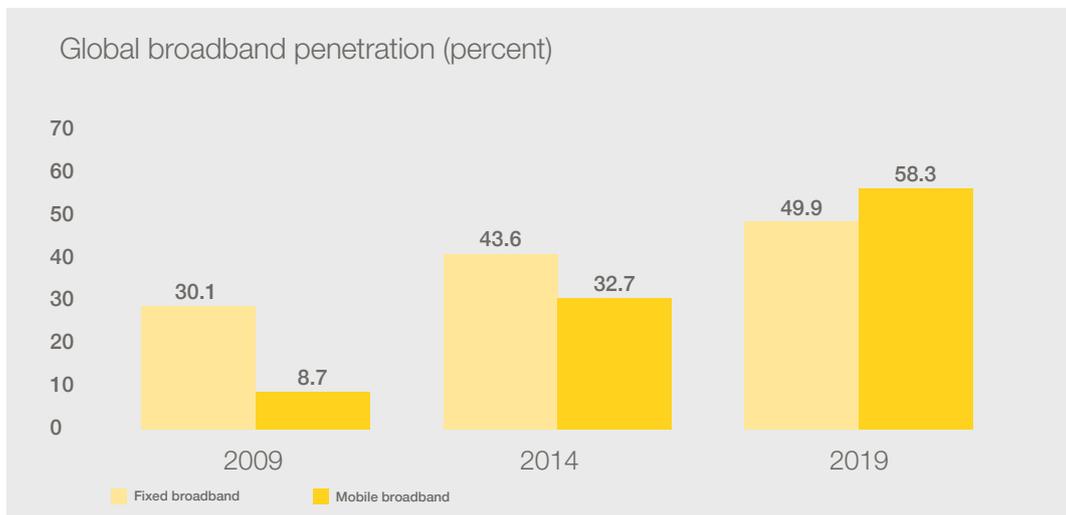
²Consists of digital advertising, broadband, OTT transactional and subscription digital video, satellite radio subscription spending, digital recorded music downloads, digital recorded music streaming subscriptions, digital out-of-home advertising, consumer magazine digital circulation spending, daily newspaper digital circulation spending, electronic consumer books, digital learning materials, online video games, mobile video games.

Sources: McKinsey & Company, Wilkofsky Gruen Associates



Sources: McKinsey & Company, Wilkofsky Gruen Associates

2. Mobile will become the principal digital platform. Media access through mobile devices is the fastest-growing sector of global media spending. The advent of smartphones and tablets has substantially improved the mobile broadband experience, contributing greatly to the surge in mobile broadband penetration. Globally, mobile broadband penetration rose 24 percentage points over the past five years, nearly twice the 13.5 percentage-point increase in fixed broadband penetration. Over the next five years, we project mobile broadband penetration to overtake fixed broadband, rising to 58.3 percent of the total in 2019, from 32.7 percent in 2014. Fixed broadband penetration growth will slow over the same period, rising by just 6.3 percentage points, from 43.6 percent in 2014 to 49.9 percent in 2019.



Sources: McKinsey & Company, Wilkofsky Gruen Associates

Reflecting the growth in mobile broadband penetration, consumers and advertisers are allocating increasing shares of their digital expenditures to mobile. Spending generated wholly or largely through mobile platforms increased 16.4 percent in 2014 and has grown at a 24.1 percent CAGR since 2009, raising the mobile share of the digital market to 36 percent in 2014 from 24 percent in 2009. Over the next five years, we project mobile spending to increase at a 13.5 percent CAGR, nearly twice the 6.9 percent CAGR projected for non-mobile digital spending. Mobile will account for 43 percent of total digital spending in 2019 as a result. We expect mobile to overtake non-mobile digital spending in the next decade, becoming the principal digital platform.

