

# Global Entertainment and Media Outlook: 2002-2006

## Executive Summary

United States

Europe, Middle East,  
Africa

Asia/Pacific

Latin America

Canada

Filmed Entertainment

Television Networks: Broadcast and Cable

Television Distribution: Station, Cable, and Satellite

Recorded Music

Radio and Out-of-Home Advertising

Internet Advertising and Access Spending

Business Information

Magazine Publishing

Newspaper Publishing

Consumer Book Publishing

Educational and Professional Books and Training

Theme Parks and Amusement Parks

Sports



# Global Entertainment and Media Outlook: 2002-2006

Forecasts and economic analyses of 13 industry segments

The ***Global Entertainment and Media Outlook*** is a forecast for the 2002-2006 period of spending in 13 entertainment and media segments. Chapters covering each segment are also available on an individual basis. For ordering instructions, please refer to the next page of this book.

*Third Annual Edition – May 2002*

## GLOBAL ENTERTAINMENT AND MEDIA OUTLOOK: 2002-2006

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\*\*Totals in tables and charts may not total arithmetically due to rounding.

<b>KEY TO SYMBOLS USED IN THE TABLES AND CHARTS</b>
<b>p = Preliminary</b>
<b>NA = Not Available</b>

May 2002

To Our Clients and Friends in the Entertainment and Media Industry:



Welcome to the third annual edition of our *Global Entertainment and Media Outlook*, covering the forecast period 2002-2006.

2001 was a year of unfathomable change and turmoil—the bursting dot-com bubble spill over from 2000, bull markets that turned bearish, the worst advertising market in memory and then the unthinkable events of September 11. All of these factors contributed to a very difficult year, the effects of which continue to be felt around the world. We have taken into account the impact of 9/11 on the forecast, and made adjustments for the coming five years. Needless to say, the curve-breaking chain of events in 2001 has made the

“art” of forecasting that much more challenging.

Covering 13 global industry segments—including new chapters on (a) Business Information and (b) Educational and Professional Books and Training—the *Outlook* is produced by leading industry experts, including economists, accountants and management consultants. It analyzes a broad range of global economic data, as well as regulatory, political, technological, demographic, and cultural trends. I am confident you will find it the best and most comprehensive industry forecast in the world, and an invaluable tool as you make choices today that will impact your bottom line for years to come.

The Executive Summary leads off with our scenario-planning analysis of the entertainment and media industry in 2006. The future vision—for a highly digitized world in which niche and customized content is the norm—will not yet have fully arrived by 2006. However, the analysis provides an important strategic view of the industry’s future evolution, and we believe you will find it of value.

This annual five-year forecast demonstrates PricewaterhouseCoopers’ commitment to the industry. With thousands of professionals around the world, our Entertainment and Media Practice provides clients with an unparalleled range of professional services. In fact, we were rated the leader in overall client satisfaction by assurance, tax and business advisory service clients in Emerson Research Company’s 2001-2002 Big Five Entertainment/Media/Communications Industry Client Satisfaction Study.

We welcome the opportunity to put our industry expertise and resources to work for you. If your company has an issue where we may be of assistance, please contact the PricewaterhouseCoopers professional nearest you (see opposite page).

Sincerely,



Kevin K. Carton  
Global Leader  
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# The Global Entertainment and Media Landscape in 2006

## An Industry Analysis and Perspective

PricewaterhouseCoopers envisions an entertainment and media world trundling inexorably along a path toward momentous change that, by 2006, will not yet have arrived. This path will transport the industry to a highly digitized future in which niche and customized content are the norm. In this future, new entrants from within and outside the industry will play a significant role, and incumbents will need to devise new business models to succeed. We have named this future scenario *GREAT EXPECTATIONS* for the scale of impending change in the industry's future.

However, by 2006, we will have barely entered this revolutionary territory. Delivery deployment—the rollout and adoption of advanced networks and devices—will advance at a greater rate than content innovation, but still slower than its many proponents suggest. Key delivery technologies, including broadband, wireless Internet and home networking, will begin to achieve “critical mass” in the installed base and start changing the way consumers experience entertainment and media.

Industry consolidation is likely to continue apace, particularly as ownership rules ease on a global basis. Although a select group of major players will dominate the entertainment and media landscape, they will need new business models to remain successful beyond 2006. New players, particularly from technology-related industries, will begin to make their presence felt, foreshadowing more frenetic merger activity in the post-2006 world.

## THE GREAT EXPECTATIONS SCENARIO

*GREAT EXPECTATIONS* was developed by examining the impact of three primary drivers—(1) Delivery Deployment, (2) Content Innovation, and (3) Government Intervention—on the industry’s future (see definitions on pages 9 and 10). Fluctuations in additional drivers, such as underlying economic factors (including the forecasted rate of advertising spending and worldwide demographics), are projected and discussed in depth throughout the *Outlook* and were factored into our description of *GREAT EXPECTATIONS*.

Once we examined the industry overall, we evaluated the *Outlook’s* 13 industry segments against one another according to their likelihood of being changed by the primary drivers. Based on the expected level of impact, the segments then were categorized as high, moderate or low (see page 13).

While we are confident that our vision is representative of the industry’s future, our analysis assumes that there will be no new events with the ramifications of the tragedy of September 11, 2001. It also assumes that while some segments may experience disruptions of the magnitude caused by Napster, such disruptions will be isolated, and will not alter the industry scenario as a whole over the next five years.

*GREAT EXPECTATIONS* supports PricewaterhouseCoopers’ assertion that attention is the key commodity at stake in entertainment and media, and that garnering and maintaining attention is the fundamental underpinning of industry success.

## What Is *GREAT EXPECTATIONS*?

Over the past few years, there has been much talk about evolving technology and consumer behaviors, and how these advances will fundamentally alter the entertainment and media landscape. These changes necessitate new business models and open the door to entrants who are more agile than the industry’s traditional players.

These advances will occur over time, but the bursting of the dot-com bubble and the general decline of the technology sector give direct evidence that they are not coming as quickly as anticipated. While Napster and other file-sharing systems have roiled the Recorded Music sector, most of today’s major players also will be the major players of 2006, and most of today’s content-delivery systems also will be in use in five years’ time. The overtly optimistic expectations of yesteryear must be tempered, but they cannot be ignored. While this *Outlook’s* forecasts are grounded in reality, they are predicated on the belief that we are moving toward a future of *GREAT EXPECTATIONS* for the evolution of the entertainment and media industry.

## OVERVIEW

Thanks to digital technologies and increased consumer buying power and sophistication, entertainment and media are evolving rapidly. By the start of the next decade, digital delivery will be prevalent, interactivity will be commonplace, regional content will dominate many territories, and wireless networking will link convergent networks and devices in the home. However, many of these evolutionary shifts are just entering their early stages today, and their greatest impact will not be widely felt until beyond 2006. As such, during the period explored by the *Outlook*, the entertainment and media industry will be different from today, but not vastly different.

Through 2006, advances in delivery technologies and innovations in content categories and forms—in conjunction with governmental intervention—will continue to shape the industry. Delivery deployment, while significantly slower than hoped for by optimists, remains a key driver of industry structure and competitive positioning.

Content innovation, characterized by escalating levels of micro-segmentation and regionalization (in Japan, for instance, local-language content comprises more than 80% of recorded music sold), will play an increasingly important role in the future of entertainment and media. Government intervention, which is shifting from antitrust action and protectionism to increased vigilance regarding intellectual-property rights, will play a growing part in mitigating the negative impact of piracy.

Under this scenario, there will be threats to traditional broadcast models, opportunities for new revenue streams, increased consumption of digital content, and shifting competitive dynamics as new participants from different sectors and industries choose to enter the entertainment and media market. The key implication for today's players is that, while they should continue running their current businesses as usual, it is imperative that they develop and begin exploiting the new business models that will be necessary to enable future success.

## DELIVERY DEPLOYMENT

Technology and innovation have always played an important role in the free-enterprise system. Though they, like other economic factors, are subject to economic cycles, they are key to promoting productivity and improving living standards.

Accelerating deployment of new delivery technologies is one of the fundamental drivers shaping entertainment and media today, and it is the factor with the greatest degree of anticipated change over the next five years. By 2006 adoption of key delivery technologies, including broadband, digital television, personal video recorders (PVRs), and recordable and rewriteable compact discs (CD-R/RWs), will attain levels necessary to significantly alter existing business models.

Unlike DVD players, which experienced the fastest adoption of any consumer electronics product, most of these technologies are taking considerably longer than expected to achieve wide-scale penetration. In addition to fulfilling a need, successful new technologies must demonstrate that they are cost-effective for both manufacturers and consumers. Once the adoption curve is surmounted, however, each of them has the ability to change the way consumers receive and interact with content. For example, while PVRs have not yet made significant inroads, owners claim that the technology fundamentally changes the way they watch television.

Because of the impending onslaught of these and other technologies, entertainment and media companies will be forced to address issues such as channel proliferation, device and network convergence, and the introduction of new standards. The most successful players will be those that begin preparing for the impact of delivery innovation on business models and industry dynamics.

## CONTENT INNOVATION

Though delivery deployment will be the most important shaper of the entertainment and media industry over the next five years, content innovation will also play a significant role. New types of content will appear to entice and attract select consumers. Informational content, once limited to news, weather, sports, and finance, is being extended to include niche categories relevant to progressively smaller audiences. Educational content, in the past generic, is becoming increasingly focused through distance learning and corporate training, and targeted to specialty channels. For instance, while PBS, the mainstay of U.S. educational television, has seen its ratings remain essentially flat over the past two decades, new educational and cultural cable stations have gained share at the expense of broadcast incumbents. And local-language regional fare is becoming ever more popular in most territories.

Content also is becoming more immersive. From large-format theaters to virtual-reality simulators, from instant messaging to new incarnations of interactive television, many consumers are seeking entertainment and media experiences that collaborate with and engulf them. Though many immersive experiences are interactive to lesser or greater degrees, some are quite passive. For example, Imax theatres, once relegated to museums and science centers, have experienced tremendous growth in recent years as commercial exhibitors recognized their appeal to certain segments. While this example is passive in that the consumer simply sits in an auditorium, it is undoubtedly immersive. A result of this shift in expectations is that some users are becoming increasingly involved in the conception and creation, as well as the consumption, of content.

Despite the evolution of content, revenue from traditional formats will continue to grow in most sectors. Though new types of delivery deployment may present challenges to revenue growth by reducing overall margins on some types of content, this will be offset by greater exploitation of content worldwide through territorial expansion and development of regional offerings.

## GOVERNMENT INTERVENTION

Free-market principles are continuing to take hold in most regions of the world. Protectionism and antitrust activities, while still rampant, are in many instances giving way to broader access to capital and loosening restrictions on ownership and industry concentration. Recent rulings forcing the U.S. Federal Communications Commission (FCC) to reexamine restrictions on ownership of television networks and local stations, and Australia's easing of controls on foreign ownership, are examples of this evolution. Through 2006, governmental intervention in the entertainment and media industry will be most evident in efforts to combat piracy and safeguard intellectual property.

Territorial protectionism will still have considerable impact on some regions, and antitrust regulators will still prevent certain combinations while challenging the expansionist objectives of a few large enterprises. However, the real impact of government intervention on entertainment and media over the next five years will be around the issues of copyrights and royalties. The enforceable protection of intellectual-property rights—combined with increasingly sophisticated software encryption methods—will be an important factor in keeping piracy at relatively moderate levels in industrial nations and beyond.

# Development of the *GREAT EXPECTATIONS* Scenario

PricewaterhouseCoopers' vision of the entertainment and media industry of 2006 was developed using an analytical framework built around the three primary drivers discussed above: (1) Delivery Deployment, (2) Content Innovation, and (3) Government Intervention. We considered these drivers (selected from a broader set that included advertising growth, broadband penetration, channel proliferation, globalization, GDP growth, and demographic and social trends) the most important factors in shaping the industry of the future—its structure and its economics.

By varying the drivers, “extreme states” were developed, each describing a vision of the entertainment and media industry with different elements running unchecked. These states provided the “frame” or boundary conditions for the development of our view of the future. By selectively incorporating and moderating certain elements of each of the extreme states, we developed the *GREAT EXPECTATIONS* scenario.

Figure 1 below depicts our end-state matrix and illustrates the framework we used to position the extreme states in relation to our chosen future scenario. The x-axis, Delivery Deployment, runs from “Divergent Delivery” to “Convergent Delivery” and the y-axis, Content Innovation, from “Narrow Choice” to “Broad Choice”. The bubble size of each state is proportional to the degree of Government Intervention, with a small bubble signifying “Low Intervention” and a large bubble signifying “High Intervention.”

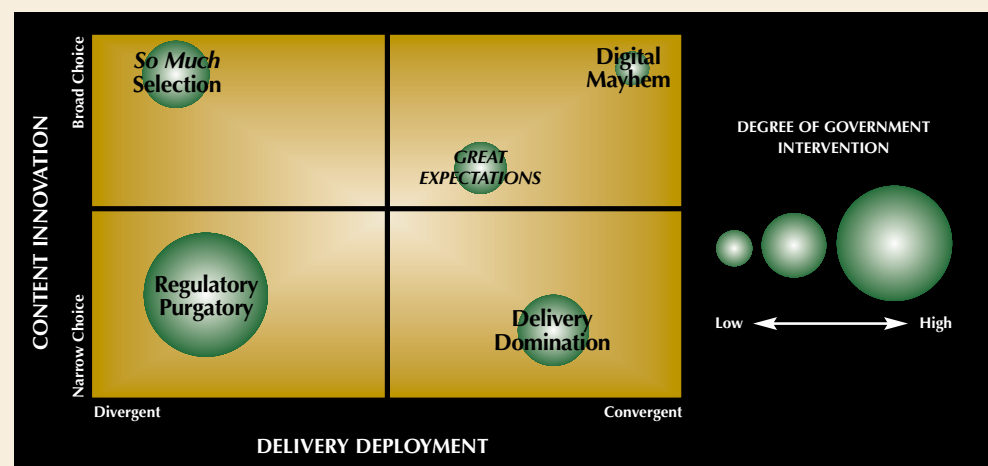


Figure 1: End-state matrix

## EXTREME STATES

The extreme states, described in Table 1, while each unlikely in its entirety, helped identify issues and opportunities that could significantly impact the entertainment and media industry during the *Outlook's* five year time horizon. For each extreme state to become a reality, a change in industry structure would have to occur, with commensurate shifts in revenue streams and competitive dynamics. Table 1 below summarizes the key attributes of each extreme state.

