

Communications, Entertainment & Media  
Strategy, regulation and valuation

# On Media

## Navigating Choppy Waters

Online advertising through the downturn – weathering the storm





## Online advertising through the downturn – weathering the storm

### Summary

The current economic downturn has begun to impact advertising markets. All markets are likely to be affected by a downturn. This article examines the prospects for advertising in three very different markets, the UK, Germany and Poland.

We expect online to perform better than other media (given ongoing structural trends), and observe key differences in performance between countries and across different parts of online.

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# Online advertising through the downturn – weathering the storm

## Introduction

Over the last decade, online advertising has emerged from a niche advertising medium to a well established part of the overall advertising market. With increasing market share, online will have a greater impact on the overall market, and conversely will also be more representative of the overall market, thereby increasingly impacted by changes in the wider advertising market.

Advertising spend in general is driven by the state of the economy. The current economic slowdown has begun to impact the advertising market as companies either cut expenditure or seek to ensure greater return on their spend.

In this paper, we explore the impact of the current economic downturn on online advertising specifically. We compare and contrast three European countries which differ in the maturity of their online markets: UK (on many measures the leading European market), Germany (as a representative of developed continental European online markets) and Poland (as an emerging European online market).

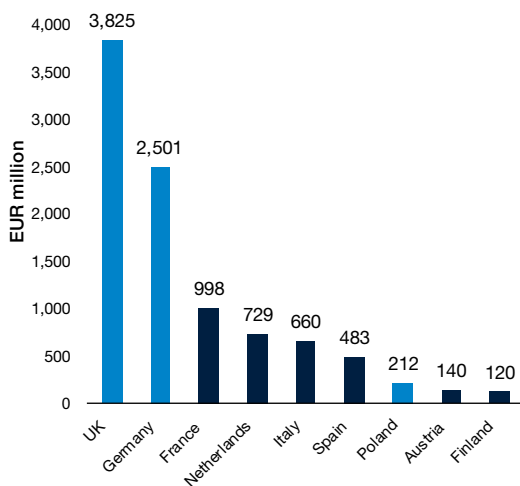
## The rise of online advertising

The past 10 years have seen the rise of online advertising from an experimental niche to an accepted mainstream advertising channel. In Europe, the total value of the online market reached €11bn in 2007 (40% growth year on year)<sup>1</sup>.

The development of the online advertising market has been driven by a number of factors such as increasing broadband penetration (48% of households in Western Europe in 2007, 16% of households across Central and Eastern Europe in 2007<sup>2</sup>), growing popularity of e-commerce and adoption of online by marketing agencies, in turn securing increasing spend from their clients.

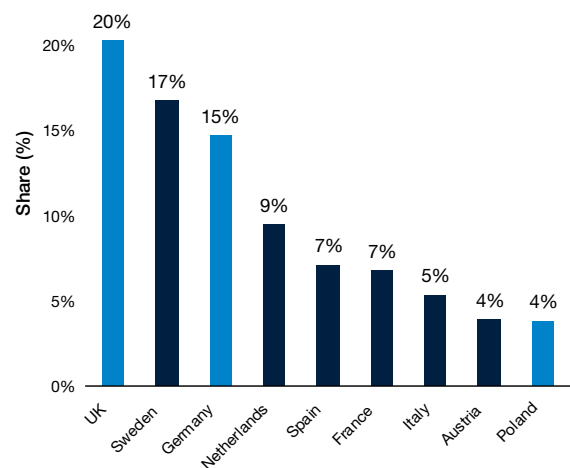
As the graphs below illustrate, the size of the online advertising market and its share of the overall advertising market differ significantly between countries.