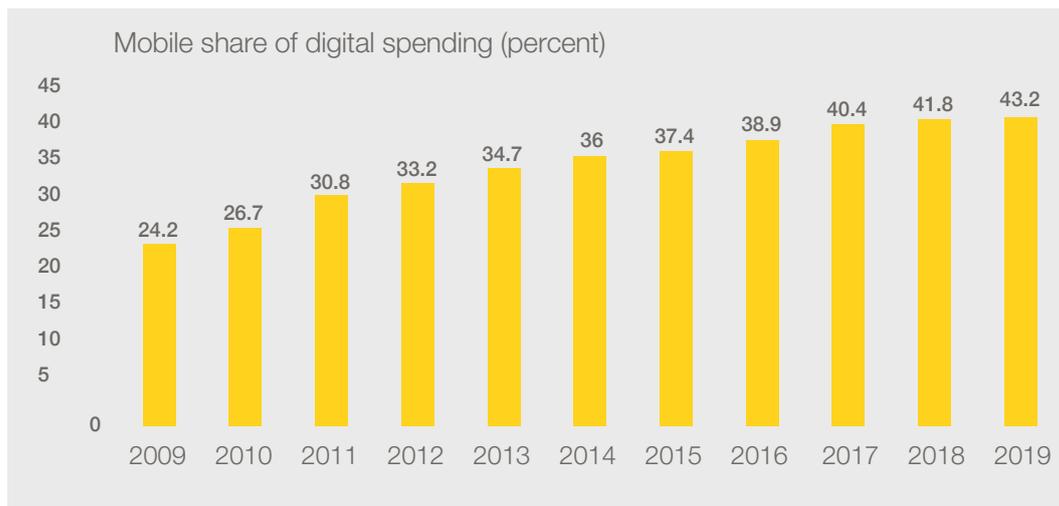
Global digital spending by mobile/non-mobile status¹ (US \$ millions)

Status	2009	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
Mobile ²	80,553	102,567	138,856	172,252	203,893	237,264	24.1	272,685	312,975	355,667	401,184	447,617	13.5
Non-mobile	252,297	281,993	311,299	347,179	384,339	422,249	10.8	457,174	491,739	525,632	557,856	588,356	6.9
Total	332,850	384,560	450,155	519,431	588,232	659,513	14.7	729,859	804,714	881,299	959,040	1,035,973	9.5

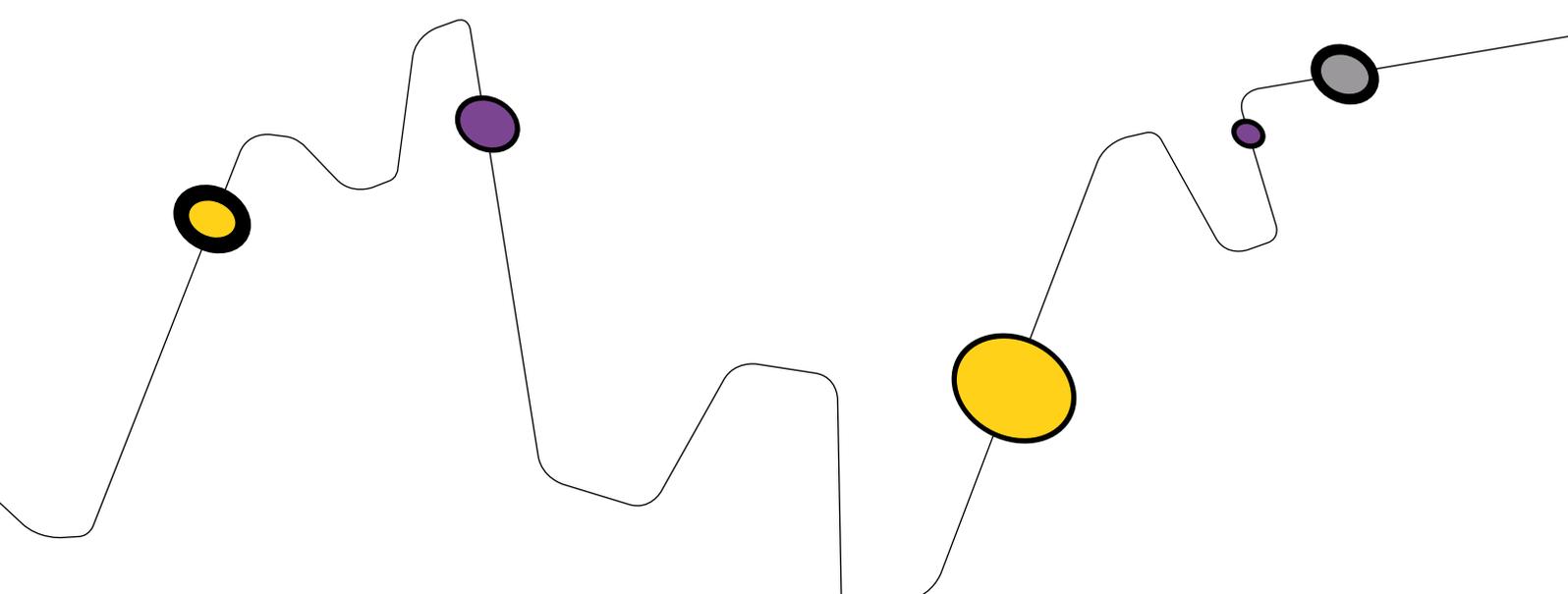
¹At average 2014 exchange rates.