DIGITAL MAYHEM	DELIVERY DOMINATION	SO MUCH SELECTION	REGULATORY PURGATORY
<ul style="list-style-type: none"> <li>■ Convergent Delivery</li> <li>■ Broad Choice</li> <li>■ Low Intervention</li> </ul>	<ul style="list-style-type: none"> <li>■ Convergent Delivery</li> <li>■ Narrow Choice</li> <li>■ Moderate Intervention</li> </ul>	<ul style="list-style-type: none"> <li>■ Divergent Delivery</li> <li>■ Broad Choice</li> <li>■ Moderate Intervention</li> </ul>	<ul style="list-style-type: none"> <li>■ Divergent Delivery</li> <li>■ Narrow Choice</li> <li>■ High Intervention</li> </ul>
<p>No physical media—everything is digital</p> <p>Widespread piracy</p> <p>Free content</p> <p>Voluminous consumer-created content</p> <p>Laissez-faire government policies</p>	<p>Major companies dominate</p> <p>Encryption eradicates piracy</p> <p>Existing business models protected</p> <p>Uniform delivery mechanisms</p> <p>Governments fight piracy</p>	<p>Broad content choices</p> <p>Regional content prospers</p> <p>Educational and informational content proliferation</p> <p>Region and application specific delivery</p> <p>Governments focus on protectionism</p>	<p>Governments active in antitrust, protectionism, and intellectual property enforcement</p> <p>Little innovation in content or delivery</p> <p>New players stifled</p> <p>Uniform service offerings across multiple platforms</p>

Table 1: Summary of extreme-state attributes

## GREAT EXPECTATIONS

By contrast to the extreme states above, *GREAT EXPECTATIONS* provides a view of the future that is both grounded in reality and primed for radical transformation. PricewaterhouseCoopers' hypothesis is that delivery technology is converging somewhat faster than content innovation is being adopted. *GREAT EXPECTATIONS* incorporates key elements of each extreme state—but in a modulated fashion—thus presenting a realistic view of the industry in five years. While traditional business models will be challenged and important new business models will emerge, the entertainment and media world will not be radically different in 2006. Most major players will remain strong, but must be poised for change—even reinvention—beyond 2006.

# Variability Among Entertainment and Media Segments

Over the coming years, the key drivers of the *GREAT EXPECTATIONS* scenario will influence certain entertainment and media industry segments significantly more than others. For example, while Recorded Music is situated at the crossroads of delivery, content, and regulatory issues, Theme Parks and Amusement Parks and Consumer Book Publishing—and their business models—are less affected by any of these change drivers.

We have divided *Outlook's* 13 entertainment and media industry segments into three brackets that reflect the degree to which the drivers of change will impact them. They were placed within a particular bracket based upon how closely segment characteristics or activities are influenced by issues of Delivery Deployment, Content Innovation, or Government Intervention (see Table 2 below).

<p><b>FILMED ENTERTAINMENT</b></p> <ul style="list-style-type: none"> <li>■ DVDs high penetration</li> <li>■ Limited digital cinema</li> <li>■ Legitimate VOD services mean little file-swapping online</li> <li>■ More local content, globally</li> </ul>	<p><b>TELEVISION DISTRIBUTION</b></p> <ul style="list-style-type: none"> <li>■ Digital upgrades</li> <li>■ Further consolidation extends convergence and product bundles</li> <li>■ Loosening of ownership regulations</li> </ul>	<p><b>TELEVISION NETWORKS</b></p> <ul style="list-style-type: none"> <li>■ Funding sources fragment</li> <li>■ Most content lower cost but more local</li> <li>■ New co-financing opportunities</li> </ul>	<p><b>RECORDED MUSIC</b></p> <ul style="list-style-type: none"> <li>■ First for pervasive digital distribution</li> <li>■ New service models</li> <li>■ Increased copyright regulation</li> </ul>	<p><b>RADIO AND OUT-OF-HOME ADVERTISING</b></p> <ul style="list-style-type: none"> <li>■ Loosening of ownership regulations</li> <li>■ Limited digital penetration</li> <li>■ Improved out-of-home alternatives</li> </ul>
<p><b>NEWSPAPER PUBLISHING</b></p> <ul style="list-style-type: none"> <li>■ Loosening of ownership regulations</li> <li>■ Some digital cannibalization</li> <li>■ Changes in classified and yellow pages</li> </ul>	<p><b>MAGAZINE PUBLISHING</b></p> <ul style="list-style-type: none"> <li>■ Some digital cannibalization</li> <li>■ Micro-niches</li> <li>■ New acquisition and distribution models</li> </ul>	<p><b>CONSUMER BOOK PUBLISHING</b></p> <ul style="list-style-type: none"> <li>■ Translated products increase</li> <li>■ More mega-authors</li> <li>■ Publishers merge with large media companies</li> </ul>	<p><b>THEME PARKS AND AMUSEMENT PARKS</b></p> <ul style="list-style-type: none"> <li>■ Regulatory hurdles in developing new parks</li> <li>■ Similar business models maintained</li> </ul>	<p><b>INTERNET ADVERTISING AND ACCESS SPENDING</b></p> <ul style="list-style-type: none"> <li>■ Access bundles with consumer services</li> <li>■ Increasing customer brands</li> <li>■ Broadband critical mass in industrial nations</li> </ul>
<p><b>SPORTS</b></p> <ul style="list-style-type: none"> <li>■ iTV features</li> <li>■ More ownership by media concerns</li> <li>■ Major networks cut back on sports-season broadcasting</li> <li>■ Power shift in talent contracts</li> </ul>	<p><b>BUSINESS INFORMATION</b></p> <ul style="list-style-type: none"> <li>■ Continued introduction of new services</li> <li>■ Increased wireless delivery</li> </ul>	<p><b>EDUCATIONAL AND PROFESSIONAL BOOKS AND TRAINING</b></p> <ul style="list-style-type: none"> <li>■ Digital learning products for corporate customers</li> <li>■ Explosion of long-distance learning</li> </ul>	<p><b>LEGEND</b></p> <ul style="list-style-type: none"> <li>■ High-Impact</li> <li>□ Moderate-Impact</li> <li>■ Lower-Impact</li> </ul>	

Table 2: Summary of industry segment variability

## HIGH-IMPACT SEGMENTS

The first bracket comprises those industry segments most affected by the three drivers of the *GREAT EXPECTATIONS* scenario. These segments are being thrust into change at an accelerated rate and will experience the greatest volatility. They will also edge closer to revolutionary change during the forecast period than the others. These segments include Recorded Music, TV Distribution, and Internet Advertising and Access Spending.

### Recorded Music

The Recorded Music industry has been grappling with issues of delivery, regionalization of content, and regulation for some time and will continue to be the segment most impacted by these drivers of change. New entrants, such as Napster and its successors, have triggered an attitudinal shift among consumers that will lead to a more willing adoption of new content formats and delivery technologies. However, this attitudinal shift also has implications on how much consumers are willing to pay, and for what. This became evident in 2001 when sales of recorded singles—now readily obtained online—declined by almost 40%. Such events have forced the recorded music industry ahead of others in dealing with issues of intellectual-property regulation and online business-model design.

### Television Distribution

The TV Distribution segment will confront delivery- and content-related changes as digital cable and digital terrestrial television offerings grow in reach, and as cable and satellite providers continue to consolidate. Around the world, regulation in this industry promises significant change. For example, in 2002 the U.S. government is poised to relax or eliminate TV station ownership limitations. Similar changes are expected in other major markets by 2006. TV distributors in numerous countries also must deal with government-imposed local content quotas and limitations on foreign investment.

### Internet Advertising and Access Spending

The online landscape will see substantial change as incumbent Internet service providers compete more and more with cable Internet providers and, eventually, serious wireless contenders. Further, access is expected to be bundled with other consumer devices and content services by 2006. Large telephony-related Internet access brands will likely become less important, as niche brands with bundles of targeted services increasingly dominate the access business.

## MODERATE-IMPACT SEGMENTS

The second bracket contains the Moderate-Impact Segments, which will experience change and volatility at the rate predicted by the *GREAT EXPECTATIONS* scenario. They include Filmed Entertainment, TV Networks, Radio and Out-of-Home Advertising, Newspaper and Magazine Publishing, Sports, Educational and Professional Books and Training, and Business Information.

Through 2006, the fundamental business models of these industries are unlikely to incur the dramatic evolution that we will see in the high-impact segments. In addition, few, if any, of these segments are expected to undergo serious change as a result of government regulation over the next five years. Though they may not be dramatically altered, there are aspects of each that will be significantly impacted by the drivers discussed.



## Filmed Entertainment

DVD technology is headed toward home-video domination. DVDs have enhanced the bottom-line for many studios, but economic issues around DVD rental agreements with chains like Blockbuster and Hollywood Video will need to be addressed. Film distributors and exhibitors will continue to strive for digital distribution over the next five years. Currently, Boeing, Qualcomm, and Technicolor are all involved in major digital-cinema initiatives to help make this a reality. Video-on-Demand (VOD) is also beginning to develop, both on the Internet and via digital cable. The existence of legitimate VOD service providers should help stem the growth of peer-to-peer file swapping of movies online.

## Television Networks

As digital cable and digital satellite systems spur TV-channel proliferation, the primary source of funding for TV networks, namely advertising, will become increasingly fragmented. In response, TV content producers will look toward new co-financing opportunities and new revenue streams to support program production. Digital television will also continue to give rise to new forms of content of a more “interactive” nature. Examples of such content developments include Interactive Program Guides, on-demand data feeds of information such as weather and local events, and online gaming. In international markets, local programming will grow in volume, due to consumer demand and government-mandated quotas.

## Radio and Out-of-Home Advertising

Radio, until recently a fragmented business, is becoming increasingly concentrated as regulators ease certain ownership restrictions and a few major radio companies consolidate much of the industry. The big players are leveraging their size by syndicating personalities and programming across their networks, thereby reducing production costs and increasing corporate control of content. Satellite radio is being rolled out in the U.S., with XM and Sirius having launched satellite radio services in late 2001. They have been steadily growing their audiences, despite equipment costs and subscription fees. Technological innovation will affect Out-of-Home Advertising by broadening the range of available venues while making the advertising more appealing, and easier to update and maintain. Out-of-Home Advertising has experienced its own waves of consolidation, allowing major players, particularly those owned by diversified media conglomerates, to sell multi-channel packages to large advertisers.

## Newspaper Publishing and Magazine Publishing

Newspaper and magazine publishing, though separate segments, face similar issues. E-newspapers and e-magazines have become important companions to their print counterparts. Most major newspapers publish electronic versions containing searchable versions of their full-text. Many of these are currently free, though *The Wall Street Journal* requires a subscription, and several charge fees for enhanced services. The electronic versions of major magazines are generally available free of charge, although some limit access to print subscribers or to those willing to pay certain fees. While print newspapers and magazines may experience some cannibalization by their digital equivalents, the impact will be relatively minor, as many people will continue to prefer printed materials for their ease of reading and mobility.

## Sports

The sports industry is afflicted by the fact that athletic talent currently commands a disproportionate share of the value created. The high price of talent is being subsidized by the teams, the media,

and municipalities, and has become so costly that major networks, like NBC in the U.S., have begun to give up some of their broadcast sports contracts. The past several years have also seen a trend in media conglomerates purchasing sports teams. It is uncertain whether this will continue, particularly as some of these conglomerates are now looking to withdraw. In the near future, we expect to see a renegotiation of contracts and a major shift in power within the segment. Technological innovation is affecting the sports sector—as it has been an early adopter of interactive TV (iTV) features—such as those allowing for the selection of camera angles by viewers of Formula One auto racing and professional football (soccer) in Europe. iTV features have not yet gained a following with fans of other sports, and it is uncertain whether these features will become mainstream.

### **Educational and Professional Books and Training**

Though traditional elements of this segment, such as textbooks and in-house corporate training programs, will experience little to no change in the coming years, we will see an explosion in the area of long-distance learning and digital executive education tools. The spread of broadband and DVD technologies will fuel the expansion of these services.

### **Business Information**

Business information providers, such as Reuters, Bloomberg, and Dow Jones, have come into their own over the past several years, becoming important offerings over several channels including television and the Internet. Business information is already an early mover in new channels such as wireless delivery, and will continue to be sought after by increasingly knowledge-addicted users. In addition, content innovation will continually affect this segment as vendors strive to introduce new concepts.

## **LOWER-IMPACT SEGMENTS**

The third bracket comprises the Lower-Impact Segments—those that are predicted to be the *least impacted* by the *GREAT EXPECTATIONS* change drivers within the forecast period. They include Consumer Book Publishing and Theme Parks and Amusement Parks.

### **Consumer Book Publishing**

Distribution of books may be evolving, but the content itself will largely remain in print. While some believe e-books will spur more reading, particularly with the introduction of consumer-friendly e-readers by 2006, few doubt that paper will remain an intrinsic part of our culture for some time to come. In addition, a business model has yet to emerge that will provide an incentive for consumers to purchase e-books over printed ones.

### **Theme Parks and Amusement Parks**

This segment is, for the most part, removed from issues of delivery deployment, content innovation, or government regulation, as those drivers are defined here. Incremental technology improvements will enhance the guest experience at parks, but won't greatly alter the business model underlying the industry.

With the *GREAT EXPECTATIONS* scenario, we have offered a conceptual analysis of what the entertainment and media industry will look like in five years' time. The next section of the *Global Entertainment and Media Outlook Executive Summary*, is an overview of the economic forecast and key influencers for each industry segment, as well as the prospects for industry growth in each region.

# Introduction

We are pleased to present the third annual PricewaterhouseCoopers *Global Entertainment and Media Outlook*. This *Outlook* assesses the entertainment and media industry as 13 individual segments spanning five regions of the world for the forecast period 2002-2006. Together these segments comprise an industry with global spending of \$1.1 trillion in 2001. In addition to analyzing economic data, the forecast also considers numerous strategic, operational, and technical factors affecting the industry's growth and evolution.

Forecasts are provided on a country-by-country basis except for theme parks, sports, business information, and training, where forecasts are provided on a regional basis.

The regions and countries covered in the *Outlook* are listed in the chart below.

