Swiss Entertainment & Media Outlook 2022–2026

Executive summary

pwc

www.pwc.ch/outlook

Introduction

Switzerland's entertainment and media (E&M) revenue grew strongly in 2021 as the country, like the rest of the world, recovered from the effects of the COVID-19 pandemic. Industries that were more severely impacted in 2020 such as live music and cinema made strong comebacks, though they are still below their pre-pandemic levels. Meanwhile, segments such as video games and over-the-top (OTT) video have risen to new heights after thriving under lockdown conditions. They are now outperforming pre-pandemic forecasts.

This report goes into more detail about the outlook for the E&M market in Switzerland until 2026. We summarise the most important findings in each segment then take a deeper dive into consumer spending, the opportunity for blending gaming with online video and advertising.

Entertainment and media by segment

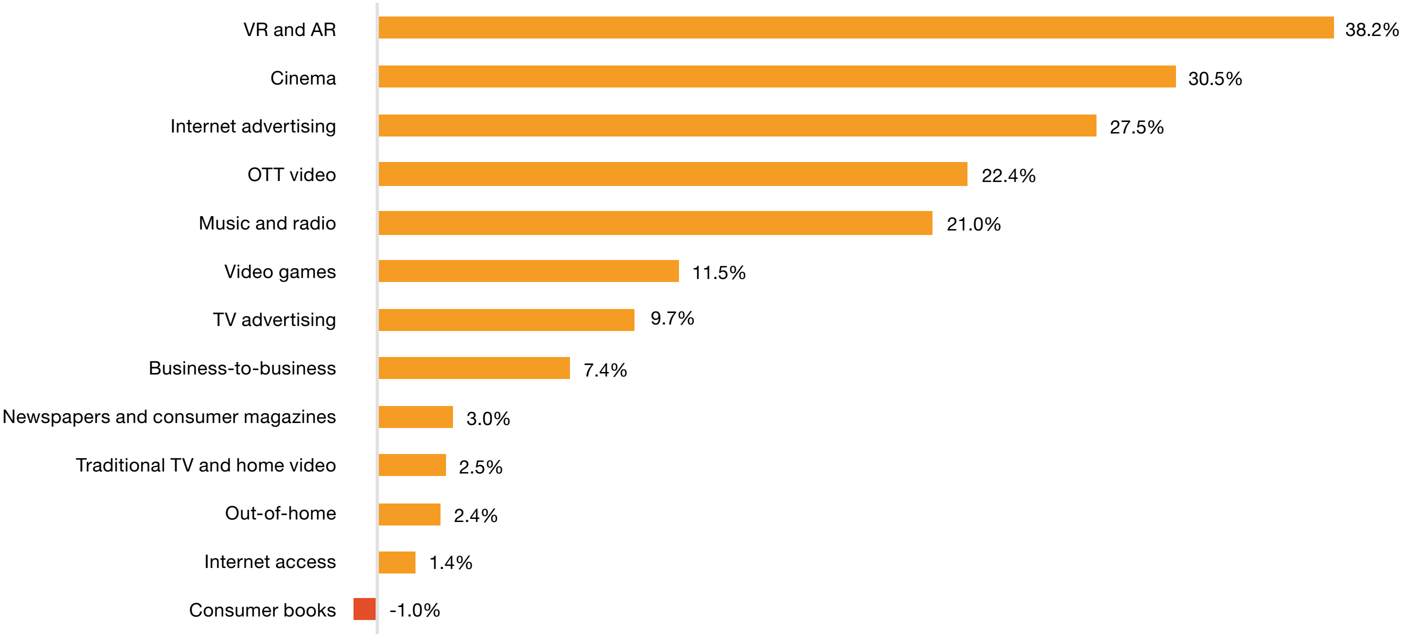
Fig. 1: Switzerland's total E&M market is forecast to reach CHF19.5bn by 2026
Entertainment and media spending by segment, 2017-2026 (CHFmn)

