21st CEO Survey

Worries aplenty among Media CEOs

Key findings from the Media industry
Introduction

More than most of their counterparts in other industries, CEOs in media are wary about their own company prospects. PwC’s 21st CEO survey shows a divergence between this industry and the rest of the worldwide economy – including the adjacent telecommunications and technology sectors. The results reinforce the growing concern in media about their challenges in the digital age.

For this report, we defined media as the creation, packaging, and distribution of entertainment, informational, and educational content. The industry includes broadcast media and online entertainment providers, but not cable companies, which were grouped with the telecommunications industry (see Key findings from the Telecom industry). We also excluded device and platform-based technology companies that deliver user-generated content. We based our results on responses from 64 media CEOs, from around the world, but with a majority from Europe (see exhibit 1).
Where the media CEOs are

1,293 interviews were conducted in more than 85 countries

North America: 11%
Latin America: 11%
Western Europe: 21%
Middle East and Africa: 10%
CEE: 11%
Asia Pacific: 36%

A very muted optimism

A quarter of the media CEOs were not confident about their company’s prospects for revenue growth in 2018 – double the average for the global sample as well as for the telecom and technology CEO samples. Only 30% were ‘very confident’ about those prospects, which was under the global average of 42%. These were among the lowest numbers of all the industries covered in the survey (see exhibit 2).
Almost a quarter of media CEOs aren’t confident about their growth prospects over the next 12 months, but are more optimistic about the next three years.

The numbers did improve when CEOs were asked about growth prospects in the next three years. Fully 39% were ‘very confident,’ close to the global average of 45%, and only 3% were ‘not very confident.’ The global average was 7%.

Media CEOs share the general macroeconomic optimism of their counterparts in other industries. More than half, 53%, expected global growth to improve in 2018, and another 39% said it would continue at the same level. This is in line with higher confidence levels across industries, especially in the US and Europe.

When asked about threats to growth and profitability, media CEOs also gave responses similar to the global sample. Geopolitical uncertainty and over-regulation were high on the list of economic and social threats, with 39% and 34%, respectively, saying they were ‘extremely concerned’ about these issues. As for business threats, they worried most about the availability of key skills (45%), the speed of technological change, and cyber threats (both 42%) (see exhibit 3).
Geopolitical uncertainty, over-regulation, and populism top the list of threats

How concerned are you about the following economic, policy, social, and environmental threats to your organisation’s growth prospects?

Chart shows percentage of respondents who responded ‘Extremely concerned’

The digital threat

The major threat was elsewhere. A full 86% said changes in consumer behaviours would be ‘somewhat or extremely disruptive,’ compared to 68% for all industries. Another source of disruption was looming changes in the core technologies of production and service, which drew ‘somewhat or extremely disruptive,’ replies from 75% of media CEOs versus 64% globally (see exhibit 4).
CEOs say changing customer behaviours, competition, and shifts in technologies will be disruptive

Q How disruptive or otherwise do you think the following trends will be for your business over the next five years?

These changes will almost certainly involve the shift from conventional media distribution, through print, broadcast, and projected media, to digital media through internet-based platforms. It also reflects the industry’s declining confidence in its ‘content is king’ business model.

As digital disruptors emerged several years ago, media executives believed their long-established capabilities in creating content, as well as extensive content libraries. But it’s become clear that content alone is no longer enough to sustain a healthy business model. The disruptors quickly built up audiences with user-friendly, customizable platforms, supported by broad ecosystems of partners. They also convinced users to contribute free content. Finally, they used powerful data analytics to determine the topics that most interest users, and they’ve used their sizeable resources to commission high-quality, high-interest content from outside producers.

As a result, the disruptors’ rich media platforms are displacing traditional content production and distribution. Advertising is moving toward these platforms, starving the established media companies of their main revenue.

We can see this worry also in the survey’s questions on digital skills. Three-quarters of media CEOs are at least somewhat concerned about the availability of these skills for their companies, similar to the global sample. Likewise, half of the CEOs say it is at least somewhat difficult for them to attract digital talent.
Conclusion

In the midst of overall economic optimism, media companies are struggling with full-blown digital disruption. More than most industries, their business models are breaking down as viewers shift to internet-based platforms. Their CEOs remain optimistic about longer-term prospects, but the path to sustainable success will be a difficult one.

In other research (see our Global Entertainment & Media Outlook) we uncover how shifts in spending are shaping the future of the industry. As spend migrates from physical to digital and from developed to developing markets, we identify, and look at the impact of key insights and provide our perspectives on those hot topics transforming the industry.
21st CEO Survey Methodology

In the second half of 2017, PwC conducted 2,223 quantitative surveys with CEOs based in 85 countries. Most of those surveys (77%) took place online, with the remaining by phone (11%) or by post or face-to-face (12%).

Of those 2,223 responses, 64, or 3% were from the media industry. They came from all over the world, though the majority (38) came from Europe.

The profile for media respondents:
• 55% had 1–5 years’ tenure as CEO
• 44% were younger than 50

Their companies:
• 61% were privately owned
• 72% had less than $1 billion in annual revenues
• 63% had fewer than 1000 employees

Notes
• The overall report on the CEO survey uses only 1,293 responses, not 2,223, in order to achieve a representative global sample.
• Not all figures add up to 100%, due to rounding and the exclusion of ‘neither/nor’ and ‘don’t know’ responses.
• The base for figures is 64 (all media respondents) unless otherwise stated.

We also conducted face-to-face, in-depth interviews with CEOs and thought leaders from five continents over the fourth quarter of 2017. Their interviews can be found on our website at ceosurvey.pwc.com, where you can also explore responses by sector and location.

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