## REGIONS/COUNTRIES COVERED

### UNITED STATES

### EMEA

#### Western Europe

Austria  
Belgium  
Denmark  
Finland  
France  
Germany

Greece  
Ireland  
Italy  
Netherlands  
Norway  
Portugal

Spain  
Sweden  
Switzerland  
United Kingdom

#### Eastern Europe

Czech Republic  
Hungary  
Poland  
Romania  
Russia

#### Middle East/Africa

Israel  
Saudi Arabia/  
Pan Arab\*  
South Africa  
Turkey

### ASIA/PACIFIC

Australia  
China  
Hong Kong  
India

Indonesia  
Japan  
Malaysia  
New Zealand

Pakistan  
Philippines  
Singapore  
South Korea

Taiwan  
Thailand

### LATIN AMERICA

Argentina  
Brazil  
Chile  
Columbia

Mexico  
Uruguay  
Venezuela

### CANADA

\* Includes United Arab Emirates, Kuwait, Oman, Bahrain, Qatar, Jordan, Syria, Lebanon, Egypt, Libya, Algeria, and Morocco

The countries included represent the global entertainment and media marketplace, comprising 99 percent of total spending. Additional countries will be added as information becomes available.

The Executive Summary presents global data by segment and by region, and includes global advertising and consumer/end-user spending by segment and within each region. A discussion of themes common to a majority of the segments also is provided.

# Outlook Overview

**W**e project the entertainment and media industry in the United States, Europe, the Middle East, Africa (EMEA), Asia/Pacific, Latin America, and Canada will increase from \$1.1 trillion in 2001 to \$1.4 trillion in 2006, growing at a 5.2 percent compound annual rate. The United States will expand at a 5.5 percent average rate, rising to \$572 billion from \$438 billion in 2001. EMEA will increase from \$340 billion to \$428 billion, growing at 4.7 percent compounded annually. Spending in Asia/Pacific will rise at a 5.3 percent compound annual rate, increasing from \$215 billion in 2001 to \$279 billion in 2006. The market in Latin America will total \$59 billion in 2006, up from \$46 billion in 2001, growing at a compound annual rate of 5.2 percent. In Canada, spending will increase from \$24 billion to \$31 billion, for an average gain of 5.7 percent.

## GLOBAL ENTERTAINMENT AND MEDIA MARKET BY REGION (\$ Millions)

Region	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2002-06	
										2006	CAGR
<b>United States</b>	344,225	374,701	402,555	435,922	437,932	457,536	479,355	510,165	538,214	571,862	
% Change	7.5	8.9	7.4	8.3	0.5	4.5	4.8	6.4	5.5	6.3	5.5
<b>EMEA</b>	269,961	287,810	305,896	330,828	340,332	351,217	364,599	382,697	403,607	427,850	
% Change	5.3	6.6	6.3	8.2	2.9	3.2	3.8	5.0	5.5	6.0	4.7
<b>Asia/Pacific</b>	177,440	181,684	192,661	210,378	215,067	221,549	231,049	244,253	260,475	279,023	
% Change	7.1	2.4	6.0	9.2	2.2	3.0	4.3	5.7	6.6	7.1	5.3
<b>Latin America</b>	42,784	44,749	43,594	47,411	45,933	46,086	47,597	50,396	54,415	59,314	
% Change	12.3	4.6	-2.6	8.8	-3.1	0.3	3.3	5.9	8.0	9.0	5.2
<b>Canada</b>	18,378	20,022	21,099	22,967	23,706	24,651	25,923	27,518	29,277	31,205	
% Change	6.5	8.9	5.4	8.9	3.2	4.0	5.2	6.2	6.4	6.6	5.7
<b>Total</b>	852,788	908,966	965,805	1,047,506	1,062,970	1,101,039	1,148,523	1,215,029	1,285,988	1,369,254	
% Change	6.9	6.6	6.3	8.5	1.5	3.6	4.3	5.8	5.8	6.5	5.2

p=Preliminary

Source: Zenith Media, Universal McCann, *Screen Digest*, Motion Picture Association of America, Adams Media Research, Paul Kagan Associates, International Federation of the Phonographic Industry, Recording Industry Association of America, American Business Media, Magazine Publishers of America, Newspaper Association of America, Book Industry Study Group, American Association of Publishers, Euromonitor, *Training Magazine*, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, Statistics Canada, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



## 2001 IN REVIEW

Global spending on entertainment and media in 2001 exceeded \$1 trillion and rose by 1.5 percent from a robust 2000. While global advertising fell by 4.8 percent, advertising spending in 2001 was still 6.5 percent above the 1999 level, and consumer/end-user spending increased by 4.5 percent for the year despite adverse conditions. More than half of that growth was generated by cable subscriptions, filmed entertainment, and Internet access spending, augmented by modest increases in sports, theme parks, business information, educational and professional books and training, and cable network license fees. These gains offset decreases in consumer spending on recorded music, consumer books, and newspapers (see table: Global Consumer/End-User Spending and Growth on page 29).

The entertainment and media industry experienced a challenging year in 2001. The economic slowdown cut sharply into advertising and end-user spending, and economic activity and media spending were further curtailed following the events of September 11. Advertising in each segment declined in 2001, with the largest decreases occurring in newspapers, magazines, radio, and the Internet (see table: Global Advertising Spending and Growth on page 28).

Increases in piracy dampened home video and recorded music spending, and file sharing and CD burning were on the road to becoming mainstream activities. Meanwhile, the establishment of digital distribution models for music and books was slow to take hold, hampered by disputes regarding digital rights, limited content, and high price points. By early 2002, however, many of these issues were in the process of being resolved. Digital music subscription services were launched and studios established movie streaming services, while book publishers continued their e-book initiatives.

While new distribution channels such as music subscription services and e-books struggled to find a market, others grew rapidly. Movies on DVDs proved to be hugely popular worldwide, and satellite and cable television, including digital cable, registered large penetration gains. In the United States, satellite radio had a promising debut, and broadband Internet access, despite problems in availability and installation, also expanded in every region.

# Key Themes

As a complement to the overviews by segment and by region, this section summarizes some of the principal factors underlying the forecast as a whole.

- *Weak economic conditions will continue to dampen spending in 2002 and into 2003, but a stronger economy will lead to faster growth in 2004-2006.*
- *Digital distribution, aided by rising broadband penetration, will materially contribute to spending in 2005-2006.*
- *Despite improved enforcement, piracy and unauthorized use of copyrighted material will continue to limit growth in the recorded music, home video, and consumer book publishing sectors.*

## THE ECONOMY

The global economy is more integrated than ever before, and economic problems in one region have repercussions throughout the world. In 1998 financial crises in Asia affected all regions, and in 2001 the downturn in the U.S. economy was the principal catalyst for global economic weakness. The resolution of the Asian financial crisis stimulated worldwide economic growth in 1999, and likewise we believe that economic recovery in the United States will be the major driver of a global recovery.

The 2001 economic downturn was caused by a decrease in manufacturing, which was the result of a drop in corporate investment rather than a slowdown in consumer spending. Consumer spending rose by 3.1 percent in real terms while private investment decreased by 8.0 percent. Declining U.S. imports hurt export sales in other regions and triggered the worldwide recession. Following September 11, consumers cut back on their purchases, worsening economic conditions in all regions.

Investment will not accelerate until capacity utilization rates rise, which will not happen until consumer spending recovers from the post-September 11 slowdown. We believe the most likely scenario is as follows. With economic conditions beginning to firm up in late 2001 and early 2002, we expect consumer spending in the United States to return to healthy increases in the second or third

quarter of 2002. With inventories at a low level, growth in consumer spending will then trigger an increase in manufacturing. By the third quarter of 2002, manufacturing, which began to expand in the first quarter as inventories were worked down, will surge ahead, and U.S. GDP growth will pick up. As the U.S. economy expands, imports will rise, which will stimulate exports and economic growth in other regions. By the fourth quarter of 2002, economic growth in most countries will begin to improve, and by 2003 the global economy will be expanding.

Other key developments affecting the economic outlook include the replacement of national currencies in Europe and the troubled economies of Japan and Argentina. The first phase of the conversion to a common European currency occurred in 1999 when the Euro was used in international transactions, although local currencies continued to be used for domestic transactions. Beginning in 2002, however, local currencies in the Eurozone countries disappeared. The conversion of local currencies entails software upgrades, price adjustments, and consumer uncertainty, all of which temporarily add to costs. In the long run, however, a single currency will facilitate intercountry transactions in the region and promote economic growth.

Economic prospects in Japan and Argentina will also play an important role in the global outlook. Since both economies have been weak for a number of years, the downturns in 2001 exacerbated ongoing patterns rather than precipitating

new trends. In Asia/Pacific, the economies of Hong Kong, Singapore, and Thailand also recorded declines, hurting the overall region. Traditional stimuli have proven ineffective in Japan, and the economy appears to be in need of a major restructuring. A Japanese recovery is likely to be several years away. In Latin America, the crisis in Argentina has so far been contained, but if further Argentine declines affect other countries, regional recovery will be pushed back.

The key to these forecasts is a pickup in U.S. consumer spending by the second or third quarter of 2002 and a smooth transition to the Euro in Europe, offset by lingering weakness in Asia/Pacific and Latin America. If the expected U.S. rebound is delayed, the economy will be flat in 2002 and recovery will be delayed in other regions.

## REAL GDP GROWTH

Region	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006
United States	4.4	4.3	4.1	4.1	1.2	2.5	3.5	4.5	4.0	4.0
Canada	3.1	2.2	4.5	4.7	1.4	3.0	3.0	4.0	4.0	3.5
EMEA	1.6	0.7	2.5	3.5	1.9	1.5	2.5	3.0	3.5	3.0
Latin America	0.5	-7.2	-8.2	3.5	-2.5	-1.0	1.5	2.5	4.5	3.5
Asia/Pacific	2.0	-1.2	2.8	5.8	0.5	1.0	2.0	3.5	5.0	4.5

p=Preliminary

Source: International Monetary Fund, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

## DIGITAL DISTRIBUTION

Digital distribution, aided by rising broadband penetration, will spur market growth in 2005-2006.

Digital technologies and digital distribution offer the potential for a less expensive distribution model that can result in significant savings in manufacturing, shipping, and inventory management. The recorded music, publishing, and filmed entertainment industries have introduced or will soon introduce online and electronic distribution of content.

Historically, the acceptance of new technologies has been driven by two key factors: pioneer users who provide positive word-of-mouth communication, and affordable pricing that makes the technology financially accessible to the average buyer. With respect to pioneer users, technological efficiency is critical. If the technology works well and is user-friendly, word-of-mouth reports among early adopters will be favorable and penetration growth beyond the core base will accelerate. If there are problems with the technology and users find it difficult to download or access digital content, initial word-of-mouth will be unfavorable and penetration growth will be delayed. Value is also a critical

issue. Users must feel that the content or quality of what they are receiving justifies the price.

For penetration to expand beyond the core base, price is a critical variable. Prices typically start high and move lower, reflecting an expanding market and the realization of economies of scale. Once prices come down, market penetration accelerates and the technology enters a take-off phase characterized by rapid growth. If prices fail to drop or if technological problems persist, the take-off will be delayed until the end of the forecast period or may not occur at all. On the other hand, ready acceptance of the new distribution models and a faster-than-expected price decline could lead to a take-off beginning as early as 2004.

Video and audio streaming require broadband access to be successful. Broadband penetration is growing in each region and by the latter part of the forecast period should reach a critical mass that can support widespread video and audio streaming.

## UNAUTHORIZED USAGE

The downside of digital content is that perfect copies of the original product can be made without the degradation in quality that occurs with analog. Moreover, copied product can be distributed online, dramatically expanding a copyrighted product's potential use. New computers with CD-burning capabilities facilitate home copying, and optical disc factories with excess capacity provide opportunities for mass production of digital copies. Meanwhile, file sharing over the Internet continues despite Napster's shut-down in 2001.

Recorded music, home video, and consumer book publishing are the segments most affected by unauthorized usage. The economic slowdown exacerbates the problem by crimping disposable income and increasing consumers' incentive to obtain material for free or at below-market prices. Piracy also creates an incentive for content providers to raise prices on product sold through legitimate channels in order to recoup sales lost to unauthorized usage. Higher price points, however, dampen demand while giving pirated product an even larger price advantage.

Governments throughout the world are addressing the issue by passing new laws and putting more resources into enforcing existing laws to combat illicit copying. Content providers are developing encrypted copyright-protected product that will make it difficult to copy digital files for new material, although it will not have an impact on product already in the market. Encrypted product, however, may reduce the appeal of digital subscription services, and the issue of subscribers' rights to make copies of downloaded material needs to be addressed. A number of encryption standards have been developed by content providers in conjunction with equipment manufacturers and there are disputes about which one or ones should ultimately be adopted.

While these and other government and industry efforts will likely put a dent in piracy growth, we expect the issue to continue to trouble the market through the forecast period. Thus, while digital distribution may introduce a new revenue stream, it will also cut growth in physical formats.



## CONCLUSION

Following global economic conditions, the entertainment and media industry is going through a periodic down cycle, and we expect growth to be relatively modest through 2003. As economic conditions improve, the industry will bounce back, as it has in the past.

The current pause in growth reflects short-term cyclical problems, not a long-term decrease in demand. In fact, when incomes rise, the demand for entertainment and media typically grows at more than proportional rates as people devote a larger share of their income to leisure activities and information. The experience of the last decade indicates that, despite many entertainment and media segments being classified as mature or fully developed, spending growth has nevertheless surpassed





economic growth. We expect that relationship to again characterize the industry in 2004-2006.

Meanwhile, there are a number of exciting developments that have the potential to transform the industry. The digital distribution of entertainment and media could lead to lower costs and greater efficiencies for producer and consumer alike. The industry's history is marked by major technological advances, most notably the introduction of radio, talking pictures, television, and the Internet—and this trend continues.

History also demonstrates that new technologies rarely displace existing media, and more often lead to increased spending on both new and incumbent media. Box office spending, for example, enjoyed a revitalization in 2001 despite the growing availability of DVDs. Radio continues

to thrive despite the dominance of television, and broadcast television has survived despite the penetration gains for cable and satellite. In only five years, the Internet has become a staple of both the business world and households, dramatically changing the way we communicate, access information, and experience content.

While new technologies carry with them great expectations, they also carry risks. The greatest risk in our view is the increased dissemination of free content. If content providers are not compensated for their efforts, the availability of new works will be compromised. So far this has not happened to a measurable extent, but over the long run, without the resources to produce content, even the most efficient distribution channels will have little value.