Total E&M (CHF millions)											
Switzerland	**Historical data**					**Forecast data**					**CAGR %**
Category	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2021-26**
Consumer books	627	622	618	621	615	607	605	602	597	589	
Year-on-year (%)		-0.7%	-0.6%	0.4%	-1.0%	-1.2%	-0.5%	-0.5%	-0.8%	-1.2%	-0.8%
Business-to-business	936	972	1,005	839	900	1,018	1,077	1,123	1,155	1,175	
Year-on-year (%)		3.8%	3.4%	-16.6%	7.4%	13.0%	5.8%	4.3%	2.8%	1.8%	5.5%
Cinema	237	211	227	76	99	179	215	229	235	240	
Year-on-year (%)		-11.0%	7.7%	-66.4%	30.5%	80.7%	19.7%	6.7%	2.5%	2.4%	19.3%
Internet access	4,792	5,140	5,321	5,403	5,476	5,628	5,803	5,956	6,099	6,247	
Year-on-year (%)		7.3%	3.5%	1.5%	1.4%	2.8%	3.1%	2.6%	2.4%	2.4%	2.7%
Internet advertising	1,605	1,794	1,921	2,025	2,581	2,782	2,934	3,049	3,129	3,195	
Year-on-year (%)		11.8%	7.0%	5.4%	27.5%	7.8%	5.5%	3.9%	2.6%	2.1%	4.4%
Music and radio	1240	1232	1266	860	1041	1227	1227	1218	1223	1227	
Year-on-year (%)		-0.7%	2.8%	-32.1%	21.0%	17.9%	0.0%	-0.7%	0.5%	0.3%	3.4%
Newspapers and consumer magazines	2,094	1,954	1,824	1,513	1,559	1,486	1,422	1,374	1,332	1,297	
Year-on-year (%)		-6.7%	-6.6%	-17.1%	3.0%	-4.7%	-4.3%	-3.4%	-3.0%	-2.7%	-3.6%
Out-of-home	451	463	484	373	382	425	458	468	474	471	
Year-on-year (%)		2.7%	4.5%	-22.9%	2.4%	11.4%	7.7%	2.3%	1.1%	-0.5%	4.3%
Traditional TV and home video	3123	3143	3035	3035	3110	3158	3091	3076	3104	3146	
Year-on-year (%)		0.6%	-3.5%	0.0%	2.5%	1.5%	-2.1%	-0.5%	0.9%	1.4%	0.2%
TV advertising	787	781	722	635	697	713	709	701	673	658	
Year-on-year (%)		-0.8%	-7.6%	-12.0%	9.7%	2.3%	-0.5%	-1.1%	-4.1%	-2.2%	-1.2%
OTT video	83	97	107	145	177	205	219	229	236	242	
Year-on-year (%)		16.4%	11.3%	34.6%	22.4%	15.8%	6.7%	4.6%	3.4%	2.3%	6.5%
Video games	735	851	1,000	1,180	1,316	1,466	1,524	1,632	1,722	1,791	
Year-on-year (%)		15.8%	17.5%	18.1%	11.5%	11.4%	4.0%	7.1%	5.5%	4.0%	6.4%
VR and AR	10	16	23	34	48	70	91	108	122	136	
Year-on-year (%)		57.6%	42.0%	49.9%	38.2%	46.6%	29.9%	19.4%	12.2%	12.3%	23.4%
Total	**16,031**	**16,568**	**16,792**	**15,973**	**17,193**	**18,114**	**18,523**	**18,897**	**19,201**	**19,485**	
Year-on-year (%)		**3.4%**	**1.4%**	**-4.9%**	**7.6%**	**5.4%**	**2.3%**	**2.0%**	**1.6%**	**1.5%**	**2.5%**

Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The total E&M market in Switzerland grew 7.6% in 2021 to CHF17.2bn, up from the 2020 low of CHF16.0bn in the early stages of the COVID-19 pandemic. The market is forecast to expand to CHF18.1bn in 2022, reaching CHF19.5bn in 2026 at a compounded annual growth rate (CAGR) of 2.5%. This strong and steady growth is primarily attributable to revenue increases in internet access, internet advertising, video games and music and radio over the forecast period. Rises in cinema and business-to-business (B2B) revenue will also contribute to overall E&M growth. These increases will be enough to offset the declines seen in the print segments of consumer books as well as newspapers and consumer magazines.

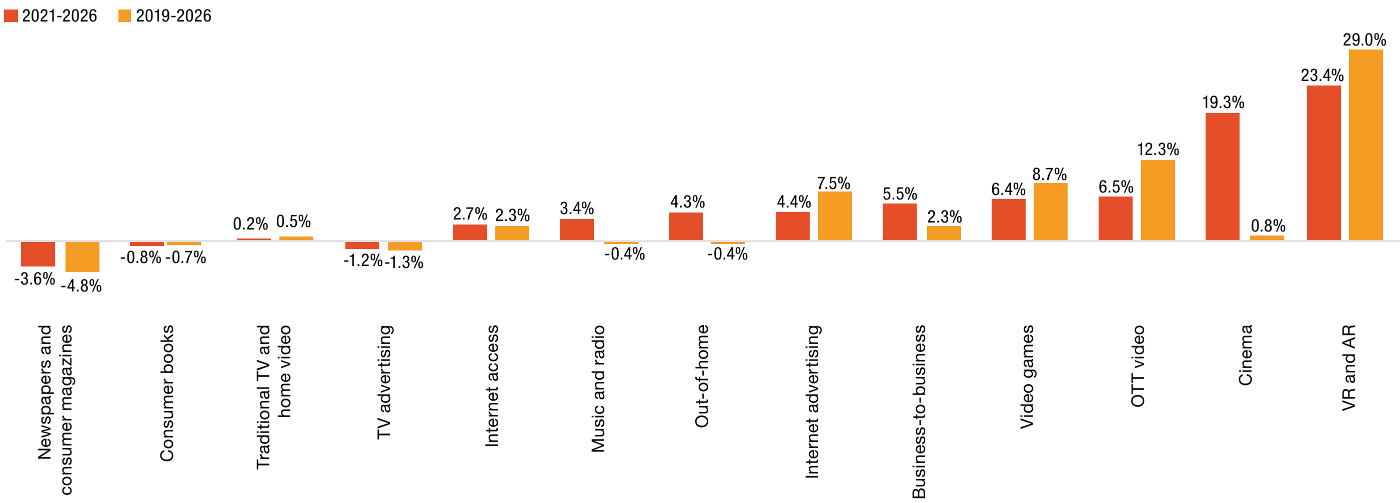
Fig. 2: Virtual and augmented reality (VR and AR) and over-the-top video (OTT) to grow fastest, but the COVID-hit cinema and live music segments will make a strong recovery
Year-on-year growth for E&M segments, 2020-2021 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

2021 has seen a strong rebound after the trough in 2020, with almost all segments seeing year-on-year growth. The only exception is consumer books, where the strong decline in print outweighed the rise of electronic books, resulting in a -1.0% year-on-year decline in revenue across the overall segment. Virtual and augmented reality (VR and AR) will see the highest year-on-year growth at 38.2%. However, it is still a relatively small segment within the E&M segment, generating revenue of just CHF48mn in 2021. Cinema was the worst-hit segment in 2020, as many theatres had to remain closed for much of the year. However, 2021 marked a strong comeback as cinemas reopened, with 30.5% growth. The segment's recovery was buoyed by the delayed release of many films that had been set to premiere in 2020. One example is James Bond's No Time to Die, which was the top-grossing film in Switzerland in 2021 by some margin.