²Consists of mobile broadband, mobile advertising, mobile video games, audio digital streaming, consumer magazine digital circulation spending, daily newspaper digital circulation spending, electronic consumer books and satellite radio subscription spending.

Sources: McKinsey & Company, Wilkofsky Gruen Associates



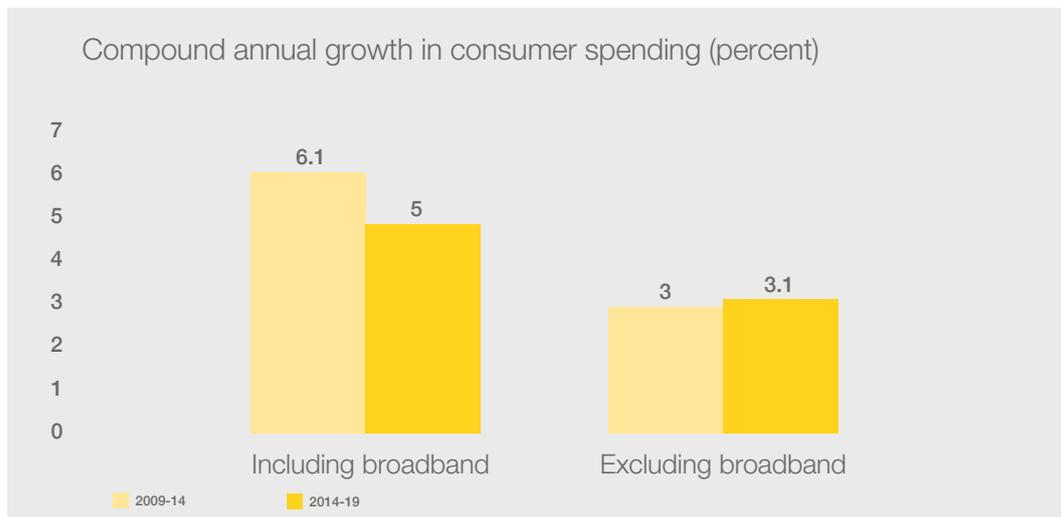
Sources: McKinsey & Company, Wilkofsky Gruen Associates



3. Approaching broadband maturity in many countries will lead to slower consumer spending growth. While an expanding broadband subscriber base will remain the principal driver of overall media spending, broadband is also approaching maturity in a number of countries, both developed and developing. In fact, fixed broadband penetration in 2014 reached more than 70 percent in North America and Western Europe and 60 percent or higher in all of EMEA as well as seven countries in Asia Pacific. Mobile broadband penetration averaged 54 percent in North America and EMEA, reaching 67 percent in Western Europe, while six countries in Asia Pacific had mobile broadband penetration rates above 80 percent. Although we are still projecting substantial increases in broadband penetration, growth will necessarily moderate as some countries approach saturation. In fact, broadband spending growth has already dropped to 9.2 percent in 2014, its first-ever single-digit gain. We project growth over the next five years of 7.8 percent on a compound annual basis, down from the 12.9 percent CAGR of the past five years.