We are also aware that terrorism and political instability can suddenly disrupt both the economy and the entertainment industry, as we saw on September 11. The cloud of those events will remain for some time. Safety has become a greater concern and efforts to make our environment more secure will add to the cost of doing business.

We have attempted to incorporate the impact of new technologies and the post-September 11 environment into our forecasts. We have analyzed the ramp-up rates of other new technologies and have examined the performance of the entertainment industry during other wartime periods. The forecast represents our best efforts at considering a large array of variables in an atmosphere where the pace of change continues to accelerate.

The following three sections provide an overview of the global entertainment and media marketplace by industry segment, by advertising and consumer/end-user spending, and by region. The book's individual chapters examine each segment in detail, while these sections provide an overview of aggregated data not presented elsewhere.

# Entertainment and Media Market by Segment

Four segments—educational and professional books and training, newspaper publishing, television distribution, and television networks—each generated more than \$100 billion in revenues. Together, they comprised 59 percent of 2001 global entertainment and media spending. Internet advertising and access spending will be the fastest growing segment worldwide through 2006.

**EDUCATIONAL AND PROFESSIONAL BOOKS AND TRAINING** Near-term economic weakness and slow labor force growth in EMEA and Asia/Pacific will hold growth in educational and professional books and training to low single-digit rates. This market will expand from \$208 billion in 2001 to \$261 billion in 2006, averaging 4.7 percent compound annual increases.

particularly sensitive to economic conditions, will lead to a further drop in spending in 2002, but will pick up as the economy improves, leading to a return to mid single-digit growth. Newspapers also will benefit from growth in the 45 and older population, the prime newspaper-reading demographic. By 2006 the market will reach \$186 billion from \$158 billion in 2001.

**TELEVISION DISTRIBUTION** Upgrades to digital cable and satellite will boost subscription spending in the regions where cable and satellite penetration is high. Growth in the subscriber base will drive spending in regions with low multichannel penetration. TV distribution spending will increase from \$150 billion in 2001 to \$210 billion in 2006, growing at a 6.9 percent compound annual rate.

**TELEVISION NETWORKS** New channel launches and a rebound in the overall advertising market will revitalize this segment, which grew by only 0.2 percent in 2001. Over the next five years, spending will grow at a 6.1 percent compound annual rate, reaching \$144 billion in 2006, up from \$107 billion in 2001.

**NEWSPAPER PUBLISHING** Newspapers will grow slowly over the forecast period, negatively impacted in the near term by the weak economy. Recruitment advertising, which is



#### INTERNET ADVERTISING & ACCESS

**SPENDING** This will be the fastest-growing segment over the next five years, expanding by 12.1 percent on a compound annual basis. Growth in broadband availability and rising online penetration will boost access spending, which will be the principal driver of growth, while a strong e-commerce market will lead to a rebound in online advertising. Internet advertising and access spending will total \$94 billion in 2006, up from \$53 billion in 2001.

**FILMED ENTERTAINMENT** Spending will be fueled by strong box office receipts, boosted by an expansion in local productions. The home video market is booming due to the popularity of DVDs, although piracy will hinder growth. Filmed entertainment will expand at a 5.7 percent compound annual rate, increasing from \$59 billion in 2001 to \$79 billion in 2006.

**RECORDED MUSIC** Most vulnerable to piracy, file sharing, and unauthorized use, recorded music will be the slowest-growing segment, averaging only a 1.6 percent annual gain. An improving economy and rising digital subscriptions will begin to offset declines in traditional music sales beginning in 2004. Spending on recorded music will increase from \$36 billion in 2001 to \$39 billion in 2006.



**CONSUMER BOOK PUBLISHING** Digital distribution will develop slowly but will begin to have an impact on the market in 2006. Lower prices will boost unit sales in EMEA and Asia/Pacific, but book piracy will remain a problem in Latin America. The consumer book market will expand from \$45 billion in 2001 to \$51 billion in 2006, growing at a 2.6 percent average rate.

**MAGAZINE PUBLISHING** A cyclically sensitive segment, magazine publishing will be hurt in the near term by weak economic conditions. The Internet is helping publishers attract subscribers and a faster growing economy will boost advertising in 2005 and 2006. For the five-year forecast period, growth will average 2.7 percent compounded annually. Spending will increase to \$88 billion in 2006 from \$78 billion in 2001.

# Entertainment and Media Market by Segment



**BUSINESS INFORMATION** The economy will play an important role in the business information industry, dampening spending in the near term but propelling spending in 2005 and 2006. The development of new products, facilitated by enhanced distribution through broadband access, will contribute to growth once economic conditions improve. The ongoing need to enhance workforce productivity will drive the market over the long run. Spending will increase from \$69 billion in 2001 to \$88 billion in 2006, growing at a 5.0 percent compound annual rate.

## **RADIO AND OUT-OF-HOME ADVERTISING**

Out-of-home advertising will be boosted by new technologies that create additional venues and make displays more attractive. Digital broadcasting will increase radio audiences and advertising. Consolidation will make it easier for advertisers to buy both media. The radio and out-of-home advertising market will grow from \$46 billion in 2001 to \$59 billion in 2006, a 4.8 percent compound annual rate.

## **THEME PARKS AND AMUSEMENT PARKS**

The weak economy and lower attendance following September 11 will dampen spending in the near term. However, some parks are offering discounts to lure customers back. New park openings also will draw more visitors in the next few years, while enhancements will make existing venues more appealing and help attract repeat visitors. The theme park market will expand at a 4.2 percent average rate, growing to \$23 billion in 2006 from \$18 billion in 2001.

**SPORTS** The sports market will be buoyed by the World Cup in 2002 and 2006 and rising television rights fees. Financial problems for European rights holders, however, will result in a decrease in rights fees in non-World Cup years. Sports will grow at a 6.6 percent compound annual rate, rising to \$50 billion in 2006 from \$36 billion in 2001.

**GLOBAL ENTERTAINMENT AND MEDIA MARKET BY SEGMENT (\$ Millions)**

Segment	1997	1998	1999	2000	2001p	2002-06					
						2002	2003	2004	2005	2006	CAGR
<b>Filmed Entertainment</b>	44,099	47,572	49,676	54,204	59,485	63,141	66,835	70,934	74,941	78,509	
% Change	4.7	7.9	4.4	9.1	9.7	6.1	5.9	6.1	5.6	4.8	5.7
<b>TV Networks: Broadcast and Cable</b>	85,100	90,021	94,437	107,196	107,394	111,568	116,584	125,936	133,628	144,291	
% Change	10.6	5.8	4.9	13.5	0.2	3.9	4.5	8.0	6.1	8.0	6.1
<b>TV Distribution: Station, Cable, and Satellite</b>	110,944	120,990	131,184	145,336	150,375	159,942	169,886	182,560	194,907	209,852	
% Change	9.8	9.1	8.4	10.8	3.5	6.4	6.2	7.5	6.8	7.7	6.9
<b>Recorded Music</b>	35,294	37,249	37,532	37,025	35,502	34,201	34,346	35,541	36,926	38,505	
% Change	2.8	5.5	0.8	-1.4	-4.1	-3.7	0.4	3.5	3.9	4.3	1.6
<b>Internet Advertising and Access Spending</b>	10,397	16,607	28,514	43,779	52,989	60,795	69,188	77,085	85,286	93,609	
% Change	79.8	59.7	71.7	53.5	21.0	14.7	13.8	11.4	10.6	9.8	12.1
<b>Magazine Publishing</b>	69,991	73,263	76,014	81,064	77,527	77,139	78,142	80,374	84,085	88,391	
% Change	7.0	4.7	3.8	6.6	-4.4	-0.5	1.3	2.9	4.6	5.1	2.7
<b>Newspaper Publishing</b>	146,914	151,140	154,508	164,324	157,699	157,011	161,283	168,531	177,020	185,635	
% Change	5.3	2.9	2.2	6.4	-4.0	-0.4	2.7	4.5	5.0	4.9	3.3
<b>Consumer Book Publishing</b>	43,519	44,910	45,910	45,351	44,709	45,378	46,377	47,671	49,210	50,940	
% Change	-2.6	3.2	2.2	-1.2	-1.4	1.5	2.2	2.8	3.2	3.5	2.6
<b>Educational and Professional Books and Training</b>	173,241	183,723	194,666	201,835	207,602	214,985	224,023	234,365	246,906	260,844	
% Change	6.2	6.1	6.0	3.7	2.9	3.6	4.2	4.6	5.4	5.6	4.7
<b>Business Information</b>	55,410	58,825	62,800	67,445	68,830	70,900	73,570	77,120	82,165	87,770	
% Change	7.0	6.2	6.8	7.4	2.1	3.0	3.8	4.8	6.5	6.8	5.0
<b>Radio and Out-of-Home Advertising</b>	37,611	39,690	43,509	48,148	46,420	46,918	48,747	51,564	54,942	58,678	
% Change	7.7	5.5	9.6	10.7	-3.6	1.1	3.9	5.8	6.6	6.8	4.8
<b>Theme Parks and Amusement Parks</b>	15,894	16,180	16,874	17,807	18,409	19,087	19,748	20,474	21,579	22,635	
% Change	6.2	1.8	4.3	5.5	3.4	3.7	3.5	3.7	5.4	4.9	4.2
<b>Sports</b>	24,374	28,796	30,181	33,992	36,029	39,974	39,794	42,874	44,393	49,595	
% Change	6.2	18.1	4.8	12.6	6.0	10.9	-0.5	7.7	3.5	11.7	6.6
<b>Total</b>	852,788	908,966	965,805	1,047,506	1,062,970	1,101,039	1,148,523	1,215,029	1,285,988	1,369,254	
% Change	6.9	6.6	6.3	8.5	1.5	3.6	4.3	5.8	5.8	6.5	5.2

p=Preliminary

Source: Zenith Media, Universal McCann, *Screen Digest*, Motion Picture Association of America, Adams Media Research, Paul Kagan Associates, International Federation of the Phonographic Industry, Recording Industry Association of America, American Business Media, Magazine Publishers of America, Newspaper Association of America, Book Industry Study Group, American Association of Publishers, Euromonitor, *Training Magazine*, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, Statistics Canada, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

# Advertising and Consumer/End-User Spending

*The two principal sources of revenue across the individual industry segments are advertising and consumer/end-user spending. We have provided actual results and forecasted spending for these two areas, which are each affected by the economy and other factors. This section summarizes how much of each segment is comprised of spending in one or both of these areas, as appropriate.*

We project global advertising will increase at a 4.7 percent compound annual rate over the 2002-2006 period, rising to \$404 billion in 2006 from \$320 billion in 2001. Global consumer/end-user spending will increase from \$743 billion to \$965 billion, growing by 5.4 percent compounded annually.

## GLOBAL ADVERTISING SPENDING AND GROWTH (\$ Millions)

Segment	1997	1998	1999	2000	2001p	2002-06					
						2002	2003	2004	2005	2006	CAGR
<b>Television</b>	101,215	106,677	110,938	125,702	121,715	126,148	130,374	140,761	147,933	159,691	
% Change	8.7	5.4	4.0	13.3	-3.2	3.6	3.4	8.0	5.1	7.9	5.6
<b>Internet</b>	982	2,115	5,429	10,080	9,604	9,854	10,541	11,489	12,537	13,657	
% Change	248.2	115.4	156.7	85.7	-4.7	2.6	7.0	9.0	9.1	8.9	7.3
<b>Magazines</b>	39,638	41,616	43,540	47,493	43,736	43,230	43,832	45,300	47,998	51,155	
% Change	9.7	5.0	4.6	9.1	-7.9	-1.2	1.4	3.3	6.0	6.6	3.2
<b>Newspapers</b>	91,303	94,692	97,570	105,219	98,927	98,085	101,475	107,425	114,319	121,223	
% Change	7.8	3.7	3.0	7.8	-6.0	-0.9	3.5	5.9	6.4	6.0	4.1
<b>Radio</b>	21,701	23,506	26,189	29,211	27,801	28,065	29,102	30,659	32,358	34,260	
% Change	9.4	8.3	11.4	11.5	-4.8	0.9	3.7	5.4	5.5	5.9	4.3
<b>Out-of-Home</b>	15,910	16,184	17,320	18,937	18,618	18,818	19,570	20,725	22,204	23,788	
% Change	5.3	1.7	7.0	9.3	-1.7	1.1	4.0	5.9	7.1	7.1	5.0
<b>Total</b>	270,749	284,790	300,986	336,642	320,401	324,200	334,894	356,359	377,349	403,774	
% Change	8.7	5.2	5.7	11.8	-4.8	1.2	3.3	6.4	5.9	7.0	4.7

p=Preliminary

Source: Zenith Media, Universal McCann, Paul Kagan Associates, Newspaper Association of America, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