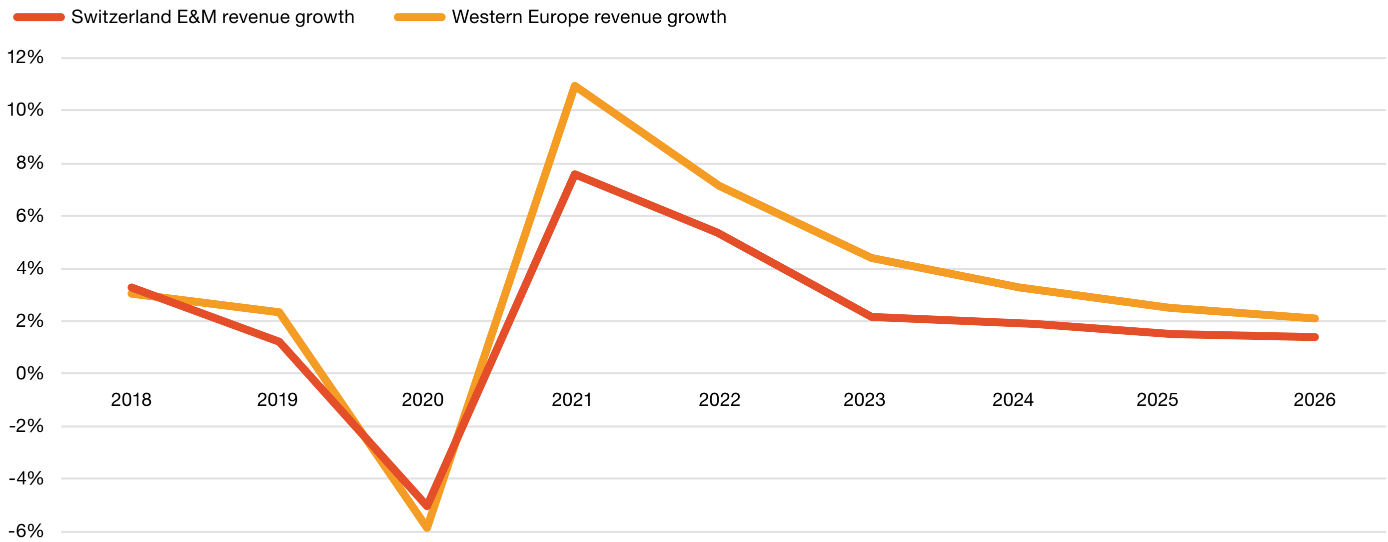
Fig. 3: Mixed fortunes across segments
CAGRs for E&M segments, 2021-2026 and 2019-2026 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The 2021-2026 CAGRs show mixed results across different segments. The print segments of newspapers and magazines as well as consumer books will decline by -3.6% and -0.8% respectively over the forecast period. Meanwhile, VR and AR, cinema and OTT video will perform strongly, with CAGRs of 23.4%, 19.3% and 6.5% respectively. However, this does not tell the full story of how these segments have fared over the past decade and especially throughout the COVID-19 pandemic, which hit some industries much harder than others. Expanding the time range to 2019-2026 reveals that cinema, which has a 2021-2026 CAGR of 19.3%, will see little progress, with a CAGR of just 0.8%. Similarly, OOH and music and radio have 2021-2026 CAGRs of 4.3% and 3.4% respectively, but both segments have negative 2019-2026 CAGRs of -0.4%.

Fig. 4: Switzerland less affected by COVID-19 than Western Europe as a whole
E&M revenue growth in Switzerland vs Western Europe, 2018-2026 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The Swiss market was less impacted by COVID-19 than other European nations, as its lockdown restrictions were less strict. Consequently, the country saw less of a rebound when lockdowns ended in 2021, with year-on-year revenue growth across the E&M segment of just 7.6% compared to 11.0% for Western Europe as a whole. This pattern will continue throughout the forecast period.

Partly as a result of this lesser impact, Switzerland is experiencing much lower inflation than its neighbours in the EU and UK. According to Swissinfo, inflation in the country stood at 2.4% in April 2022, although this remains above the national bank's target of 2%. This compares favourably to the UK, where inflation hit 7.8% in April according to the country's Office for National Statistics. Therefore, the Swiss public are more likely to be able to spend their money on entertainment. This will ensure that the segment continues growing, whereas in other countries it will suffer from higher levels of uncertainty.