## Online advertising spend by country, 2007



Source: IAB Europe/PwC

## Online advertising as proportion of total advertising spend by country, 2007



Source: GroupM

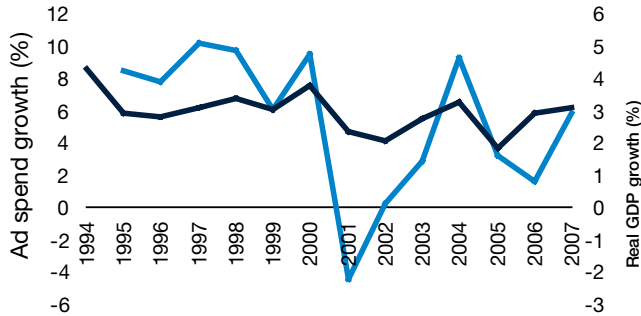
<sup>1</sup> IAB Europe/PwC

<sup>2</sup> Global Entertainment and Media Outlook: 2008-2012, PwC

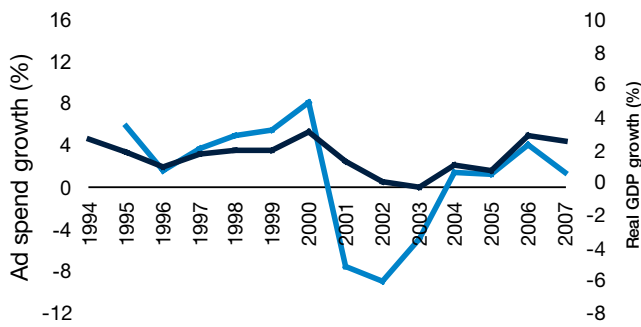
## The Relationship between GDP and advertising growth

The state of the economy is the key driver of advertising spend. Consequently, GDP and overall advertising growth are closely correlated as illustrated by the graphs below.

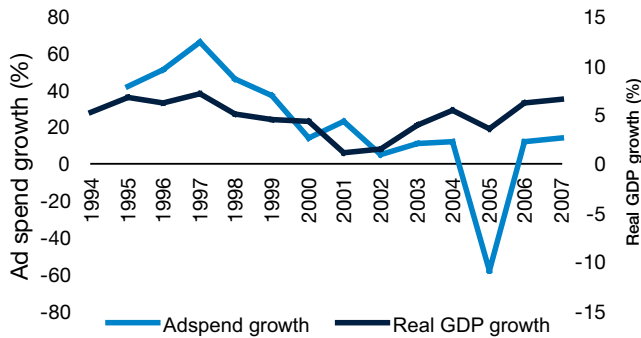
### UK GDP vs. adspend growth on prior year, 1994- 2007



### Germany GDP vs. adspend growth on prior year, 1994-2007



### Poland GDP vs. adspend growth on prior year, 1994-2007



Source: ZenithOptimedia, IMF

Three key trends characterize the countries analysed. Firstly, growth in advertising spend is strongly correlated to GDP growth. Secondly, the general trend is for advertising spend growth to outstrip GDP growth in positive years and conversely any slow-down or recession impact to be more severe on advertising than GDP growth (“pro-cyclical effects”). As the economy shrinks and consumption decreases, the perceived need by companies to invest in brand advertising, or to keep pace with spend by

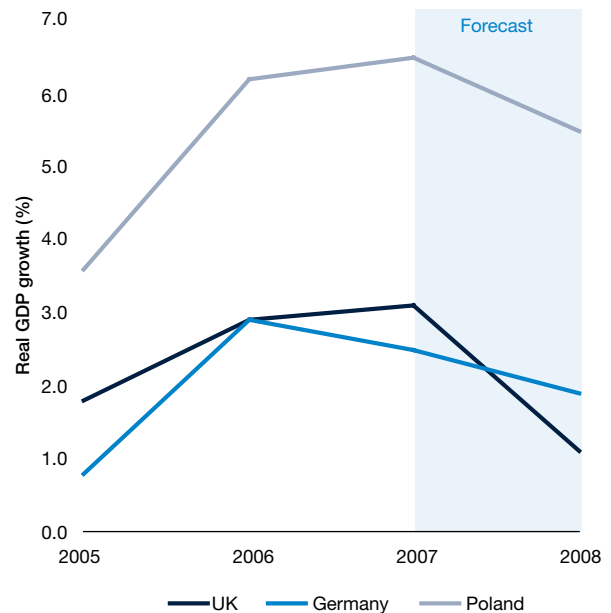
competitors is less acute. In addition, advertisers increasingly focus on ad spend efficiency which translates into advertising price pressure. Lastly, movements in advertising spend tend to pre-empt those in GDP – advertisers cut back on advertising spend in anticipation of a slow-down in the economy.

However, it is also clear there have been some sector specific and structural impacts affecting advertising growth, particularly since 2001. The end of the dotcom boom affected advertising in the UK and Germany, and within the advertising mix, the greater share taken by online has disproportionately impacted press, display and classifieds advertising and direct mail, and had lesser effects on other media.

### 2008 GDP forecasts have been revised downwards in all three countries

During the latter half of 2007 and the first six months of 2008, forecasts for economic growth around the world have been markedly revised downwards. As the graph below illustrates, 2008 real GDP growth in UK and Germany is now forecast to be less than 2%. In Poland, an emerging market, higher GDP growth of 5-6% is expected<sup>3</sup>. Note that in Germany and Poland forecast 2008 GDP growth is above 2005 levels, indicating that the economic downturn impact is expected to be less severe than for the UK. This overall downwards revision in the economic forecasts has begun to impact advertising spend. The leading advertisers are cutting back ahead of expected declines in revenue growth as their focus is now to protect profit margins.