## GLOBAL CONSUMER/END-USER SPENDING AND GROWTH (\$ Millions)

Segment	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	44,099	47,572	49,676	54,204	59,485	63,141	66,835	70,934	74,941	78,509	
% Change	4.7	7.9	4.4	9.1	9.7	6.1	5.9	6.1	5.6	4.8	5.7
<b>TV Networks: Cable Network License Fees</b>	7,245	8,405	9,346	10,540	11,725	12,890	14,150	15,460	16,720	17,850	
% Change	15.7	16.0	11.2	12.8	11.2	9.9	9.8	9.3	8.2	6.8	8.8
<b>TV Distribution: Cable Systems and Satellite Providers</b>	87,584	95,929	105,337	116,290	124,329	132,472	141,946	152,275	163,882	176,602	
% Change	11.3	9.5	9.8	10.4	6.9	6.5	7.2	7.3	7.6	7.8	7.3
<b>Recorded Music</b>	35,294	37,249	37,532	37,025	35,502	34,201	34,346	35,541	36,926	38,505	
% Change	2.8	5.5	0.8	-1.4	-4.1	-3.7	0.4	3.5	3.9	4.3	1.6
<b>Internet Access Spending</b>	9,415	14,492	23,085	33,699	43,385	50,941	58,647	65,596	72,749	79,952	
% Change	71.1	53.9	59.3	46.0	28.7	17.4	15.1	11.8	10.9	9.9	13.0
<b>Magazines</b>	30,353	31,647	32,474	33,571	33,791	33,909	34,310	35,074	36,087	37,236	
% Change	3.8	4.3	2.6	3.4	0.7	0.3	1.2	2.2	2.9	3.2	2.0
<b>Newspapers</b>	55,611	56,448	56,938	59,105	58,772	58,926	59,808	61,106	62,701	64,412	
% Change	1.6	1.5	0.9	3.8	-0.6	0.3	1.5	2.2	2.6	2.7	1.8
<b>Consumer Books</b>	43,519	44,910	45,910	45,351	44,709	45,378	46,377	47,671	49,210	50,940	
% Change	-2.6	3.2	2.2	-1.2	-1.4	1.5	2.2	2.8	3.2	3.5	2.6
<b>Educational and Professional Books and Training</b>	173,241	183,723	194,666	201,835	207,602	214,985	224,023	234,365	246,906	260,844	
% Change	6.2	6.1	6.0	3.7	2.9	3.6	4.2	4.6	5.4	5.6	4.7
<b>Business Information</b>	55,410	58,825	62,800	67,445	68,830	70,900	73,570	77,120	82,165	87,770	
% Change	7.0	6.2	6.8	7.4	2.1	3.0	3.8	4.8	6.5	6.8	5.0
<b>Satellite Radio</b>	—	—	—	—	1	35	75	180	380	630	
% Change	—	—	—	—	—	3,400.0	114.3	140.0	111.1	65.8	263.0
<b>Theme Parks and Amusement Parks</b>	15,894	16,180	16,874	17,807	18,409	19,087	19,748	20,474	21,579	22,635	
% Change	6.2	1.8	4.3	5.5	3.4	3.7	3.5	3.7	5.4	4.9	4.2
<b>Sports</b>	24,374	28,796	30,181	33,992	36,029	39,974	39,794	42,874	44,393	49,595	
% Change	6.2	18.1	4.8	12.6	6.0	10.9	-0.5	7.7	3.5	11.7	6.6
<b>Total</b>	582,039	624,176	664,819	710,864	742,569	776,839	813,629	858,670	908,639	965,480	
% Change	6.1	7.2	6.5	6.9	4.5	4.6	4.7	5.5	5.8	6.3	5.4

p=Preliminary

Source: Zenith Media, *Screen Digest*, Motion Picture Association of America, Adams Media Research, Paul Kagan Associates, International Federation of the Phonographic Industry, Recording Industry Association of America, Magazine Publishers of America, Newspaper Association of America, Book Industry Study Group, American Association of Publishers, Euromonitor, *Training Magazine*, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, Statistics Canada, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

# The Outlook for Entertainment and Media Spending by Region



## United States

At \$438 billion in 2001, the United States was the largest market in terms of overall entertainment and media spending.

Expanded bandwidth and channel capacity will drive growth in Internet and television distribution spending, while continued growth in cable network advertising and license fees will boost the television network segment. Subscribers upgrading to higher-priced broadband Internet access and digital cable or DBS will generate spending growth despite saturation in multichannel penetration and slower growth in Internet penetration. We expect com-

pound annual growth of 10.8 percent for Internet advertising and access spending, and 6.9 percent for television distribution. An improved economy will propel television network advertising, with cable networks generating most of the growth as their audience continues to expand. Cable networks will also garner higher carriage fees, while the Olympics will boost broadcast network advertising in 2002, 2004, and 2006. The combined effect of the above is that the television network segment will expand at a 7.1 percent compound annual rate.



## ENTERTAINMENT AND MEDIA MARKET (\$ Millions)

United States	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	21,569	23,307	24,789	26,557	29,018	31,105	32,970	34,847	36,681	38,192	
% Change	1.8	8.1	6.4	7.1	9.3	7.2	6.0	5.7	5.3	4.1	5.6
<b>TV Networks: Broadcast and Cable</b>	26,252	29,490	32,316	37,500	38,485	40,870	43,115	47,855	50,450	54,230	
% Change	8.5	12.3	9.6	16.0	2.6	6.2	5.5	11.0	5.4	7.5	7.1
<b>TV Distribution: Station, Cable, and Satellite</b>	54,145	58,809	62,937	70,156	71,283	77,430	82,600	89,075	93,625	99,630	
% Change	8.4	8.6	7.0	11.5	1.6	8.6	6.7	7.8	5.1	6.4	6.9
<b>Recorded Music</b>	12,237	13,723	14,585	14,324	13,741	13,595	13,950	14,370	14,920	15,615	
% Change	-2.4	12.1	6.3	-1.8	-4.1	-1.1	2.6	3.0	3.8	4.7	2.6
<b>Internet Advertising and Access Spending</b>	5,504	8,443	14,018	19,920	23,940	27,505	31,060	34,130	37,140	40,040	
% Change	74.3	53.4	66.0	42.1	20.2	14.9	12.9	9.9	8.8	7.8	10.8
<b>Magazine Publishing</b>	30,942	32,694	33,803	35,802	31,915	31,100	31,135	31,815	33,395	35,180	
% Change	7.2	5.7	3.4	5.9	-10.9	-2.6	0.1	2.2	5.0	5.3	2.0
<b>Newspaper Publishing</b>	51,396	54,192	56,761	59,212	54,802	54,500	56,130	59,205	62,450	65,110	
% Change	7.0	5.4	4.7	4.3	-7.4	-0.6	3.0	5.5	5.5	4.3	3.5
<b>Consumer Book Publishing</b>	15,957	16,852	17,387	17,177	16,958	17,308	17,817	18,429	19,137	19,955	
% Change	0.6	5.6	3.2	-1.2	-1.3	2.1	2.9	3.4	3.8	4.3	3.3
<b>Educational and Professional Books and Training</b>	59,386	63,032	66,031	67,041	69,987	73,213	76,879	80,982	85,925	91,464	
% Change	9.5	6.1	4.8	1.5	4.4	4.6	5.0	5.3	6.1	6.4	5.5
<b>Business Information</b>	32,100	34,400	37,100	39,950	40,350	41,375	42,830	44,940	48,080	51,570	
% Change	7.7	7.2	7.8	7.7	1.0	2.5	3.5	4.9	7.0	7.3	5.0
<b>Radio and Out-of-Home Advertising</b>	17,538	19,478	22,047	24,471	23,163	23,820	25,040	26,665	28,465	30,385	
% Change	9.4	11.1	13.2	11.0	-5.3	2.8	5.1	6.5	6.8	6.7	5.6
<b>Theme Parks and Amusement Parks</b>	8,395	8,710	9,100	9,600	9,600	9,630	9,785	10,010	10,332	10,725	
% Change	6.3	3.8	4.5	5.5	—	0.3	1.6	2.3	3.2	3.8	2.2
<b>Sports</b>	8,804	11,571	11,681	14,212	14,690	16,085	16,044	17,842	17,614	19,766	
% Change	3.3	31.4	1.0	21.7	3.4	9.5	-0.3	11.2	-1.3	12.2	6.1
<b>Total</b>	344,225	374,701	402,555	435,922	437,932	457,536	479,355	510,165	538,214	571,862	
% Change	7.5	8.9	7.4	8.3	0.5	4.5	4.8	6.4	5.5	6.3	5.5

p=Preliminary

Source: Universal McCann, Motion Picture Association of America, Adams Media Research, Paul Kagan Associates, Recording Industry Association of America, Magazine Publishers of America, Newspaper Association of America, Book Industry Study Group, American Association of Publishers, *Training Magazine*, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Advertising plunged by 8.2 percent in 2001, responding to the economic slowdown and the sharp drop in corporate profits. Nevertheless, U.S. advertisers spent more in 2001 than in 1999. We expect the market to remain weak in 2002, with further declines in the magazine and newspaper segments. The Olympics and political spending, however, will boost television advertising. As the U.S. economy

improves the underlying advertising market will strengthen, and each segment will benefit. Even-numbered years will show larger increases than odd-numbered years as the Olympics and the political cycle add spending and tighten inventories. For the 2002-2006 period as a whole, advertising will increase at a 4.7 percent compound annual rate, reaching \$186 billion in 2006 from \$149 billion in 2001.

## ADVERTISING (\$ Millions)

United States	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Television Networks:</b>											
<b>Broadcast and Cable</b>	19,403	21,524	23,492	27,599	27,535	28,900	30,015	33,575	35,030	37,780	
% Change	6.0	10.9	9.1	17.5	-0.2	5.0	3.9	11.9	4.3	7.9	6.5
<b>Cable Systems and Television Stations</b>	23,360	25,061	25,847	29,046	26,046	27,470	27,940	30,285	31,025	33,250	
% Change	4.2	7.3	3.1	12.4	-10.3	5.5	1.7	8.4	2.4	7.2	5.0
<b>Internet</b>	907	1,920	4,621	8,225	7,530	7,600	8,000	8,600	9,300	10,100	
% Change	239.7	111.7	140.7	78.0	-8.4	0.9	5.3	7.5	8.1	8.6	6.0
<b>Magazines</b>	19,251	20,335	21,346	23,260	19,410	18,770	18,835	19,390	20,790	22,330	
% Change	10.3	5.6	5.0	9.0	-16.6	-3.3	0.3	2.9	7.2	7.4	2.8
<b>Newspapers</b>	41,330	43,925	46,289	48,671	44,317	43,850	45,200	47,950	50,900	53,250	
% Change	8.5	6.3	5.4	5.1	-8.9	-1.1	3.1	6.1	6.2	4.6	3.7
<b>Radio</b>	13,491	15,073	17,215	19,295	18,048	18,435	19,265	20,385	21,485	22,605	
% Change	10.0	11.7	14.2	12.1	-6.5	2.1	4.5	5.8	5.4	5.2	4.6
<b>Out-of-Home</b>	4,047	4,405	4,832	5,176	5,114	5,350	5,700	6,100	6,600	7,150	
% Change	7.6	8.8	9.7	7.1	-1.2	4.6	6.5	7.0	8.2	8.3	6.9
<b>Total</b>	121,789	132,243	143,642	161,272	148,800	150,375	154,955	166,285	175,130	186,465	
% Change	8.2	8.6	8.6	12.3	-8.2	1.6	3.0	7.3	5.3	6.5	4.7

p=Preliminary

Source: Universal McCann, Paul Kagan Associates, Newspaper Association of America, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Consumer/end-user spending will grow at a 5.9 percent rate compounded annually, increasing from \$290 billion to \$385 billion. Growth will be relatively steady over the forecast period, in contrast with advertising. In 2002-2004, penetration gains will fuel the Internet access and television

distribution markets, offsetting weakness in recorded music, print media, and theme parks. Over the latter part of the period, improved economic conditions will lead to faster growth in most segments, while saturation will result in slower gains for cable and the Internet.

## CONSUMER/END-USER SPENDING (\$ Millions)

United States	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	21,569	23,307	24,789	26,557	29,018	31,105	32,970	34,847	36,681	38,192	
% Change	1.8	8.1	6.4	7.1	9.3	7.2	6.0	5.7	5.3	4.1	5.6
<b>Cable Network License Fees</b>	6,849	7,966	8,824	9,901	10,950	11,970	13,100	14,280	15,420	16,450	
% Change	16.5	16.3	10.8	12.2	10.6	9.3	9.4	9.0	8.0	6.7	8.5
<b>Cable and Satellite Subscription Spending</b>	30,785	33,748	37,090	41,110	45,237	49,960	54,660	58,790	62,600	66,380	
% Change	11.7	9.6	9.9	10.8	10.0	10.4	9.4	7.6	6.5	6.0	8.0
<b>Recorded Music</b>	12,237	13,723	14,585	14,324	13,741	13,595	13,950	14,370	14,920	15,615	
% Change	-2.4	12.1	6.3	-1.8	-4.1	-1.1	2.6	3.0	3.8	4.7	2.6
<b>Internet Access Spending</b>	4,597	6,523	9,397	11,695	16,410	19,905	23,060	25,530	27,840	29,940	
% Change	59.0	41.9	44.1	24.5	40.3	21.3	15.9	10.7	9.0	7.5	12.8
<b>Magazines</b>	11,691	12,359	12,457	12,542	12,505	12,330	12,300	12,425	12,605	12,850	
% Change	2.5	5.7	0.8	0.7	-0.3	-1.4	-0.2	1.0	1.4	1.9	0.5
<b>Newspapers</b>	10,066	10,267	10,472	10,541	10,485	10,650	10,930	11,255	11,550	11,860	
% Change	1.0	2.0	2.0	0.7	-0.5	1.6	2.6	3.0	2.6	2.7	2.5
<b>Consumer Books</b>	15,957	16,852	17,387	17,177	16,958	17,308	17,817	18,429	19,137	19,955	
% Change	0.6	5.6	3.2	-1.2	-1.3	2.1	2.9	3.4	3.8	4.3	3.3
<b>Educational and Professional Books and Training</b>	59,386	63,032	66,031	67,041	69,987	73,213	76,879	80,982	85,925	91,464	
% Change	9.5	6.1	4.8	1.5	4.4	4.6	5.0	5.3	6.1	6.4	5.5
<b>Business Information</b>	32,100	34,400	37,100	39,950	40,350	41,375	42,830	44,940	48,080	51,570	
% Change	7.7	7.2	7.8	7.7	1.0	2.5	3.5	4.9	7.0	7.3	5.0
<b>Satellite Radio</b>	—	—	—	—	1	35	75	180	380	630	
% Change	—	—	—	—	—	3,400.0	114.3	140.0	111.1	65.8	263.0
<b>Theme Parks and Amusement Parks</b>	8,395	8,710	9,100	9,600	9,600	9,630	9,785	10,010	10,332	10,725	
% Change	6.3	3.8	4.5	5.5	0.0	0.3	1.6	2.3	3.2	3.8	2.2
<b>Sports</b>	8,804	11,571	11,681	14,212	14,690	16,085	16,044	17,842	17,614	19,766	
% Change	3.3	31.4	1.0	21.7	3.4	9.5	-0.3	11.2	-1.3	12.2	6.1
<b>Total</b>	222,436	242,458	258,913	274,650	289,932	307,161	324,400	343,880	363,084	385,397	
% Change	7.1	9.0	6.8	6.1	5.6	5.9	5.6	6.0	5.6	6.1	5.9

p=Preliminary

Source: Motion Picture Association of America, Adams Media Research, Paul Kagan Associates, Recording Industry Association of America, Magazine Publishers of America, Newspaper Association of America, Book Industry Study Group, American Association of Publishers, *Training Magazine*, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

## Europe, Middle East, Africa (EMEA)

Europe, the Middle East, and Africa (EMEA) is the second-largest region with 2001 entertainment and media spending of \$340 billion. The Internet will be the region's fastest-growing segment, followed by sports, theme parks and amusement parks, filmed entertainment, television networks and distribution, with each posting average annual increases of more than 6 percent.