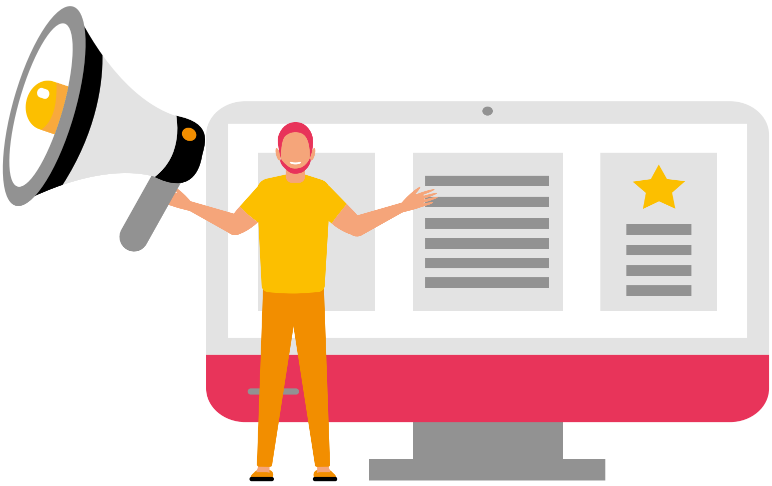
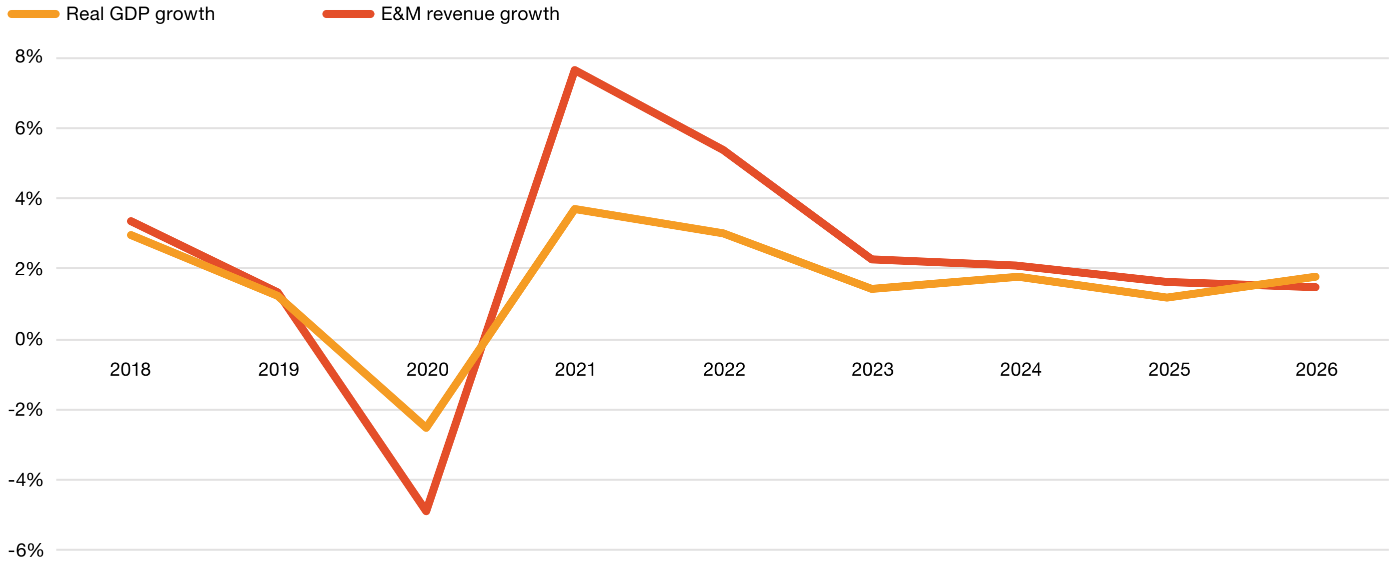


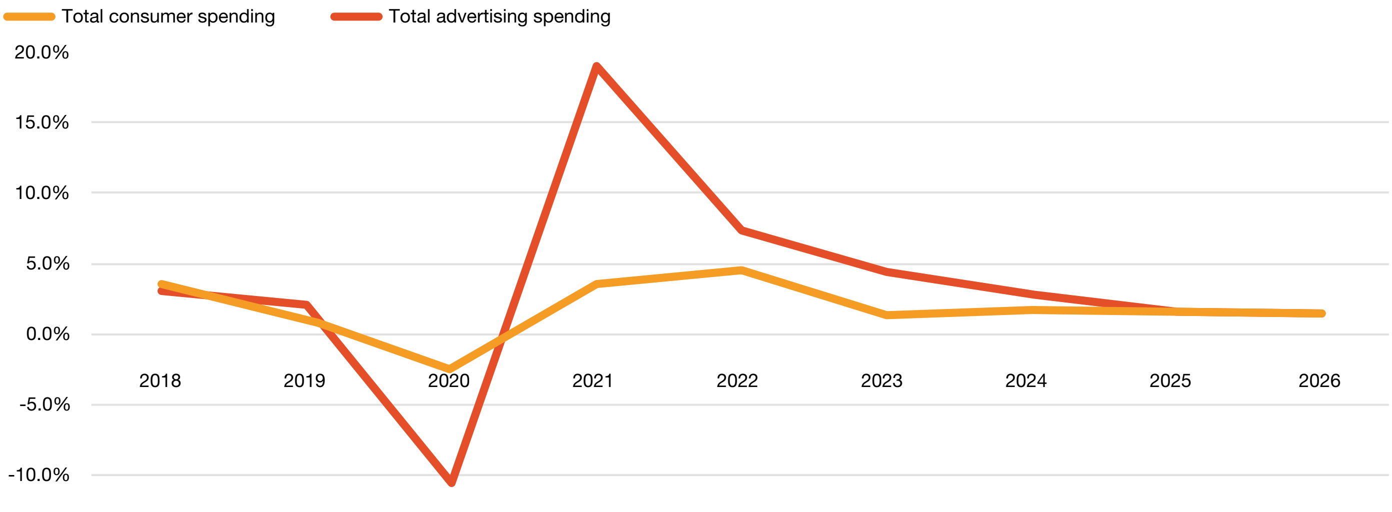
Fig. 5: Switzerland's E&M sector grew faster than the wider economy
Switzerland, E&M spending vs real GDP growth, 2018-2026 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The E&M segment will see higher revenue growth rates than the wider economy from 2021 until 2025 until the wider economy overtakes in 2026. This reflects the severity of the disruption caused by COVID-19, where the E&M market fell -4.9% in 2020 compared to a -2.5% decline for the wider economy. It is therefore natural to see much stronger growth for E&M in 2021, when many segments such as cinema and live music events were allowed to reopen.