Consumer spending as a whole rose at a 6.1 percent CAGR between 2009 and 2014. Because of the slowdown in broadband growth, we project overall consumer spending growth to drop to 5.0 percent compounded annually to 2019, despite expected improvement in economic growth. Excluding broadband, consumer spending has risen at a 3.0 percent CAGR over the past five years, and we project continued growth at 3.1 percent compounded annually over the next five years as non-broadband spending growth remains steady.

The projected slowdown in overall consumer spending growth (including broadband) will offset the projected increase in global advertising growth. Overall, global media spending will drop from 5.8 percent compounded annual growth over the past five years to a 5.1 percent compounded annual growth rate over the next five years.



Sources: McKinsey & Company, Wilkofsky Gruen Associates

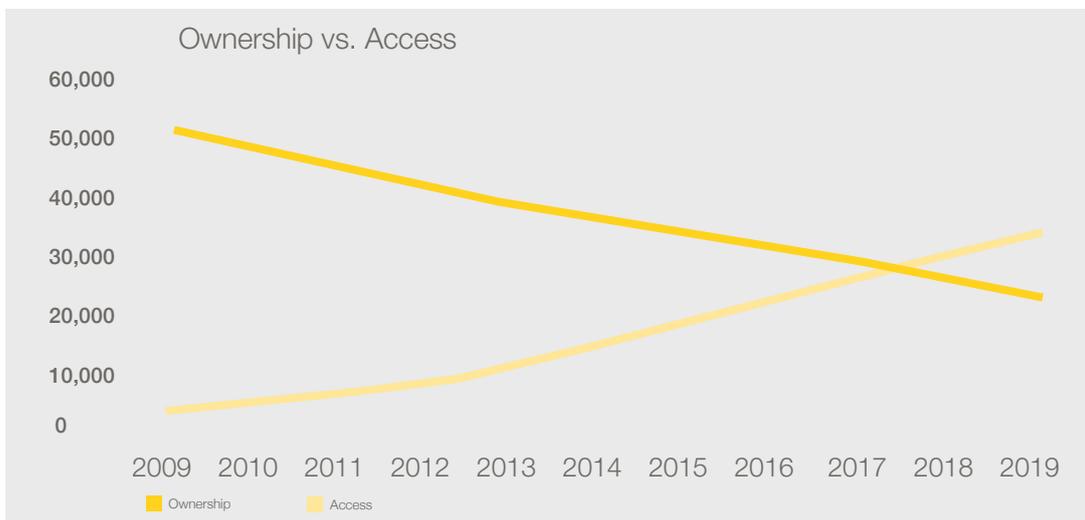
Global advertising and consumer spending growth (percent)

Category	2010	2011	2012	2013	2014p	2009–2014p CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
Advertising	8.5	4.4	4.2	3.5	5.3	5.2	4.8	6.8	5.2	6.3	5.1	5.6
Consumer spending	5.6	6.8	6.7	5.9	5.5	6.1	4.8	5.5	4.9	4.9	4.7	5.0
Total	6.5	6.1	5.9	5.2	5.4	5.8	4.8	5.8	5.0	5.3	4.8	5.1

Sources: McKinsey & Company, Wilkofsky Gruen Associates

4. Spending to access content without buying it is gaining momentum.

In the 2014 GMR, we noted that consumers are spending less to buy and own content, while spending more to simply gain access to content without owning it. That trend is gaining momentum. Spending on buying content—physical home video, physical recorded music, and digital downloads—fell 8.3 percent in 2014 while spending to access content without owning it—digital video and audio streaming—increased 31.0 percent. Over the next five years, we project spending on content purchases to fall at an 8.4 percent CAGR, while spending on content access will increase at a 19.2 percent CAGR. Access-spending will overtake ownership-spending in 2018 and will account for 57 percent of the total in 2019. Because the cost to access content is generally lower than the cost to buy content, the shift from ownership to access will also have an adverse effect on overall spending.