### Real GDP growth per country, 2005-2008



Source: PwC

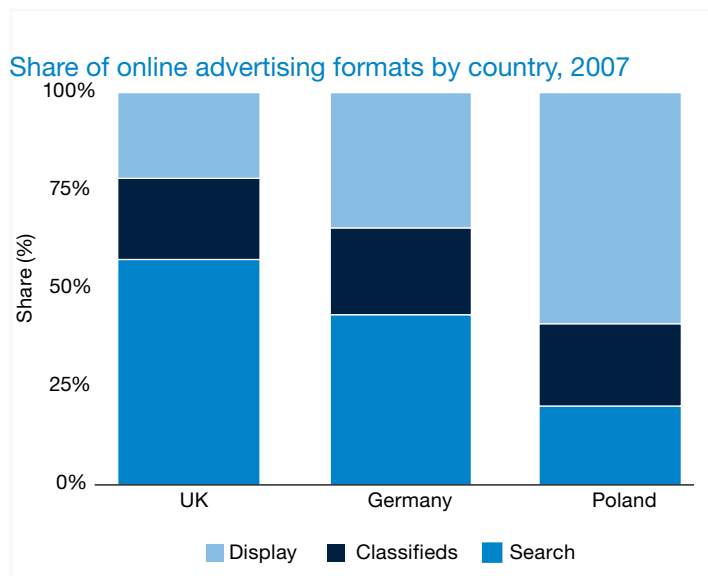
## The effect of the downturn on online advertising

As online advertising increases its share of the overall advertising spend, it also increases its impact on the overall market, and conversely its vulnerability to fluctuations as it becomes more representative of the overall market.

In the UK, the share of online advertising in total advertising spend reached 16% during the second half of 2007 (20% excluding direct mail from the total advertising market). Online has become the third largest advertising channel behind Print Display and TV and it is expected to overtake TV next year to become the single largest advertising channel<sup>4</sup>. It appears likely that online advertising will experience some impact by the current downturn not only in the UK but also in Germany and to a lesser extent – given the continued strong growth – in Poland.

### Segmenting the online market

To analyse the downturn impact, we segment the market into three categories – display, classifieds and paid search. Display includes formats such as sponsorships, tenancies, banners and buttons, display advertising in emails and rich media formats such as video advertising. Classifieds is contextual advertising grouped around specific verticals (the main ones are automotive, property, recruitment and dating). Search in this context is paid search (Pay per Click). The markets assessed show significant differences in relative shares of search, display and classifieds, which are further discussed below.



Source: IAB Europe/PwC

### Display segment

Display format tends to focus on brand-building rather than direct (buying) response

Display format has a focus on the visual impact to build an overall brand message, rather than seeking to elicit a direct (buying) response as with both classifieds and search. Although some advertisers may use display format for direct response, it is used more often as a brand-building tool and typically sold on a cost per thousand (CPM) basis not directly linked to sales. We estimated that 70-80% of the online display market in the UK is brand-focused.

Trend towards performance-based advertising is expected to accelerate in the downturn, putting pressure on display

In the analysed markets, we see a clear trend towards performance-based advertising with advertisers choosing formats that are measurable and focused on return on investment. This trend benefits direct response formats such as search, and tends to disadvantage brand-building oriented formats such as display. This shift is expected to be more pronounced in a downturn when advertisers tend to cut back spend that is not directly measurable or justifiable. While in the UK share of display in total online advertising spend decreased from 28% in 2004 to 21% 2007<sup>5</sup>, this may shift even further if the downturn is prolonged.

“There’s definitely not as much ad spend in the display market as was forecast a year ago. I think there’ll be more money put into SEO and everyone will want a wonderfully working affiliate programme.”

Alex Randall, Group Trading Director at Isobar, for New Media Age, 03.07.2008

However, whilst share of display is declining, absolute spend continues to grow at double digit rates, with recent innovations such as behavioural targeting and video advertising driving growth, offsetting the maturity/declines seen in longer established display formats (e.g. static banners).