Penetration gains and broadband adoption will fuel Internet access spending. Although the sports market will be adversely affected through much of the forecast period, the

World Cup in Germany and its associated television rights will result in a spike in 2006 spending, which will bring average growth to 7.0 percent compounded annually. A cluster of new park openings in 2002 will bolster the theme park market. Multichannel penetration gains will boost cable and satellite subscription spending, while the launch of new channels will boost television network advertising.



**ENTERTAINMENT AND MEDIA MARKET (\$ Millions)**

EMEA	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	10,021	11,014	11,179	12,927	14,569	15,534	16,665	17,908	19,057	20,079	
% Change	8.2	9.9	1.5	15.6	12.7	6.6	7.3	7.5	6.4	5.4	6.6
<b>TV Networks:</b>											
<b>Broadcast and Cable</b>	20,720	22,866	24,706	27,917	27,716	28,518	29,868	32,107	34,357	37,506	
% Change	15.3	10.4	8.0	13.0	-0.7	2.9	4.7	7.5	7.0	9.2	6.2
<b>TV Distribution:</b>											
<b>Station, Cable, and Satellite</b>	36,052	38,387	41,383	45,032	47,412	49,543	52,199	55,562	59,744	64,078	
% Change	8.0	6.5	7.8	8.8	5.3	4.5	5.4	6.4	7.5	7.3	6.2
<b>Recorded Music</b>	11,031	11,353	11,391	11,568	11,612	11,101	11,047	11,426	11,828	12,263	
% Change	3.4	2.9	0.3	1.6	0.4	-4.4	-0.5	3.4	3.5	3.7	1.1
<b>Internet Advertising and Access Spending</b>	2,667	4,859	9,541	14,116	16,169	17,841	19,791	21,648	23,472	25,477	
% Change	103.0	82.2	96.4	48.0	14.5	10.3	10.9	9.4	8.4	8.5	9.5
<b>Magazine Publishing</b>	24,826	26,408	28,061	30,066	30,437	30,930	31,667	32,805	34,336	36,126	
% Change	5.9	6.4	6.3	7.1	1.2	1.6	2.4	3.6	4.7	5.2	3.5
<b>Newspaper Publishing</b>	45,072	47,504	48,133	52,332	51,019	50,610	51,753	53,615	55,916	58,470	
% Change	2.5	5.4	1.3	8.7	-2.5	-0.8	2.3	3.6	4.3	4.6	2.8
<b>Consumer Book Publishing</b>	16,246	16,444	16,616	16,324	16,025	16,290	16,532	16,801	17,100	17,415	
% Change	-6.7	1.2	1.0	-1.8	-1.8	1.7	1.5	1.6	1.8	1.8	1.7
<b>Educational and Professional Books and Training</b>	71,760	74,760	78,043	80,582	83,602	86,706	89,947	93,289	97,206	101,204	
% Change	3.3	4.2	4.4	3.3	3.7	3.7	3.7	3.7	4.2	4.1	3.9
<b>Business Information</b>	13,400	14,200	15,000	16,020	16,620	17,285	18,000	18,810	19,925	21,165	
% Change	5.7	6.0	5.6	6.8	3.7	4.0	4.1	4.5	5.9	6.2	5.0
<b>Radio and Out-of-Home Advertising</b>	6,918	7,566	8,464	9,657	9,708	9,646	10,034	10,666	11,477	12,447	
% Change	8.6	9.4	11.9	14.1	0.5	-0.6	4.0	6.3	7.6	8.5	5.1
<b>Theme Parks and Amusement Parks</b>	2,478	2,449	2,529	2,662	2,743	3,013	3,196	3,360	3,589	3,770	
% Change	8.2	-1.2	3.3	5.3	3.0	9.8	6.1	5.1	6.8	5.0	6.6
<b>Sports</b>	8,770	10,000	10,850	11,625	12,700	14,200	13,900	14,700	15,600	17,850	
% Change	8.6	14.0	8.5	7.1	9.2	11.8	-2.1	5.8	6.1	14.4	7.0
<b>Total</b>	269,961	287,810	305,896	330,828	340,332	351,217	364,599	382,697	403,607	427,850	
% Change	5.3	6.6	6.3	8.2	2.9	3.2	3.8	5.0	5.5	6.0	4.7

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Advertising in EMEA fell by 1.4 percent in 2001, and we expect a scant 0.7 percent increase in 2002. Modest gains in Internet and broadcast and cable advertising in 2002 will offset expected declines in newspaper and radio advertising. Thereafter, improved economic conditions will generate

larger increases, with advertising growth in 2006 reaching 7.5 percent. Advertising will surpass the \$100 billion level in 2006, reaching \$103 billion from \$82 billion in 2001. Growth for the 2002-2006 period as a whole will average 4.8 percent on a compound annual basis.

## ADVERTISING (\$ Millions)

EMEA	1997	1998	1999	2000	2001 <sup>p</sup>	2002	2003	2004	2005	2006	2002-06
											CAGR
<b>Broadcast and Cable</b>											
<b>Networks</b>	20,720	22,866	24,706	27,917	27,716	28,518	29,868	32,107	34,357	37,506	
% Change	15.3	10.4	8.0	13.0	-0.7	2.9	4.7	7.5	7.0	9.2	6.2
<b>Internet</b>	19	79	464	978	1,026	1,065	1,170	1,273	1,362	1,451	
% Change	—	315.8	487.3	110.8	4.9	3.8	9.9	8.8	7.0	6.5	7.2
<b>Magazines</b>	12,975	13,951	14,918	16,162	16,314	16,526	16,935	17,599	18,528	19,679	
% Change	7.7	7.5	6.9	8.3	0.9	1.3	2.5	3.9	5.3	6.2	3.8
<b>Newspapers</b>	23,069	25,010	25,516	28,072	26,900	26,511	27,376	28,742	30,426	32,267	
% Change	3.4	8.4	2.0	10.0	-4.2	-1.4	3.3	5.0	5.9	6.1	3.7
<b>Radio</b>	3,238	3,515	4,038	4,580	4,541	4,447	4,573	4,841	5,211	5,703	
% Change	7.5	8.6	14.9	13.4	-0.9	-2.1	2.8	5.9	7.6	9.4	4.7
<b>Out-of-Home</b>	3,680	4,051	4,426	5,077	5,167	5,199	5,461	5,825	6,266	6,744	
% Change	9.5	10.1	9.3	14.7	1.8	0.6	5.0	6.7	7.6	7.6	5.5
<b>Total</b>	63,701	69,472	74,068	82,786	81,664	82,266	85,383	90,387	96,150	103,350	
% Change	8.6	9.1	6.6	11.8	-1.4	0.7	3.8	5.9	6.4	7.5	4.8

p=Preliminary

Source: Zenith Media, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

The consumer/end-user market will expand from \$259 billion in 2001 to \$325 billion in 2006, growing at a 4.6 percent compound annual rate. A sharp drop in recorded music spending will be countered by healthy gains in sports (related to the 2002 and 2006 World Cup tournaments), theme parks, Internet access, and filmed entertainment, which will continue to benefit from increased DVD purchases and rentals. Internet access spending growth will decelerate over the forecast period, averaging 9.7 percent,

as incremental penetration growth slows, countering the positive impact of broadband migration. The publishing sectors will grow slowly, with newspapers and consumer books each averaging increases of 1.7 percent and magazines growing at a compound annual rate of 3.1 percent. In each case the market is saturated, making it difficult to generate increased circulation or purchases. Recorded music will begin to expand in 2004, but annual growth for the five-year period will average only 1.1 percent.

## CONSUMER/END-USER SPENDING (\$ Millions)

EMEA	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	10,021	11,014	11,179	12,927	14,569	15,534	16,665	17,908	19,057	20,079	
% Change	8.2	9.9	1.5	15.6	12.7	6.6	7.3	7.5	6.4	5.4	6.6
<b>Cable and Satellite Subscription Spending</b>	36,052	38,387	41,383	45,032	47,412	49,543	52,199	55,562	59,744	64,078	
% Change	8.0	6.5	7.8	8.8	5.3	4.5	5.4	6.4	7.5	7.3	6.2
<b>Recorded Music</b>	11,031	11,353	11,391	11,568	11,612	11,101	11,047	11,426	11,828	12,263	
% Change	3.4	2.9	0.3	1.6	0.4	-4.4	-0.5	3.4	3.5	3.7	1.1
<b>Internet Access Spending</b>	2,648	4,780	9,077	13,138	15,143	16,776	18,621	20,375	22,110	24,026	
% Change	101.5	80.5	89.9	44.7	15.3	10.8	11.0	9.4	8.5	8.7	9.7
<b>Magazines</b>	11,851	12,457	13,143	13,904	14,123	14,404	14,732	15,206	15,808	16,447	
% Change	3.9	5.1	5.5	5.8	1.6	2.0	2.3	3.2	4.0	4.0	3.1
<b>Newspapers</b>	22,003	22,494	22,617	24,260	24,119	24,099	24,377	24,873	25,490	26,203	
% Change	1.4	2.2	0.5	7.3	-0.6	-0.1	1.2	2.0	2.5	2.8	1.7
<b>Consumer Books</b>	16,246	16,444	16,616	16,324	16,025	16,290	16,532	16,801	17,100	17,415	
% Change	-6.7	1.2	1.0	-1.8	-1.8	1.7	1.5	1.6	1.8	1.8	1.7
<b>Educational and Professional Books and Training</b>	71,760	74,760	78,043	80,582	83,602	86,706	89,947	93,289	97,206	101,204	
% Change	3.3	4.2	4.4	3.3	3.7	3.7	3.7	3.7	4.2	4.1	3.9
<b>Business Information</b>	13,400	14,200	15,000	16,020	16,620	17,285	18,000	18,810	19,925	21,165	
% Change	5.7	6.0	5.6	6.8	3.7	4.0	4.1	4.5	5.9	6.2	5.0
<b>Theme Parks and Amusement Parks</b>	2,478	2,449	2,529	2,662	2,743	3,013	3,196	3,360	3,589	3,770	
% Change	8.2	-1.2	3.3	5.3	3.0	9.8	6.1	5.1	6.8	5.0	6.6
<b>Sports</b>	8,770	10,000	10,850	11,625	12,700	14,200	13,900	14,700	15,600	17,850	
% Change	8.6	14.0	8.5	7.1	9.2	11.8	-2.1	5.8	6.1	14.4	7.0
<b>Total</b>	206,260	218,338	231,828	248,042	258,668	268,951	279,216	292,310	307,457	324,500	
% Change	4.4	5.9	6.2	7.0	4.3	4.0	3.8	4.7	5.2	5.5	4.6

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



## Asia/Pacific

Overall spending on entertainment and media in Asia/Pacific reached \$215 billion in 2001. Growth was only 2.2 percent, a slower percentage gain than in 1998 when the region was affected by financial crises in several countries. The Internet, theme park, filmed entertainment, and television distribution markets posted increases in excess of 5 percent, while the recorded music, television network, radio/out-of-home advertising, newspaper, magazine, and consumer book publishing segments each declined.

The economy in Japan, the region's leading market for entertainment and media spending, remains weak. Near-term spending growth will continue to be sluggish, offsetting increases in other countries, particularly China

and India. For the region as a whole, the Internet, television distribution, and sports will be the fastest-growing segments over the 2002-2006 period.

Internet penetration remains low in many countries, and there is substantial growth potential. Telecommunications industry deregulation and government efforts to promote Internet use will lead to double-digit growth. There is also room for expansion in multichannel penetration. That segment has expanded rapidly in recent years and we expect continued growth, averaging 7.5 percent compounded annually. The 2002 World Cup in Japan and Korea will bolster the sports market, and rights fee growth will enhance the market over the entire forecast period.



**ENTERTAINMENT AND MEDIA MARKET (\$ Millions)**

Asia/Pacific	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	9,880	10,316	10,598	11,298	12,080	12,547	13,021	13,725	14,450	15,163	
% Change	7.9	4.4	2.7	6.6	6.9	3.9	3.8	5.4	5.3	4.9	4.7
<b>TV Networks:</b>											
<b>Broadcast and Cable</b>	27,035	26,700	27,411	30,118	30,039	30,645	31,390	32,831	34,600	36,945	
% Change	6.4	-1.2	2.7	9.9	-0.3	2.0	2.4	4.6	5.4	6.8	4.2
<b>TV Distribution:</b>											
<b>Station, Cable, and Satellite</b>	14,774	16,932	19,241	21,585	22,680	23,589	25,112	27,128	29,523	32,629	
% Change	15.5	14.6	13.6	12.2	5.1	4.0	6.5	8.0	8.8	10.5	7.5
<b>Recorded Music</b>	9,313	9,335	8,859	8,513	7,937	7,589	7,459	7,739	8,032	8,316	
% Change	6.2	0.2	-5.1	-3.9	-6.8	-4.4	-1.7	3.8	3.8	3.5	0.9
<b>Internet Advertising and Access Spending</b>	1,673	2,532	3,860	8,266	11,163	13,591	16,273	18,911	21,852	24,771	
% Change	71.2	51.3	52.4	114.1	35.0	21.8	19.7	16.2	15.6	13.4	17.3
<b>Magazine Publishing</b>	10,669	10,378	10,617	11,285	11,255	11,185	11,329	11,600	11,972	12,431	
% Change	7.2	-2.7	2.3	6.3	-0.3	-0.6	1.3	2.4	3.2	3.8	2.0
<b>Newspaper Publishing</b>	41,112	39,874	41,049	44,274	43,581	43,480	44,672	46,545	48,973	51,801	
% Change	5.8	-3.0	2.9	7.9	-1.6	-0.2	2.7	4.2	5.2	5.8	3.5
<b>Consumer Book Publishing</b>	8,881	8,960	9,180	9,100	9,009	9,077	9,296	9,636	10,076	10,561	
% Change	-0.9	0.9	2.5	-0.9	-1.0	0.8	2.4	3.7	4.6	4.8	3.2
<b>Educational and Professional Books and Training</b>	28,497	31,468	35,681	38,149	38,671	39,788	41,451	43,679	46,461	49,780	
% Change	8.9	10.4	13.4	6.9	1.4	2.9	4.2	5.4	6.4	7.1	5.2
<b>Business Information</b>	5,630	5,755	5,900	6,210	6,400	6,635	6,895	7,190	7,560	7,960	
% Change	5.5	2.2	2.5	5.3	3.1	3.7	3.9	4.3	5.1	5.3	4.5
<b>Radio and Out-of-Home Advertising</b>	10,751	10,047	10,396	11,095	11,000	10,918	11,079	11,522	12,146	12,827	
% Change	2.0	-6.5	3.5	6.7	-0.9	-0.7	1.5	4.0	5.4	5.6	3.1
<b>Theme Parks and Amusement Parks</b>	4,575	4,487	4,669	4,935	5,452	5,805	6,122	6,447	6,980	7,439	
% Change	4.6	-1.9	4.1	5.7	10.5	6.5	5.5	5.3	8.3	6.6	6.4
<b>Sports</b>	4,650	4,900	5,200	5,550	5,800	6,700	6,950	7,300	7,850	8,400	
% Change	8.1	5.4	6.1	6.7	4.5	15.5	3.7	5.0	7.5	7.0	7.7
<b>Total</b>	177,440	181,684	192,661	210,378	215,067	221,549	231,049	244,253	260,475	279,023	
% Change	7.1	2.4	6.0	9.2	2.2	3.0	4.3	5.7	6.6	7.1	5.3

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

An 18.1 percent increase in Internet advertising limited the 2001 decline in overall advertising to 0.8 percent. The radio market was flat and other advertising segments declined. Except for Internet and television network segments, we expect further advertising declines in 2002. An anticipated 14.9 percent increase in Internet advertising coupled with a 2.0 percent rise in television advertising will result in an

overall gain of 0.7 percent. We project somewhat faster growth in 2003 and mid single-digit gains in 2004-2006, reflecting an improved economic environment. Advertising in Asia/Pacific will increase from \$70 billion in 2001 to \$87 billion in 2006, growing at a 4.4 percent compound annual rate.