Sources: McKinsey & Company, Wilkofsky Gruen Associates

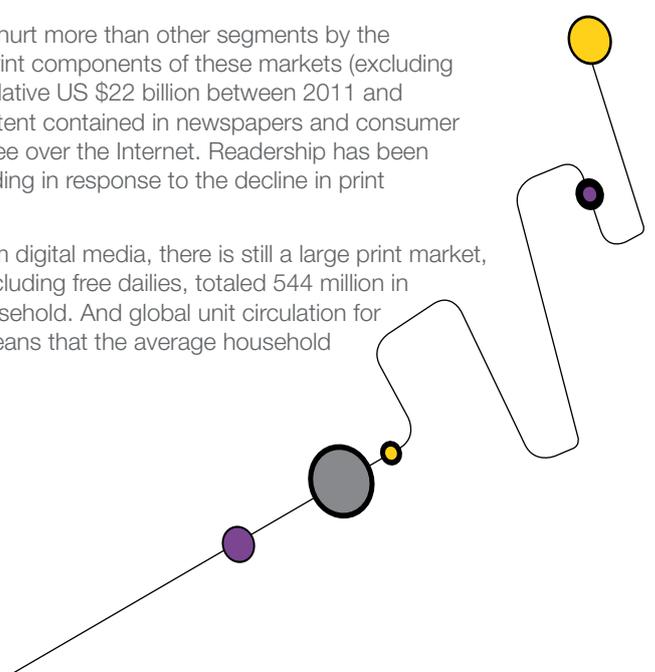
Note: Ownership consists of home video physical sales, physical recorded music sales and recorded music digital downloads. Access consists of OTT digital video, recorded music digital subscriptions and recorded music ad-supported digital streaming.

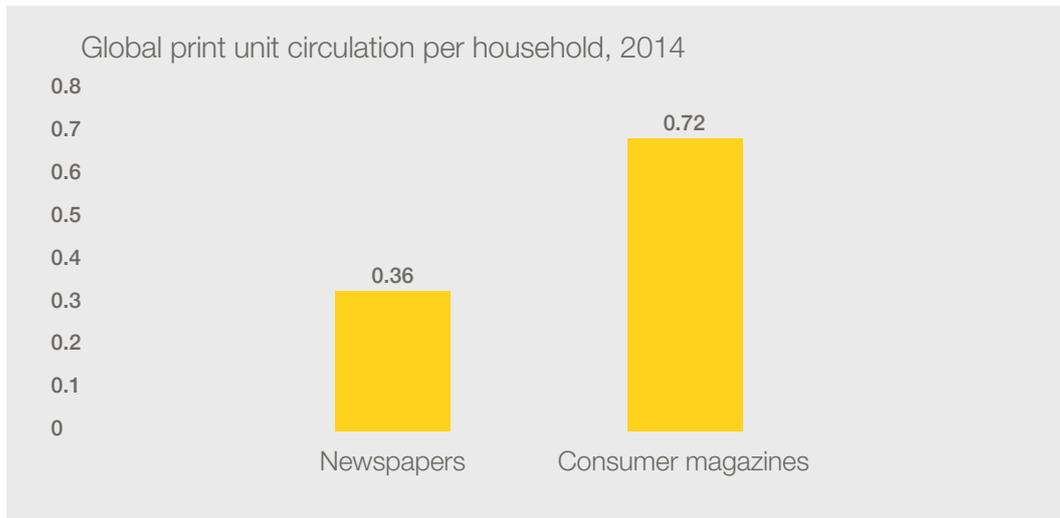
Sources: McKinsey & Company, Wilkofsky Gruen Associates

5. A new print equilibrium is on the horizon.

Daily newspapers and consumer magazines have been hurt more than other segments by the transition to digital. Combined global spending on the print components of these markets (excluding digital advertising and digital paid circulation) fell a cumulative US \$22 billion between 2011 and 2014, a 3.6 percent compound annual decline. The content contained in newspapers and consumer magazines can often be obtained much faster and for free over the Internet. Readership has been falling and advertisers have cut back on their print spending in response to the decline in print audiences.