Fig. 6: Advertisement spending growth is volatile, and grew five times as fast as consumer spending in 2021
Growth rates, total advertisement spending vs total consumer spending, 2018-2026 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

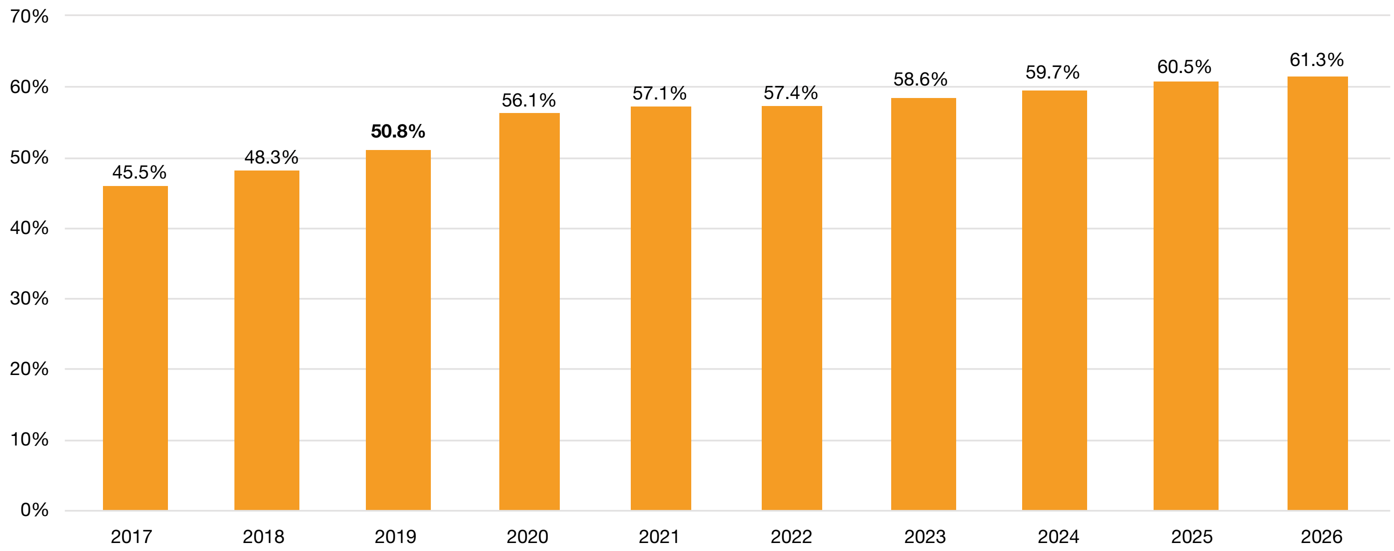
Advertising was one of the worst-hit segments during the recession in 2020 caused by COVID-19. TV advertising budgets were an easy choice to cut for companies looking to streamline their spending. Furthermore, out-of-home (OOH) advertising fell as people were told to stay at home.

There is no question that internet advertising is the primary, even sole driver of the recovery in advertising, both now and in the future. Internet advertising experienced dramatic growth in 2021, as online media continued to expand its share of total advertising revenue during a year when advertising budgets corrected following the worst of the pandemic in 2020. This surge in growth is partly due to COVID-19 sparking increased consumer interest in digital content and services. The switch to digital has presented significant opportunities for online retailers of all shapes and sizes, while social and online video platforms have become ever more shoppable.

There are countless positive strands within internet advertising. Mobile apps – including hugely popular social media and short-form video platforms such as TikTok – will be a key driver of growth in mobile media consumption and associated ad revenue. The eye-catching rise in connected TV (CTV) advertising revenue will continue, as more broadcasters pay greater attention to their OTT video app offerings or launch new advertising-based video on demand (AVOD) services. This trend is also driven by subscription-based video on demand (SVOD) services such as Disney+ and Netflix possibly turning to hybrid business models in search of greater profitability. Advertising in games is another rapidly expanding segment in the internet advertising ecosystem, particularly banner and video adverts served around free-to-play mobile games. As companies add more social features to these games, advertising revenue here will likely continue to increase, especially considering the high number of downloads and wide exposure that mass-market titles command.

Digital revenue for video games, OOH, OTT video and internet advertising accounted for 50.8% of E&M revenue in 2019, overtaking non-digital for the first time. It will continue to grow in market share up until 2026, when it will generate 61.3% of E&M revenue.