## ADVERTISING (\$ Millions)

Asia/Pacific	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Broadcast and Cable Networks</b>	27,035	26,700	27,411	30,118	30,039	30,645	31,390	32,831	34,600	36,945	
% Change	6.4	-1.2	2.7	9.9	-0.3	2.0	2.4	4.6	5.4	6.8	4.2
<b>Internet</b>	56	106	256	681	804	924	1,076	1,279	1,470	1,631	
% Change	273.3	89.3	141.5	166.0	18.1	14.9	16.5	18.9	14.9	11.0	15.2
<b>Magazines</b>	5,559	5,334	5,463	5,972	5,913	5,836	5,916	6,082	6,311	6,612	
% Change	9.6	-4.0	2.4	9.3	-1.0	-1.3	1.4	2.8	3.8	4.8	2.3
<b>Newspapers</b>	20,658	19,293	20,265	23,010	22,524	22,469	23,409	24,893	26,739	28,980	
% Change	10.4	-6.6	5.0	13.5	-2.1	-0.2	4.2	6.3	7.4	8.4	5.2
<b>Radio</b>	3,252	3,109	3,090	3,295	3,298	3,280	3,326	3,419	3,557	3,738	
% Change	2.2	-4.4	-0.6	6.6	0.1	-0.5	1.4	2.8	4.0	5.1	2.5
<b>Out-of-Home</b>	7,499	6,938	7,306	7,800	7,702	7,638	7,753	8,103	8,589	9,089	
% Change	1.9	-7.5	5.3	6.8	-1.3	-0.8	1.5	4.5	6.0	5.8	3.4
<b>Total</b>	64,059	61,480	63,791	70,876	70,280	70,792	72,870	76,607	81,266	86,995	
% Change	7.2	-4.0	3.8	11.1	-0.8	0.7	2.9	5.1	6.1	7.0	4.4

p=Preliminary

Source: Zenith Media, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fueled by expanding Internet and multichannel penetration, overall consumer/end-user spending will grow by 5.8 percent compounded annually, increasing to \$192 billion in 2006 from \$145 billion in 2001. Piracy problems will dampen growth in recorded music and filmed entertainment. We expect recorded music sales to continue to decline through 2003. Stronger economic conditions will help the market in 2004-2006, but spending for the five-year period will

increase by only 0.9 percent compounded annually.

Despite a healthy local film market, which will propel box office spending, and growth in the DVD market, we project filmed entertainment will grow by less than 5 percent on a compound annual basis, as the home video market will be limited by sales lost to piracy.

## CONSUMER/END-USER SPENDING (\$ Millions)

Asia/Pacific	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	9,880	10,316	10,598	11,298	12,080	12,547	13,021	13,725	14,450	15,163	
% Change	7.9	4.4	2.7	6.6	6.9	3.9	3.8	5.4	5.3	4.9	4.7
<b>Cable and Satellite Subscription Spending</b>	14,774	16,932	19,241	21,585	22,680	23,589	25,112	27,128	29,523	32,629	
% Change	15.5	14.6	13.6	12.2	5.1	4.0	6.5	8.0	8.8	10.5	7.5
<b>Recorded Music</b>	9,313	9,335	8,859	8,513	7,937	7,589	7,459	7,739	8,032	8,316	
% Change	6.2	0.2	-5.1	-3.9	-6.8	-4.4	-1.7	3.8	3.8	3.5	0.9
<b>Internet Access Spending</b>	1,617	2,426	3,604	7,585	10,359	12,667	15,197	17,632	20,382	23,140	
% Change	68.1	50.0	48.6	110.5	36.6	22.3	20.0	16.0	15.6	13.5	17.4
<b>Magazines</b>	5,110	5,044	5,154	5,313	5,342	5,349	5,413	5,518	5,661	5,819	
% Change	4.7	-1.3	2.2	3.1	0.5	0.1	1.2	1.9	2.6	2.8	1.7
<b>Newspapers</b>	20,454	20,581	20,784	21,264	21,057	21,011	21,263	21,652	22,234	22,821	
% Change	1.5	0.6	1.0	2.3	-1.0	-0.2	1.2	1.8	2.7	2.6	1.6
<b>Consumer Books</b>	8,881	8,960	9,180	9,100	9,009	9,077	9,296	9,636	10,076	10,561	
% Change	-0.9	0.9	2.5	-0.9	-1.0	0.8	2.4	3.7	4.6	4.8	3.2
<b>Educational and Professional Books and Training</b>	28,497	31,468	35,681	38,149	38,671	39,788	41,451	43,679	46,461	49,780	
% Change	8.9	10.4	13.4	6.9	1.4	2.9	4.2	5.4	6.4	7.1	5.2
<b>Business Information</b>	5,630	5,755	5,900	6,210	6,400	6,635	6,895	7,190	7,560	7,960	
% Change	5.5	2.2	2.5	5.3	3.1	3.7	3.9	4.3	5.1	5.3	4.5
<b>Theme Parks and Amusement Parks</b>	4,575	4,487	4,669	4,935	5,452	5,805	6,122	6,447	6,980	7,439	
% Change	4.6	-1.9	4.1	5.7	10.5	6.5	5.5	5.3	8.3	6.6	6.4
<b>Sports</b>	4,650	4,900	5,200	5,550	5,800	6,700	6,950	7,300	7,850	8,400	
% Change	8.1	5.4	6.1	6.7	4.5	15.5	3.7	5.0	7.5	7.0	7.7
<b>Total</b>	113,381	120,204	128,870	139,502	144,787	150,757	158,179	167,646	179,209	192,028	
% Change	7.1	6.0	7.2	8.3	3.8	4.1	4.9	6.0	6.9	7.2	5.8

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

# Latin America

Latin America's 2001 entertainment and media spending reached \$46 billion. Internet and television distribution will be the fastest-growing segments over the 2002-2006 period, with compound annual increases of 24.3 percent and 9.0 percent, respectively. Low penetration rates in both markets leave substantial room for growth. Even with large increases, gains are off a small base and penetration rates will remain relatively low throughout the forecast period. We project mid single-digit increases in television net-

works, filmed entertainment, sports, and business information, and low single-digit growth in the remaining segments. A healthy local film production industry will boost box-office spending, and improved economic conditions, if sustained, will lead to a rebound in television advertising. A ban on tobacco advertising sharply reduced advertising in Brazil in 2001. Going forward, the incremental impact of the tobacco loss will be minimal.



**ENTERTAINMENT AND MEDIA MARKET (\$ Millions)**

Latin America	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	1,111	1,186	1,348	1,507	1,734	1,715	1,786	1,910	2,047	2,214	
% Change	4.8	6.8	13.7	11.8	15.1	-1.1	4.1	6.9	7.2	8.2	5.0
<b>TV Networks: Broadcast and Cable</b>	9,084	8,768	7,584	9,010	8,318	8,465	8,881	9,463	10,221	11,310	
% Change	18.5	-3.5	-13.5	18.8	-7.7	1.8	4.9	6.6	8.0	10.7	6.3
<b>TV Distribution: Station, Cable, and Satellite</b>	4,206	4,931	5,515	6,255	6,475	6,630	7,005	7,635	8,665	9,945	
% Change	29.3	17.2	11.8	13.4	3.5	2.4	5.7	9.0	13.5	14.8	9.0
<b>Recorded Music</b>	1,800	1,868	1,811	1,801	1,455	1,216	1,190	1,286	1,401	1,536	
% Change	16.3	3.8	-3.1	-0.6	-19.2	-16.4	-2.1	8.1	8.9	9.6	1.1
<b>Internet Advertising and Access Spending</b>	38	83	167	334	498	553	654	859	1,137	1,476	
% Change	—	118.4	101.2	100.0	49.1	11.0	18.3	31.3	32.4	29.8	24.3
<b>Magazine Publishing</b>	2,674	2,851	2,580	2,921	2,900	2,879	2,934	3,034	3,212	3,434	
% Change	17.3	6.6	-9.5	13.2	-0.7	-0.7	1.9	3.4	5.9	6.9	3.4
<b>Newspaper Publishing</b>	7,071	7,208	6,173	5,977	5,716	5,797	5,994	6,271	6,589	6,921	
% Change	11.0	1.9	-14.4	-3.2	-4.4	1.4	3.4	4.6	5.1	5.0	3.9
<b>Consumer Book Publishing</b>	1,887	2,053	2,117	2,110	2,067	2,047	2,056	2,100	2,160	2,236	
% Change	1.7	8.8	3.1	-0.3	-2.0	-1.0	0.4	2.1	2.9	3.5	1.6
<b>Educational and Professional Books and Training</b>	9,571	10,029	10,340	10,906	10,329	10,208	10,510	10,955	11,577	12,325	
% Change	2.1	4.8	3.1	5.5	-5.3	-1.2	3.0	4.2	5.7	6.5	3.6
<b>Business Information</b>	1,720	1,770	1,900	2,090	2,140	2,115	2,175	2,290	2,450	2,630	
% Change	11.0	2.9	7.3	10.0	2.4	-1.2	2.8	5.3	7.0	7.3	4.2
<b>Radio and Out-of- Home Advertising</b>	1,690	1,845	1,775	2,069	1,673	1,665	1,707	1,785	1,880	1,990	
% Change	27.9	9.2	-3.8	16.6	-19.1	-0.5	2.5	4.6	5.3	5.9	3.5
<b>Theme Parks and Amusement Parks</b>	157	232	264	281	278	276	275	278	286	297	
% Change	29.8	47.8	13.8	6.4	-1.1	-0.7	-0.4	1.1	2.9	3.8	1.3
<b>Sports</b>	1,775	1,925	2,020	2,150	2,350	2,520	2,430	2,530	2,790	3,000	
% Change	4.4	8.5	4.9	6.4	9.3	7.2	-3.6	4.1	10.3	7.5	5.0
<b>Total</b>	42,784	44,749	43,594	47,411	45,933	46,086	47,597	50,396	54,415	59,314	
% Change	12.3	4.6	-2.6	8.8	-3.1	0.3	3.3	5.9	8.0	9.0	5.2

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Advertising in Latin America fell by 8.7 percent in 2001, the steepest decline of any region. Except for Internet advertising, which rose by 22 percent, each of the remaining sectors experienced decreases, with double-digit declines in radio and out-of-home advertising. Deteriorating economic conditions were principally responsible, and the loss of tobacco advertising in Brazil exacerbated the declines. The advertising market has been volatile in recent years, with double-digit gains in 1997 and 2000 interspersed with decreases or zero growth in 1998, 1999, and 2001. Sharp

economic swings in several countries have led to even sharper swings in advertising. Once the current economic situation improves, there is uncertainty as to whether the region can sustain a recovery. Our forecasts reflect the belief that the region's economy will progress, although we recognize that Latin America is historically susceptible to sudden downturns that could derail advertising in one or more countries. We project advertising to increase at a 5.5 percent compound annual rate, rising from \$15 billion in 2001 to \$19 billion in 2006

### ADVERTISING (\$ Millions)

Latin America	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2002-06	
										2006	CAGR
<b>Broadcast and Cable Networks</b>	9,084	8,768	7,584	9,010	8,318	8,465	8,881	9,463	10,221	11,310	
% Change	18.5	-3.5	-13.5	18.8	-7.7	1.8	4.9	6.6	8.0	10.7	6.3
<b>Internet</b>	*	10	50	123	150	160	175	200	250	300	
% Change	—	—	400.0	146.0	22.0	6.7	9.4	14.3	25.0	20.0	14.9
<b>Magazines</b>	1,419	1,521	1,328	1,589	1,569	1,553	1,581	1,634	1,739	1,869	
% Change	21.9	7.2	-12.7	19.7	-1.3	-1.0	1.8	3.4	6.4	7.5	3.6
<b>Newspapers</b>	4,471	4,583	3,579	3,401	3,072	3,099	3,226	3,417	3,638	3,874	
% Change	14.2	2.5	-21.9	-5.0	-9.7	0.9	4.1	5.9	6.5	6.5	4.7
<b>Radio</b>	1,146	1,195	1,200	1,382	1,240	1,237	1,258	1,301	1,354	1,419	
% Change	37.8	4.3	0.4	15.2	-10.3	-0.2	1.7	3.4	4.1	4.8	2.7
<b>Out-of-Home</b>	544	650	575	687	433	428	449	484	526	571	
% Change	11.2	19.5	-11.5	19.5	-37.0	-1.2	4.9	7.8	8.7	8.6	5.7
<b>Total</b>	16,664	16,727	14,316	16,192	14,782	14,942	15,570	16,499	17,728	19,343	
% Change	18.4	0.4	-14.4	13.1	-8.7	1.1	4.2	6.0	7.4	9.1	5.5

p=Preliminary  
\*Negligible

Source: Zenith Media, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Piracy has been a problem in Latin America, and we expect it will cut into spending on recorded music, home video, and consumer books. The music market plunged by 19.2 percent in 2001, and we anticipate a drop of 16.4 percent in 2002 with further declines in 2003. Even with a rebound beginning in 2004, spending on recorded music in 2006 will remain well below the levels achieved in 1997-1999. Internet access and multichannel subscriptions will be the principal drivers of consumer spending

growth. Subscription spending for both segments will ramp up over the forecast period reflecting a stronger economy and greater disposable income. We expect overall consumer/end-user spending in Latin America to increase from \$31 billion in 2001 to \$40 billion in 2006, growing at a 5.1 percent compound annual rate.