4 IAB Europe/PwC

5 2007 UK online adspend study, IAB/PwC

### Increased competitive pressure is likely to have negative impact on the display revenue

The display segment is also characterised by strong competition. There are a multitude of content websites competing for display advertising budgets, and the barriers to entry are comparatively low. Large portals face increasing competition from social networking websites and specialist content providers leading to increasing market fragmentation (some refer to it as 'de-portalisation'). This has created in certain cases an over-supply of display ad inventory, leading to pressure on cost per thousand (CPM) prices.

In Germany, a relatively well developed market, several new, large players have begun to have an impact on the display market:

["A share of the market growth is captured by new players such as MySpace, StudiVZ and eBay-Advertising."](#)

Christoph Schuh, CEO Tomorrow Focus, for Werbung&Verkaufen, 17.7.2008

This trend is apparent also in Poland, where leading portals feel the pressure of the social networking websites increasingly competing for ad revenue with leading players. Wirtualna Polska (wp.pl), the most established and oldest of all Polish portals, lost 6.5 percentage points (more than 200,000 unique users) in reach in 2007 compared with previous year:

["Portals are not the only gateway to the Internet and the decrease in reach of wp.pl is linked to the development of Internet and consumer interest in new trends. The most important trend seen last year was the growing popularity of the social networking websites such as Nasza-klasa.pl \[social networking site\] or Fotki.pl \[photo sharing site\]."](#)

Jacek Murawski, Prezes Wirtualna Polska (wp.pl), for Rzeczpospolita, 02.04.2008

### Advertiser budgets reflect slowing growth of display spending

To see if there have been any early signs of a slowdown, we took a closer look at marketing budgets of major advertisers. A survey by Nielsen Media Research (NMR) commissioned by Revolution magazine showed that four of the UK's 10 leading online display advertisers cut their spend in the period January to April 2008.

	£	% change
COI Communications	2,853,362	-21.11
Microsoft	2,757,540	-73.95
BT	2,563,870	-3.33
Orange	2,019,453	-40.91

Source: NMR, for Revolution, 14.07.2008

### Short-term outlook for the UK, Germany and Poland

Due to the combined pressures of new entrants and the trend towards performance-based advertising, 2008 appears a difficult year for display advertising players. In the UK, the overall online advertising growth is expected to slow down to about 20% during 2008 according to the Advertising Association<sup>6</sup>. While

this is still a very strong growth rate, far stronger than other forms of offline advertising, this represents a slowdown of 18 percentage points compared with last year's growth of 38%. With display expected to underperform the overall market in 2008, this segment can be expected to grow at less than 20% in 2008, possibly 10-15%.

In Germany, leading players have revised downwards their display market growth expectations for 2008 from initially 20-30% to 10-15%:

["Going forward, the 'classic' online advertising market will barely see annual double digit net growth"](#)

York von Heimburg, CEO IDG Communications Media, PC-welt.de, for Werbung&Verkaufen, 17.07.2008

["For the display segment we expect 2008 net growth at a maximum rate of 10-15%. \[...\] Following a very strong Q4 2007, display ad sellers had expected 20-30% net growth also in 2008. This forecast had to be revised downwards by most ad sellers."](#)

Christoph Schuh, CEO Tomorrow Focus, for Werbung&Verkaufen, 17.07.2008

In Poland, the overall online advertising market is expected to grow at around 35% through 2008, based on the assumption of continued positive economic environment. Display is expected to continue growing strongly albeit from a lower base, reflecting the less developed state of the market.

### Outlook beyond 2008

Emerging new distribution platforms such as IPTV and mobile TV allow for transactional interactions to occur after the ad has been shown. This represents a convergence between TV and online with significantly increased measurability from which display should strongly benefit. Combined with further innovations e.g. in behavioural targeting, this may revive online display revenue growth and enable the segment to defend its market share versus search.

### Classifieds segment

#### Classifieds are focused on direct-response

Classifieds focus on generating a direct response (contact, phone call, purchase, etc.). The sector focus of online classifieds have tended to mirror trends seen in print ("offline"), with automotive, recruitment, property and dating all significant categories online. The online advertiser is able to assess some campaign impact in real time via traffic reports and to adapt the advertising accordingly. However, sales are not typically generated solely online (e.g. used cars are seldom bought without testing) and the link between online advertising and a specific transaction may not always be clear. This positions classifieds generally between display and search in terms of measurability. The difference is also reflected in payment methods: classifieds advertisers typically pay per listing which is more measurable than the common payment method for display (cost per page impression) but less measurable than the typical search payment method (pay-per-click).

6 Revolution, 14.07.2008

### Barriers to entry can be high due to scale effects

The classifieds segment is typically characterised by high barriers to entry due to notable advantages of scale. The value of classifieds to advertisers increases with the number of users and the value to users increases with the number of advertised objects. This leads to a virtuous circle and increasingly high barriers to entry.