Despite these declines and the growing competition from digital media, there is still a large print market, however. Global unit circulation for daily newspapers, including free dailies, totaled 544 million in 2014, which amounts to 0.36 daily newspapers per household. And global unit circulation for consumer magazines totaled nearly 1.1 billion, which means that the average household reads 0.72 magazines.



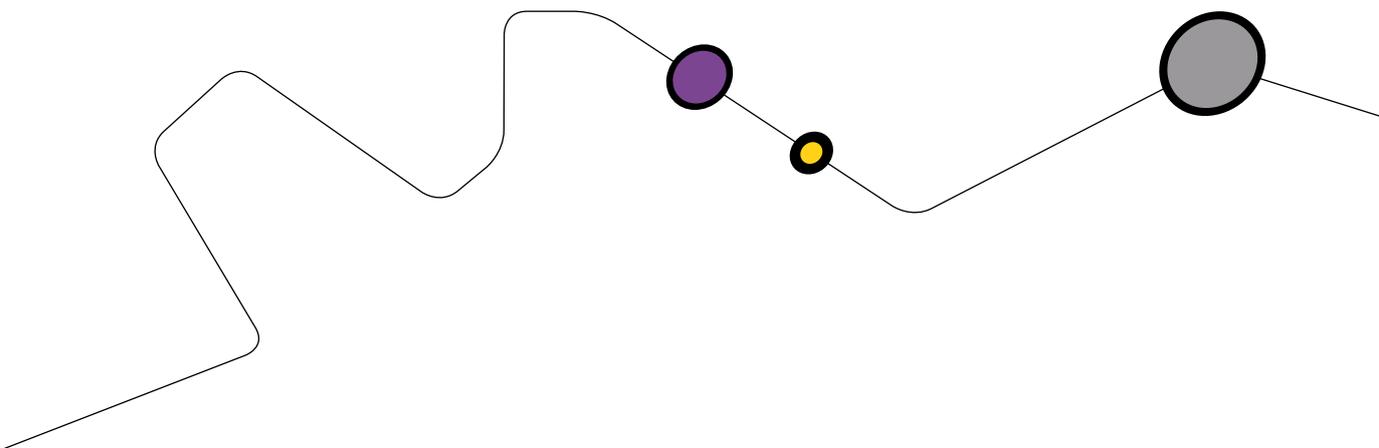


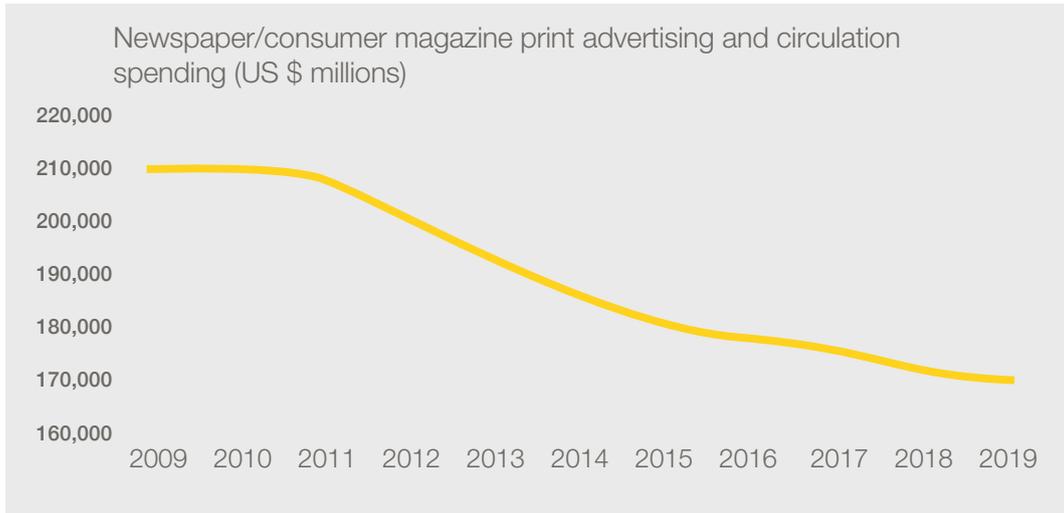
Sources: McKinsey & Company, Wilkofsky Gruen Associates

We believe that many of the people likely to abandon print newspapers and print consumer magazines have already done so. At the same time, there are still millions of households and individuals with broadband access who continue to read newspapers and consumer magazines in print. We believe most of this core audience—households that have retained their print subscriptions despite having access to broadband—will continue to do so for now, effectively putting a floor on the print markets.