## CONSUMER/END-USER SPENDING (\$ Millions)

Latin America	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	1,111	1,186	1,348	1,507	1,734	1,715	1,786	1,910	2,047	2,214	
% Change	4.8	6.8	13.7	11.8	15.1	-1.1	4.1	6.9	7.2	8.2	5.0
<b>Cable and Satellite Subscription Spending</b>	4,206	4,931	5,515	6,255	6,475	6,630	7,005	7,635	8,665	9,945	
% Change	29.3	17.2	11.8	13.4	3.5	2.4	5.7	9.0	13.5	14.8	9.0
<b>Recorded Music</b>	1,800	1,868	1,811	1,801	1,455	1,216	1,190	1,286	1,401	1,536	
% Change	16.3	3.8	-3.1	-0.6	-19.2	-16.4	-2.1	8.1	8.9	9.6	1.1
<b>Internet Access Spending</b>	38	73	117	211	348	393	479	659	887	1,176	
% Change	—	92.1	60.3	80.3	64.9	12.9	21.9	37.6	34.6	32.6	27.6
<b>Magazines</b>	1,255	1,330	1,252	1,332	1,331	1,326	1,353	1,400	1,473	1,565	
% Change	12.6	6.0	-5.9	6.4	-0.1	-0.4	2.0	3.5	5.2	6.2	3.3
<b>Newspapers</b>	2,600	2,625	2,594	2,576	2,644	2,698	2,768	2,854	2,951	3,047	
% Change	5.8	1.0	-1.2	-0.7	2.6	2.0	2.6	3.1	3.4	3.3	2.9
<b>Consumer Books</b>	1,887	2,053	2,117	2,110	2,067	2,047	2,056	2,100	2,160	2,236	
% Change	1.7	8.8	3.1	-0.3	-2.0	-1.0	0.4	2.1	2.9	3.5	1.6
<b>Educational and Professional Books and Training</b>	9,571	10,029	10,340	10,906	10,329	10,208	10,510	10,955	11,577	12,325	
% Change	2.1	4.8	3.1	5.5	-5.3	-1.2	3.0	4.2	5.7	6.5	3.6
<b>Business Information</b>	1,720	1,770	1,900	2,090	2,140	2,115	2,175	2,290	2,450	2,630	
% Change	11.0	2.9	7.3	10.0	2.4	-1.2	2.8	5.3	7.0	7.3	4.2
<b>Theme Parks and Amusement Parks</b>	157	232	264	281	278	276	275	278	286	297	
% Change	29.8	47.8	13.8	6.4	-1.1	-0.7	-0.4	1.1	2.9	3.8	1.3
<b>Sports</b>	1,775	1,925	2,020	2,150	2,350	2,520	2,430	2,530	2,790	3,000	
% Change	4.4	8.5	4.9	6.4	9.3	7.2	-3.6	4.1	10.3	7.5	5.0
<b>Total</b>	26,120	28,022	29,278	31,219	31,151	31,144	32,027	33,897	36,687	39,971	
% Change	8.7	7.3	4.5	6.6	-0.2	0.0	2.8	5.8	8.2	9.0	5.1

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



## Canada

Canada is the smallest region, with \$24 billion in entertainment and media spending in 2001, but we expect it to be the fastest growing, at 5.7 percent compounded annually. The Canadian market in 2001 fared the best compared with the rest of the world, growing by 3.2 percent. Although affected by the global economic downturn, Canada's advertising market held up relatively well. Meanwhile, the establishment of new digital channels bolstered the television market, and a healthy home video and film production business boosted filmed entertainment. In contrast to other regions, we do not expect the Internet to be the fastest-

growing segment in Canada. Its Internet market is very advanced and even with broadband migration we anticipate single-digit growth of 8.6 percent compounded annually. Television networks will edge out the Internet as the fastest growing segment over the forecast period. If the experience in EMEA is a guide, the launch of new channels will result in large advertising gains. We also expect healthy growth in the television distribution market, with increases projected at 7.2 percent compounded annually. New subscription-based services will boost household spending on multichannel television.



## ENTERTAINMENT AND MEDIA MARKET (\$ Millions)

Canada	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	1,518	1,749	1,762	1,915	2,084	2,240	2,393	2,544	2,706	2,861	
% Change	4.8	15.2	0.7	8.7	8.8	7.5	6.8	6.3	6.4	5.7	6.5
<b>TV Networks:</b>											
<b>Broadcast and Cable</b>	2,009	2,197	2,420	2,651	2,836	3,070	3,330	3,680	4,000	4,300	
% Change	17.1	9.4	10.2	9.5	7.0	8.3	8.5	10.5	8.7	7.5	8.7
<b>TV Distribution:</b>											
<b>Station, Cable, and Satellite</b>	1,767	1,931	2,108	2,308	2,525	2,750	2,970	3,160	3,350	3,570	
% Change	4.6	9.3	9.2	9.5	9.4	8.9	8.0	6.4	6.0	6.6	7.2
<b>Recorded Music</b>	913	970	886	819	757	700	700	720	745	775	
% Change	11.8	6.2	-8.7	-7.6	-7.6	-7.5	0.0	2.9	3.5	4.0	0.5
<b>Internet Advertising and Access Spending</b>	515	690	928	1,143	1,219	1,305	1,410	1,537	1,685	1,845	
% Change	53.7	34.0	34.5	23.2	6.6	7.1	8.0	9.0	9.6	9.5	8.6
<b>Magazine Publishing</b>	880	932	953	990	1,020	1,045	1,077	1,120	1,170	1,220	
% Change	5.4	5.9	2.3	3.9	3.0	2.5	3.1	4.0	4.5	4.3	3.6
<b>Newspaper Publishing</b>	2,263	2,362	2,392	2,529	2,581	2,624	2,734	2,895	3,092	3,333	
% Change	2.5	4.4	1.3	5.7	2.1	1.7	4.2	5.9	6.8	7.8	5.2
<b>Consumer Book Publishing</b>	548	601	610	640	650	656	676	705	737	773	
% Change	-5.5	9.7	1.5	4.9	1.6	0.9	3.0	4.3	4.5	4.9	3.5
<b>Educational and Professional Books and Training</b>	4,027	4,434	4,571	5,157	5,013	5,070	5,236	5,460	5,737	6,071	
% Change	3.1	10.1	3.1	12.8	-2.8	1.1	3.3	4.3	5.1	5.8	3.9
<b>Business Information</b>	2,560	2,700	2,900	3,175	3,320	3,490	3,670	3,890	4,150	4,445	
% Change	5.8	5.5	7.4	9.5	4.6	5.1	5.2	6.0	6.7	7.1	6.0
<b>Radio and Out-of-Home Advertising</b>	714	754	827	856	876	869	887	926	974	1,029	
% Change	6.3	5.6	9.7	3.5	2.3	-0.8	2.1	4.4	5.2	5.6	3.3
<b>Theme Parks and Amusement Parks</b>	289	302	312	329	336	363	370	379	392	404	
% Change	3.6	4.5	3.3	5.4	2.1	8.0	1.9	2.4	3.4	3.1	3.8
<b>Sports</b>		400	430	455	489	469	470	502	539	579	
% Change	8.4	6.7	7.5	5.8	7.5	-4.1	0.2	6.8	7.4	7.4	3.4
<b>Total</b>	18,378	20,022	21,099	22,967	23,706	24,651	25,923	27,518	29,277	31,205	
% Change	6.5	8.9	5.4	8.9	3.2	4.0	5.2	6.2	6.4	6.6	5.7

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, Statistics Canada, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Advertising rose by 2.9 percent in 2001, with each segment growing by at least 2.3 percent, by far the best advertising market in any of the regions. Nevertheless, the 2001 increase was the mildest in the last five years because Canada was not immune to the economic slowdown. We expect advertising in 2002 to grow at approximately the same rate as in 2001, 2.6 percent, and then accelerate, with

increases at or above the 7.5 percent level in 2004-2006. Internet advertising rose by 28.8 percent in 2001 and we project continued double-digit growth in this segment. We also anticipate high single-digit increases in television advertising. For the advertising market as a whole, spending will climb at a 6.1 percent rate, rising to \$7.6 billion in 2006 from \$5.7 billion in 2001.

## ADVERTISING (\$ Millions)

Canada	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Broadcast and Cable Networks</b>	1,613	1,758	1,898	2,012	2,061	2,150	2,280	2,500	2,700	2,900	
% Change	21.3	9.0	8.0	6.0	2.4	4.3	6.0	9.6	8.0	7.4	7.1
<b>Internet</b>	*	*	38	73	94	105	120	137	155	175	
% Change	—	—	—	92.1	28.8	11.7	14.3	14.2	13.1	12.9	13.2
<b>Magazines</b>	434	475	485	510	530	545	565	595	630	665	
% Change	8.5	9.4	2.1	5.2	3.9	2.8	3.7	5.3	5.9	5.6	4.6
<b>Newspapers</b>	1,775	1,881	1,921	2,065	2,114	2,156	2,264	2,423	2,616	2,852	
% Change	3.0	6.0	2.1	7.5	2.4	2.0	5.0	7.0	8.0	9.0	6.2
<b>Radio</b>	574	614	646	659	674	666	680	713	751	795	
% Change	6.9	7.0	5.2	2.0	2.3	-1.2	2.1	4.9	5.3	5.9	3.4
<b>Out-of-Home</b>	140	140	181	197	202	203	207	213	223	234	
% Change	3.7	0.0	29.3	8.8	2.5	0.5	2.0	2.9	4.7	4.9	3.0
<b>Total</b>	4,536	4,868	5,169	5,516	5,675	5,825	6,116	6,581	7,075	7,621	
% Change	10.0	7.3	6.2	6.7	2.9	2.6	5.0	7.6	7.5	7.7	6.1

p=Preliminary

\*Negligible

Source: Zenith Media, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Cable network license fees will be the fastest-growing consumer/end-user segment over the next five years, reflecting the introduction of new cable channels. We also expect high single-digit increases in Internet access spending and television distribution. Broadband upgrades will spur the Internet segment, and growth in digital television households stemming from the increased number of channels will make multichannel television more attractive, boosting the TV distribution segment. As in other regions, we expect the

recorded music market to remain weak, decreasing by 7.5 percent in 2002 and averaging only a 0.5 percent compound annual increase over the entire 2002-2006 period. Overall consumer/end-user spending will increase from \$18 billion in 2001 to \$24 billion in 2006, growing at a 5.5 percent compound annual rate.

## CONSUMER/END-USER SPENDING (\$ Millions)

Canada	1997	1998	1999	2000	2001p	2002	2003	2004	2005	2006	2002-06 CAGR
<b>Filmed Entertainment</b>	1,518	1,749	1,762	1,915	2,084	2,240	2,393	2,544	2,706	2,861	
% Change	4.8	15.2	0.7	8.7	8.8	7.5	6.8	6.3	6.4	5.7	6.5
<b>Cable Network License Fees</b>	396	439	522	639	775	920	1,050	1,180	1,300	1,400	
% Change	2.6	10.9	18.9	22.4	21.3	18.7	14.1	12.4	10.2	7.7	12.6
<b>Cable and Satellite Subscription Spending</b>	1,767	1,931	2,108	2,308	2,525	2,750	2,970	3,160	3,350	3,570	
% Change	4.6	9.3	9.2	9.5	9.4	8.9	8.0	6.4	6.0	6.6	7.2
<b>Recorded Music</b>	913	970	886	819	757	700	700	720	745	775	
% Change	11.8	6.2	-8.7	-7.6	-7.6	-7.5	0.0	2.9	3.5	4.0	0.5
<b>Internet Access Spending</b>	515	690	890	1,070	1,125	1,200	1,290	1,400	1,530	1,670	
% Change	53.7	34.0	29.0	20.2	5.1	6.7	7.5	8.5	9.3	9.2	8.2
<b>Magazines</b>	446	457	468	480	490	500	512	525	540	555	
% Change	2.5	2.5	2.4	2.6	2.1	2.0	2.4	2.5	2.9	2.8	2.5
<b>Newspapers</b>	488	481	471	464	467	468	470	472	476	481	
% Change	0.8	-1.4	-2.1	-1.5	0.6	0.2	0.4	0.4	0.8	1.1	0.6
<b>Consumer Books</b>	548	601	610	640	650	656	676	705	737	773	
% Change	-5.5	9.7	1.5	4.9	1.6	0.9	3.0	4.3	4.5	4.9	3.5
<b>Educational and Professional Books and Training</b>	4,027	4,434	4,571	5,157	5,013	5,070	5,236	5,460	5,737	6,071	
% Change	3.1	10.1	3.1	12.8	-2.8	1.1	3.3	4.3	5.1	5.8	3.9
<b>Business Information</b>	2,560	2,700	2,900	3,175	3,320	3,490	3,670	3,890	4,150	4,445	
% Change	5.8	5.5	7.4	9.5	4.6	5.1	5.2	6.0	6.7	7.1	6.0
<b>Theme Parks and Amusement Parks</b>	289	302	312	329	336	363	370	379	392	404	
% Change	3.6	4.5	3.3	5.4	2.1	8.0	1.9	2.4	3.4	3.1	3.8
<b>Sports</b>	375	400	430	455	489	469	470	502	539	579	
% Change	8.4	6.7	7.5	5.8	7.5	-4.1	0.2	6.8	7.4	7.4	3.4
<b>Total</b>	13,842	15,154	15,930	17,451	18,031	18,826	19,807	20,937	22,202	23,584	
% Change	5.5	9.5	5.1	9.5	3.3	4.4	5.2	5.7	6.0	6.2	5.5

p=Preliminary

Source: Zenith Media, *Screen Digest*, Paul Kagan Associates, Statistics Canada, International Federation of the Phonographic Industry, Euromonitor, ASTD International Comparisons Report, Economic Research Associates, International Association of Amusement Parks and Attractions, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

## Executive Summary

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