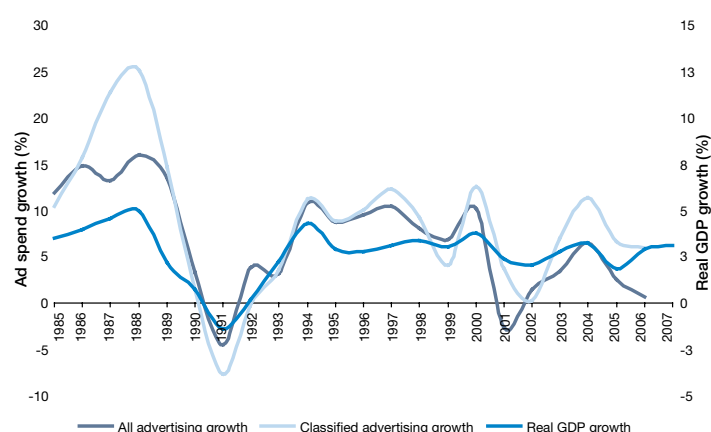
Key market players differ significantly between countries. In the UK, "offline" classifieds brands such as Autotrader have successfully used their brands strength and reach to drive market position. In Germany in contrast, leading players are typically online pure-plays such as Scout24, though nevertheless of significant scale.

While such entry barriers are very high in the established classifieds markets UK and Germany, Poland has a less mature market and new entrants may be more likely.

### Press classifieds revenues appear to have been highly sensitive to previous market downturns

Historically, UK press classifieds revenue has fluctuated roughly in line with total advertising spend and driven by GDP development. However, it has tended to be more sensitive both to market upswings and downturns than the overall advertising market. The exception was the 2000/01 downturn with, as possible explanation, the emergence of online classifieds driving continued market growth.

### UK GDP vs. press classified vs. total advertising growth on prior year, 1985-2007



Source: Advertising Association, IMF

In the UK, online classifieds account for 17% of the total classifieds market. As this represents significant share of the market and given historically strong correlation of classifieds to GDP, we expect some impact of the slowing economic activity on the online classifieds growth rate. However, the shift from offline to online is continuing strongly and we expect the positive effects to outweigh the downturn pressures, resulting in continued growth.

### Current trading of leading players suggests continued relatively strong 2008 market growth, albeit down on prior years

Current trading of leading international players in the online classifieds space shows typical year-on-year growth rates of 20%-30% in the UK and Germany and higher in Poland.

- Online recruitment specialist Monster year on year growth in segment "Careers-International" slowed down significantly from 44% in 1Q to 34.1% in 2Q. In the Analyst's call Monster indicated that further revenue deceleration is expected due to softening of labour markets. This has been seen in the UK already in 1Q 2008, and more recently in the rest of Europe (not as much in Eastern Europe though).
- Match.com (part of IAC/InterActiveCorp) noted a 4% year on year increase in international subscribers and 15% year on year increase in revenue per international subscriber in 2Q 2008 (19% growth overall for International)
- European dating site Meetic recorded an increase in H1 2008 year on year revenue of 16.3% organic growth, 20.7% in total (incl. inorganic) and 22.97% internet total (incl. inorganic but excluding mobile and other).
- UK property portal Rightmove noted a 49% year on year revenue increase in the first half of 2008, compared to the same period in 2007. Compared to the second half of 2007, the half-year increase was 21%.

### Short-term outlook for the UK appears mixed, Germany and Poland relatively strong

Whilst online classifieds growth rates appear strong on a European and global level, there will be differences both between countries and verticals (automotive, dating, recruitment, property). In the UK, the continued shift from offline to online is likely to drive strong market growth in the automotive and dating verticals. Car dealers can be expected to shift spend towards online advertising with its benefits of increased measurability and flexibility versus print classifieds. Dating is a consumer-to-consumer offering and whilst some people may cut spend in a time of economic uncertainty, monthly subscription cost is relatively low.

Online property and recruitment classifieds revenues are more difficult to predict. The UK property market downturn has led to a decline in the number of properties sold and is also starting to impact the number of real estate agents<sup>7</sup> and thus potential advertisers. This is offset by the continued shift towards online which is likely to be accelerated by increased pressure on real estate agents to better match properties to purchasers.