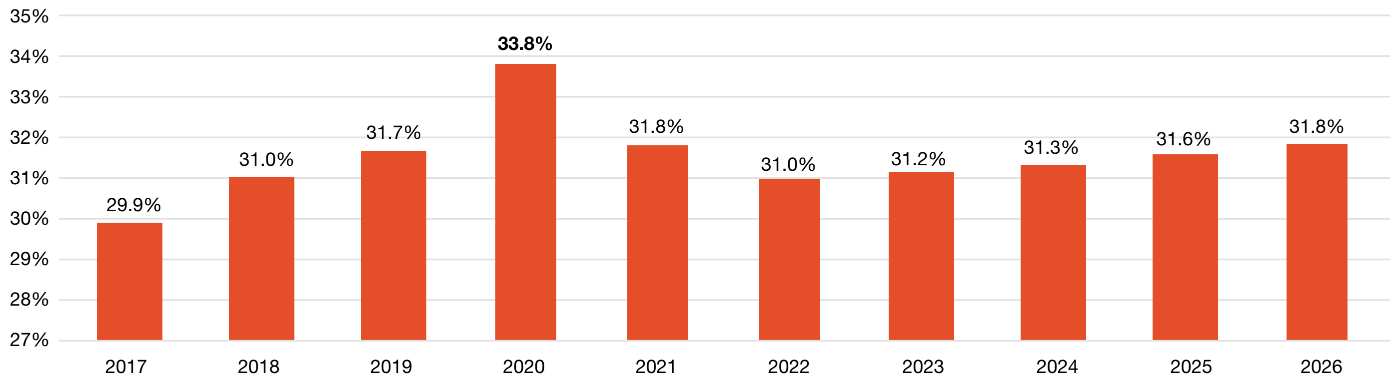
Fig. 7: Digital now makes up more than 50% of E&M revenue
Total digital revenue as a proportion of E&M spending, 2017-2026 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The peak for internet access as a proportion of the overall E&M revenue came in 2020, when it was worth 33.8% of the total market. This was due to people being told to work from home and new sign-ups for internet services increasing, while other market segments declined.

Fig. 8: Internet access remains around one-third of total spending
Internet access as a proportion of E&M spending, 2017-2026 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Consumer market

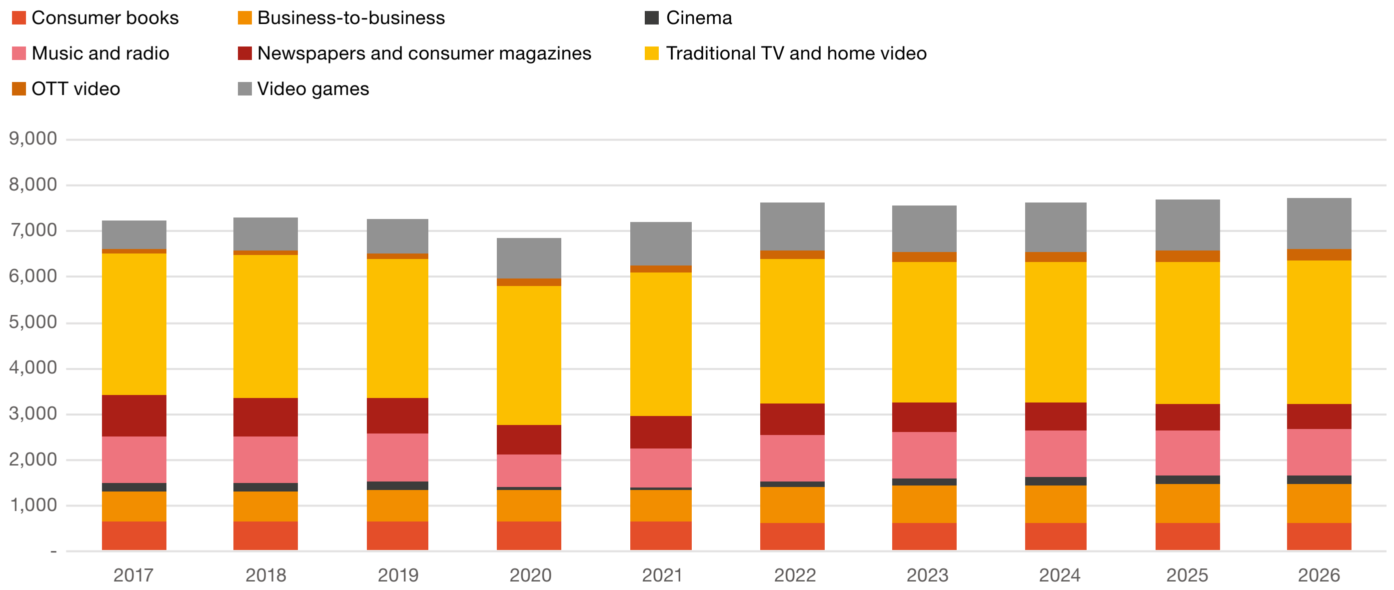
Consumer spending in 2021 stood at CHF12.2bn after growing at a healthy 3.5% since 2020. It is forecast to climb at a CAGR of 2.1% over the next five years, reaching CHF13.5bn by 2026. This rise will be driven by increases in internet access, music and radio and video games, as consumers favour digital entertainment over traditional forms such as print newspapers, books and magazines.