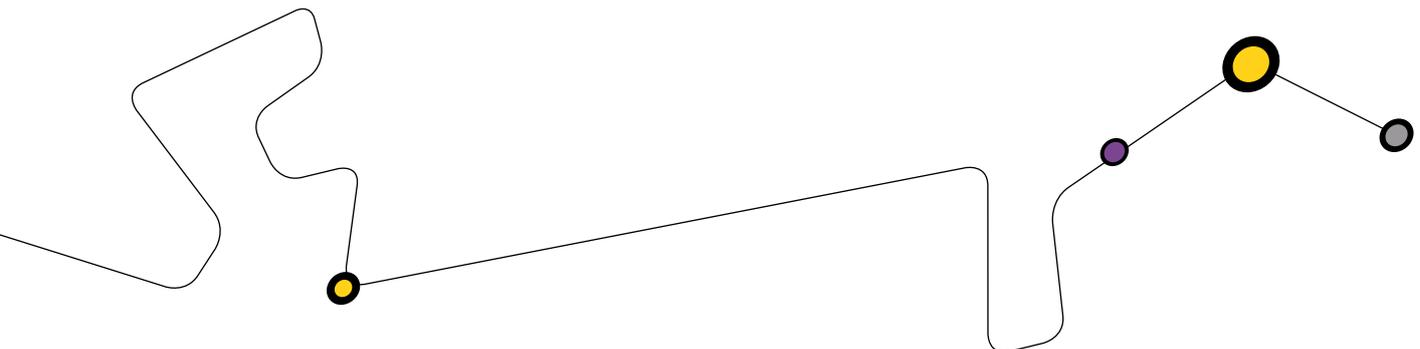
Over the next five years, the fixed and mobile broadband subscriber bases will continue to increase and many of the new broadband subscribers will migrate from print to digital, as previous new broadband households have done before them. Consequently, we project that print markets will continue to decline.

However, growth in the broadband universe will moderate over the next five years, which means there will be less of an incremental impact on print media than in the past. Simultaneously, as print begins to approach its core audience, decreases will be smaller. Over the next five years, we expect combined spending on print newspapers and print consumer magazines to fall a cumulative US \$14 billion, or 1.5 percent compounded annually, less than half the decline of the past three years. Looking at just the last three years of the forecast period, we project the decline to be a relatively modest 1.0 percent compounded annually.





Sources: McKinsey & Company, Wilkofsky Gruen Associates



Methodology for Global Industry Overview

- Recent trends in industry performance are analyzed and the factors underlying those trends are identified.
- The factors considered include economic, demographic, technological, institutional, behavioral, and competitive factors, as well as other factors that may affect each of the entertainment and media markets.
- Models are developed to quantify the impact of each factor on industry spending. A forecast scenario for each causative factor is then created and the contribution of each factor on a prospective basis is identified.
- Spending is counted at the consumer or end-user level, not at the wholesale level, and includes retail markups when applicable. Advertising spending is measured net of agency commissions.
- In addition to annual spending figures, we also present data that is measured at a single point in time, such as TV subscriptions, Internet subscriptions, mobile subscriptions, and newspaper unit circulation. In those instances, we show annual averages rather than year-end totals, as annual averages more accurately represent the impact of these figures on annual spending.
- Figures are reported in nominal terms, reflecting actual spending transactions, and therefore include the effects of inflation. Because all figures are shown as actual spending, with the effects of inflation included, nominal GDP growth has an important influence on media spending.
- Figures are estimated in local currencies for each country and then converted to US dollars using the average 2013 exchange rate, which is held constant for each historical year and forecast year. This means that the figures reflect industry trends, rather than being distorted by fluctuations in international exchange rates.