Overall, recruitment is likely to see less spend from corporates where decision makers will find it harder to justify maintaining spend given fewer open positions. This negative trend is offset, at least partially, by increase in the share of all job advertisements captured by online (versus traditional high-street or recruitment consultant business). The 2008 full-year outlook for the UK online classifieds market appears therefore mixed. We would expect automotive and dating to grow in line with global growth of around 20%; recruiting and real estate may have potentially lower growth rates but possibly with greater differences between players.

<sup>7</sup> According to Business Monitor Debtwire, the number of estate agent closures is now about 150 per week (BBC News, 06.05.2008), and a property specialist, Movewithus, predicts that one-third of the UK's estate agents could close in 2008 (Finance Markets, 14.04.2008)

In Germany, strong continued growth of around 20-30% is also expected in the online classifieds segment for 2008. Property and recruitment may come under pressure over time if the downturn were to become more pronounced. So far, however, neither segment appears significantly affected by the downturn. Xing, a social networking site, for instance saw its eCommerce revenues, of which the main source are recruitment ads, grow from €0.37m in launch quarter Q4 2007 to €0.96m in Q1 2008 and to €1.02m in Q2 2008. Absolute revenues and Q2 growth rate of approximately 6.3% appear low especially given recent launch. However, the compound annual growth rate will be over 20% if quarterly growth at Q2 level were to continue.

In Poland, the 2008 online classifieds outlook is positive, with strong growth expected across all classifieds verticals. The classifieds segment is expected to equal overall online advertising market growth of about 35% in 2008, driven by growth of the economy and continued shift towards online advertising.

## Search segment

**Search format is focused on direct (buying) response, and measurement techniques are increasingly sophisticated**

Search has been a strong driver of overall market growth and the share of search is highest in the leading market (UK) and lowest in emerging market Poland. Paid search offers marketers the ability to measure the response and to monitor the ROI of the marketing campaign. Pay-per-click and other response-focused payment models (e.g. cost per action CPA, cost per sale), allow the advertiser to directly link advertising spend and success. In addition, search platforms typically provide real-time analytical data enabling advertisers to continually optimize their advertising, to "flex their budgets". These attributes make search a very attractive tool for marketers.

**Trend towards performance-based advertising is accelerating in a downturn**

In a time of economic uncertainty, advertisers often take a more cautious approach. Consequently, there is an increasing focus on measurable ROI of online campaigns, shifting some budgets from brand-building related towards direct response spend. This trend is benefiting search which is expected to outperform the overall online market growth in all three countries, increasing its share in the online advertising market.

*"Optimisation, usability and customer insights will be what clients concentrate on, making what they have work much, much harder."*

David Hart, co-founder of digital agency Codegent, for New Media Age, 03.07.2008

**Search segment is highly concentrated and barriers to entry are high**

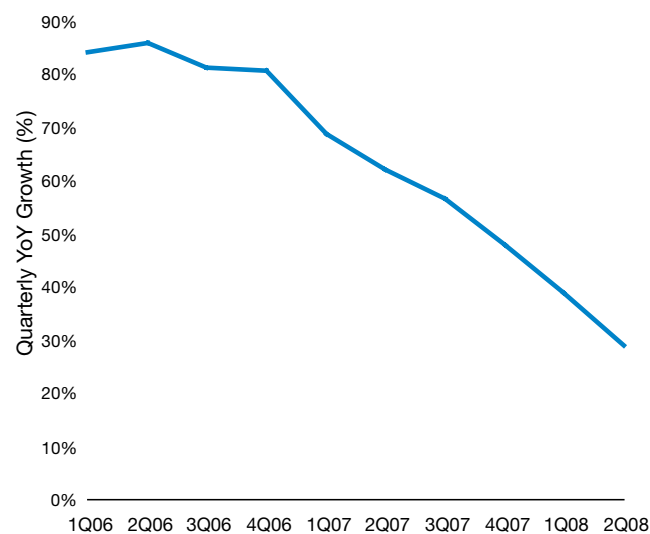
In all three analysed countries, the search segment is clearly led by Google. In 2007, Google had a 91% share of searches in Poland, 85% in Germany, and 82% in the UK<sup>8</sup>. Search is a market with very high barriers due to technology and advertiser-relationship-driven scale advantages. New entrants such as Cuil find it difficult to compete; Google continues to expand its global share of search and revenue leadership.

Most scope for new players is not as an alternative search engine, but as an agency or online value-add specialist (e.g. in search engine optimisation or measurement technologies).

**Current Google trading suggests continued strong search market growth**

Given very high market share in the three analysed countries, Google revenue provides a good insight into the overall market growth. Google growth rates in the UK have been declining steadily but are still very high. The overall 2008 revenue outlook has remained positive despite downturn.