Fig. 9: Consumer spending to reach CHF13.5bn in 2026
Consumer E&M spending, 2017-2026 (CHFmn)

Total consumer market (CHF millions)											
Switzerland	**Historical data**					**Forecast data**					**CAGR %**
Category	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2021-26**
Consumer books	627	622	618	621	615	607	605	602	597	589	
Year-on-year (%)		-0.7%	-0.6%	0.4%	-1.0%	-1.2%	-0.5%	-0.5%	-0.8%	-1.2%	-0.8%
Business-to-business	644	671	695	678	688	758	789	814	831	842	
Year-on-year (%)		4.1%	3.6%	-2.4%	1.5%	10.1%	4.1%	3.3%	2.1%	1.3%	4.1%
Cinema	205	179	193	67	85	158	191	205	210	215	
Year-on-year (%)		-12.9%	8.2%	-65.2%	26.8%	84.8%	21.4%	7.2%	2.5%	2.5%	20.4%
Internet access	4792	5140	5321	5403	5,476	5,628	5,803	5,956	6,099	6,247	
Year-on-year (%)		7.3%	3.5%	1.5%	1.4%	2.8%	3.1%	2.6%	2.4%	2.4%	2.7%
Music and radio	1006	1004	1036	728	852	1,004	997	987	990	991	
Year-on-year (%)		-0.3%	3.2%	-29.7%	17.0%	17.8%	-0.6%	-1.0%	0.4%	0.1%	3.1%
Newspapers and consumer magazines	912	863	808	670	715	675	642	615	588	561	
Year-on-year (%)		-5.3%	-6.4%	-17.1%	6.8%	-5.7%	-4.8%	-4.2%	-4.5%	-4.5%	-4.7%
Traditional TV and home video	3123	3143	3035	3035	3,110	3,158	3,091	3,076	3,104	3,146	
Year-on-year (%)		0.7%	0.6%	-6.2%	2.0%	-0.9%	2.1%	0.8%	0.9%	1.0%	0.8%
OTT video	83	97	107	145	177	205	219	229	236	242	
Year-on-year (%)		20.3%	16.4%	11.3%	34.6%	25.5%	10.5%	5.8%	4.2%	2.9%	9.5%
Video games	634	708	772	903	963	1,043	1,033	1,084	1,118	1,136	
Year-on-year (%)		11.7%	9.0%	17.0%	6.6%	8.4%	-1.0%	4.9%	3.2%	1.6%	3.4%
VR and AR	8	12	13	17	24	35	48	60	71	85	
Year-on-year (%)		51.2%	7.1%	33.6%	42.7%	45.0%	36.5%	26.4%	18.2%	19.1%	28.6%
Total consumer	**11,545**	**11,948**	**12,079**	**11,760**	**12,175**	**12,726**	**12,897**	**13,111**	**13,318**	**13,518**	
Year-on-year (%)		**3.5%**	**1.1%**	**-2.6%**	**3.5%**	**4.5%**	**1.3%**	**1.7%**	**1.6%**	**1.5%**	**2.1%**

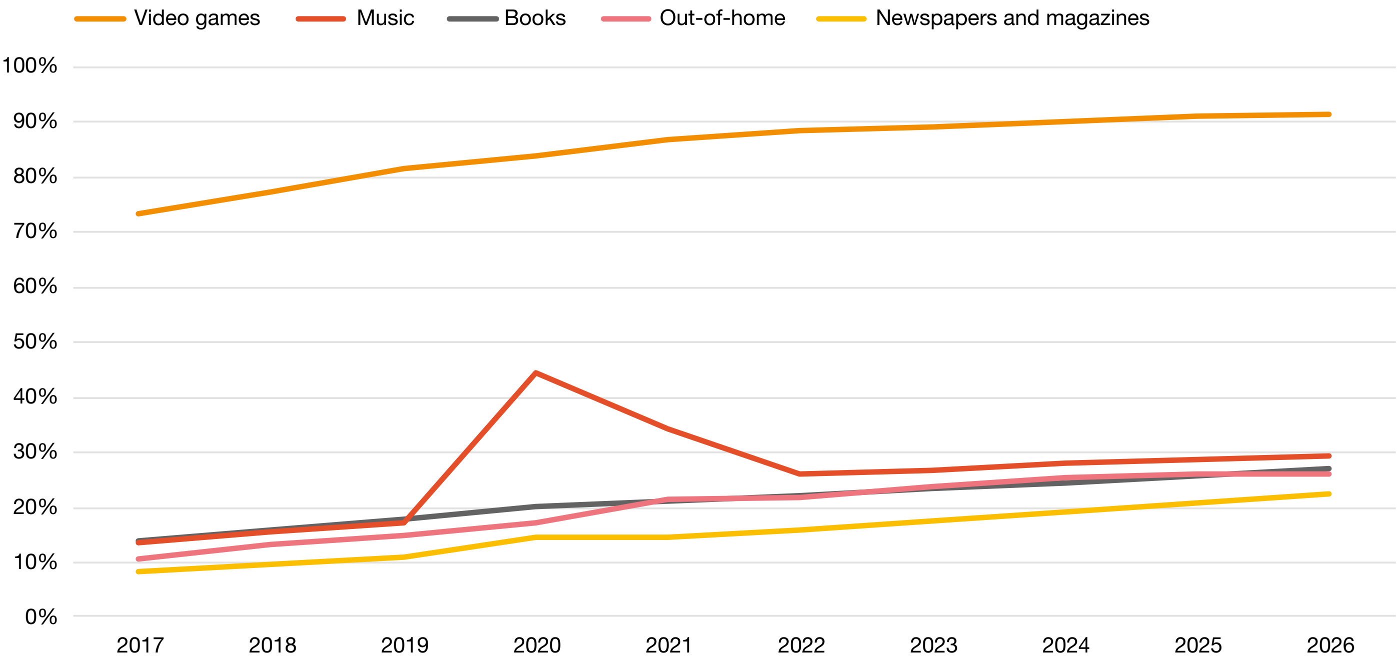
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Fig. 10: The traditional TV and home video segment makes up the majority of consumer revenues
Consumer spending (excluding internet access) by segment, 2017-2026 (CHFmn)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Fig. 11: Digital is steadily increasing in most segments, but the music and radio segment is experiencing volatility due to COVID-19
Revenue share coming from digital by segment, 2017-2026 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