## Google UK Quarterly YoY Revenue Growth



Source: Company information, PwC analysis

**Short-term outlook for the UK, Germany and Poland is expected to remain strong**

2008 search market growth in UK and Germany is expected to outperform the respective overall online advertising markets. We estimate growth rates of slightly under and above 30% for the UK and Germany respectively in 2008 (in Germany slightly higher than in the UK where share of search is already high). In Poland, search is also expected to outperform average market growth of 35%. We expect 2008 growth to be above 40%.

## Who will be the winners?

The future success of players in the different segments will largely depend on how they respond to the changing market to capitalise on the very high, albeit slowing, rates of growth.

### Online Display players

- Slower growth rates combined with continued competitive pressure will render revenue growth more difficult for display media owners.
- Achieving a leading market position is likely to become even more important as budgets can be expected to be cut first for the lesser known/less reputed offerings.
- Behavioural advertising and video ads are currently key drivers of display growth, benefitting from some complementarity of TV and online media consumption. Players building related capabilities and offerings may be able to outperform average display market growth.
- Cost reductions e.g. in ad sales, content production, and technology will become increasingly important as prices and margins come under pressure.
- Display players should invest more in performance-based metrics in order to demonstrate effectiveness, for example in relation to sales or brand effects; pay-per-click and other performance-based payment models rather than cost-per-thousand (CPM) are likely to increase in importance.
- A subset of the display advertising community are specialist digital creative agencies, who may derive additional benefit from growth in viral advertising and microsite development as these represent typically low cost campaigns that can provide alternatives to other more expensive display advertising.

### Online Classifieds players

- Classifieds players are generally well positioned for growth but with possibly a higher threat of new entrants and competitive pressure in less developed markets such as Poland where the scale-related barriers to entry are lower.
- In the downturn, the scale advantages in automotive, recruiting and real estate classifieds may be enhanced by budgets shifting to the online platforms with the largest audiences, even if they represent higher monthly costs.
- In the UK and Germany, property and recruitment especially, will benefit from increased focus on cost efficiency to ensure margins can be protected.
- Measurability tools will be a key area for further investment, especially as search engines increasingly target the classifieds segment.

### Online Search agencies

For search agencies, the outlook remains very positive. Search agency revenue growth has historically outperformed search market growth. In 2007, UK search agency billings increased approximately 50-60% on average<sup>9</sup> versus search market growth of 39%<sup>10</sup>. We expect that search agency revenue will continue to outperform search market growth, as there is still large number of advertisers who carry out their search engine marketing function in-house. With increasing search market sophistication, advertisers can be expected to increase their outsourcing. Also, as search cost increases driven by demand, advertisers are likely to increase their spend on search engine optimization which again will benefit agencies in this field.

This trend may be even more pronounced in Germany and Poland where outsourcing to agencies appears less established, and a greater percentage of search engine marketing is conducted in-house.

## Conclusion

The current economic downturn has begun to impact advertising spend. Online is weathering the downturn by benefiting from a structural shift away from other forms of advertising. In 2008, double digit growth is expected across all of the three markets analysed.

Display appears the online segment most vulnerable to downturn effects due to its focus on brand advertising and limited measurability (to date). Growth in this sub-segment, though still high, is expected to be below online market averages in all three countries analysed in 2008.

Classifieds revenues are expected to grow at the online market average but with a mixed outlook in the UK where the real estate and recruitment markets are subject to greater uncertainty.

The search segment benefits from its ability to demonstrate clear return on investment, which will be an increasingly important feature in a downturn, and therefore we expect to see growth above the online market average.

All three online segments will continue to offer significant potential for a number of players but cost efficiency and differentiation, especially on the axis of measurability, will become increasingly important in this maturing market.

9 2007 Digital Agency Surveys, New Media Age

10 2007 UK online adspend study, IAB/PwC

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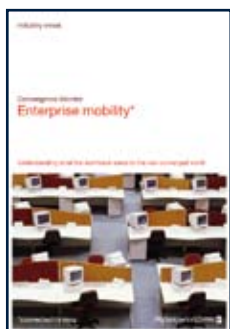
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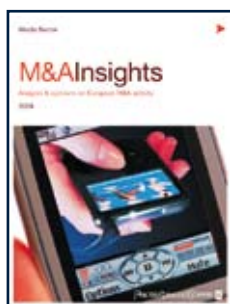
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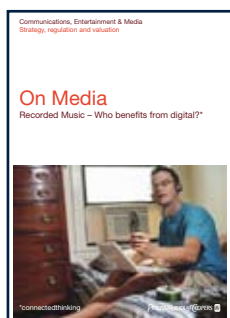


**The convergence monitor: Enterprise Mobility (2008)** This is the second in a series of global surveys aimed at understanding preferences and use around converged services. Enterprise mobility focuses on workforce use of mobile technologies and perceived demand for converged enterprise solutions in the near future. Approximately 75% work out of the office some or all of the time and 92% have a mobile phone. They want to be connected 'anytime, anywhere, anyhow'.



**Media Insights 2008 (6th edition)**

**Media Insights Series** PwC analyses the trends driving M&A activity in the European media sector. We also take time to review predictions from preceding editions, and set out our thoughts for the upcoming year and beyond. According to the latest Media Insights report released by PricewaterhouseCoopers, the UK market produced record results for the year as a whole, and mainland Europe held steady. The total number of European media deals last year increased by 3% to 178 compared with 173 transactions in 2006. This performance approaches the levels seen at the market's peak in 2000, when 186 deals were recorded.



**On Media: Recorded Music – Who benefits from digital? (2008)** Despite the increase in demand for music and accessibility (through digital distribution), revenues in the music industry have not kept up with this growth. We assess this changing landscape, particularly focusing on the economics of music, in order to assess who might benefit in the digitally driven industry.



[How to capitalise on lifestyle advertising in a customer centric world \(2007\)](#) The most fundamental shift in the history of media usage is upon us. Consumers are empowered by new technology and distribution platforms to engage with media and advertising in new ways. They are interacting with content, not just taking it in. Advertisers can now gain far greater insight into consumer preferences, interests, and the consumer point of view than ever before. PricewaterhouseCoopers believes that we are experiencing a technology-driven social renaissance that is creating unprecedented opportunities for the advertising industry to execute its core principles in powerful new ways. This is an opportunity that we term Lifestyle Advertising.



[The convergence monitor: The Digital Home \(2007\)](#) More and more communications and media companies are pushing forward with their triple – and quadruple – play strategies. For consumers, the possibilities are endless – an unprecedented explosion of choices and new services where they can call the shots and have the power to influence others, the organisation, and the marketplace. For organisations providing content and distribution services, it is an increasingly complex marketplace. For this survey about the digital home, our first of a series of global Convergence monitor surveys, PricewaterhouseCoopers surveyed 8,000 of our employees in 17 countries. The report discusses some key findings, including what consumers are willing to pay for, how they access content, the importance of security and customer service.



[On Media: Stay...just a little bit longer \(2007\)](#) This second edition provides input to the debate on copyright extension for sound recordings and describes some of our work on this topic.

We report our findings that, in short, copyright extension means more money for record companies and performers, and possibly more value for shareholders and/or more re-investment into the industry. Originally carried out as a study for the BPI's submission to the Gowers Review of Intellectual Property, the debate has moved to the European Commission as it considers the duration of copyright protection for sound recordings as part of a wider review.



[Show me the money: Strategies for success in IPTV \(2007\)](#) As everyone races to be the consummate provider of entertainment and communications to the customer in the home, IPTV is regarded by some as the silver bullet to achieving this goal. However, those choosing to launch IPTV services are entering an already crowded and competitive market characterised by established players and ongoing innovations. For operators competing in the market – from telcos, to broadcasters, advertisers, and content providers – there are a number of considerations that need to be taken into account in order to navigate a profitable route. This report examines the different drivers and strategies that companies can employ to achieve this type of success.

# About PricewaterhouseCoopers

PricewaterhouseCoopers (PwC) is a leading professional services organisation for the Communications, Entertainment & Media industry, providing industry-focussed advisory, assurance and tax services to help clients manage risk, maximise shareholder value, and support M&A activities. Our practice offers a deep and diverse industry-dedicated team of professionals that provide solutions to critical issues facing companies across this convergent industry.

PwC provides services to content and communications companies across the world, including content producers, rights holders, distributors (fixed and mobile telecommunications, internet, satellite, cable, broadcast and publishers), investors (advertisers, advertising agencies and financial institutions), regulators and governments. We work with clients to provide advice and assistance based on our strategic, economic, financial, analytical and business process skills in the development and implementation of their strategy focusing on:

- Creating/acquiring/financing business
- Integration into the business
- Enhancing performance
- Improving management and control (e.g. through rights management)
- Valuing their assets (e.g. intellectual properties)
- Dealing with crises (e.g. litigation, financial distress)
- Restructuring and realising value

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