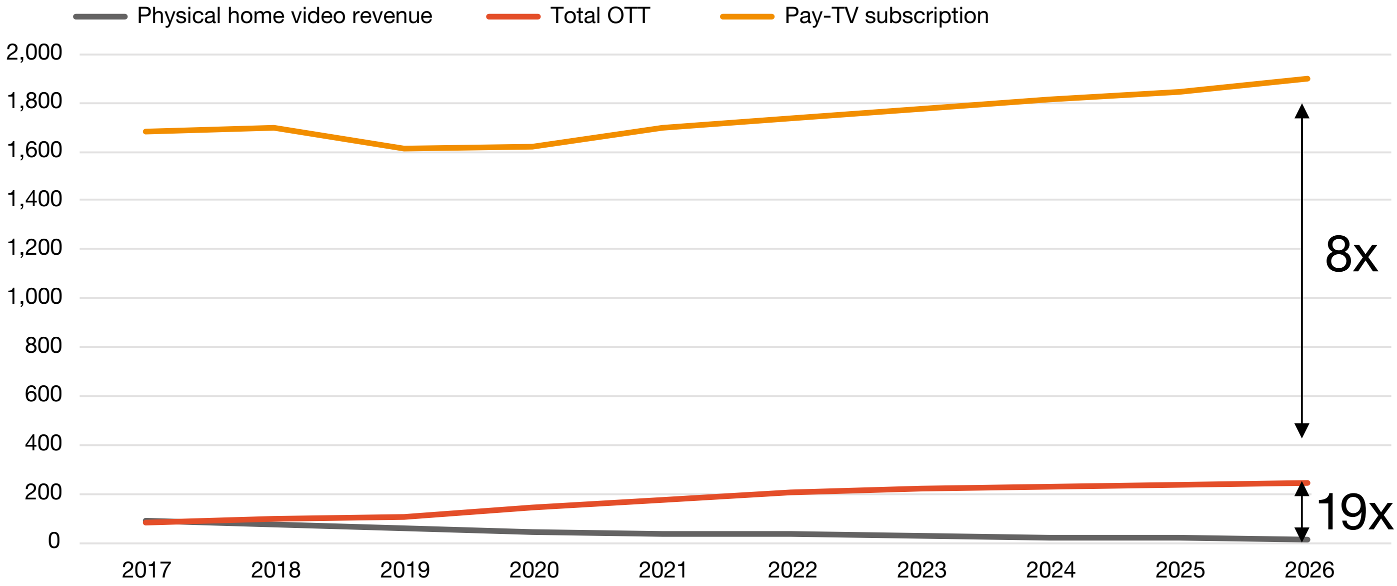
Digital is boosting its share of total revenue for consumer segments that feature a mix of digital and non-digital revenue streams. It makes up the largest percentage of revenue in video games, with its share expanding from 86.8% in 2021 to 91.6% in 2026. The growth is once again driven by increases in app-based social/casual gaming revenue, which will rise at a CAGR of 4.6% to 2026. Smartphone ownership and 5G networks will expand over the forecast period, providing a solid base for mobile gaming to grow. Console gaming will see the biggest shift in revenue from physical to digital, with digital copies of console games overtaking their physical counterparts in 2021. Revenue from online/microtransaction console gaming will soar at a CAGR of 6.5%, as console game publishers focus more on games-as-a-service, become more successful at securing post-purchase expenditure and increasingly add free-to-play models to their mix.

Next on the list is music, which saw a pronounced rise in digital revenue in 2020. This was primarily due to the loss of live music events during the COVID-19 pandemic such as the 2020 edition of the Montreux Jazz Festival. There was an increase in digital subscriptions to music services, as locked-down consumers sought entertainment. In the two years since the outbreak of the pandemic, live music has slowly begun to return to venue listings.

There are signs of pent-up demand, with consumers now able to attend live shows of artists they started listening to via music streaming services. From 2022 onwards, digital revenue will continue to gradually boost its share of the music market.

Similarly, books, newspapers and magazines as well as OOH – which all have fairly small digital shares – will see digital revenues increase their percentage share of the total. This reflects the rise of digital reading over print, especially as companies become more adept at converting digital readers to paying subscribers.

Fig. 12: OTT far outpaces physical home video, cutting into pay-TV's lead
Revenue from pay-TV, total OTT and physical home video, 2017-2026 (CHFmn)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The seismic shift towards streaming services has been apparent across most of the globe. The main exception is markets where slow broadband speeds and limited access to streaming devices have impeded take-up. These two factors do not apply in Switzerland as it is one of the wealthiest markets in Western Europe, with 91% of all broadband connections high-speed (30Mbps or higher) and the remaining 9% medium-speed (between 4Mbps and 30Mbps). Fast internet combined with the recent launches of many new OTT streaming services such as Disney+ and Play Suisse (the streaming platform run by the Swiss Broadcasting Corporation, SRG SSR) have accelerated OTT revenues further. In fact, the OTT market is set to be 19 times larger than physical home video by 2026.

However, OTT will still lag behind revenues from pay-TV services such as those offered by UPC and Swisscom. A number of pay-TV providers have attempted to diversify their content. Sky Deutschland, for example, has expanded its presence in the OTT market as well as strengthening its sports offering by working with UPC. These moves are helping to reduce churn by giving customers a variety of entertainment options within the same package.

The gaming opportunity for online video

With streaming platforms integrating games into their platforms, they are now diving into a product that has interaction at its core. Gaming as an add-on can be an attractive proposition, because it improves the subscriber experience and discourages churn.

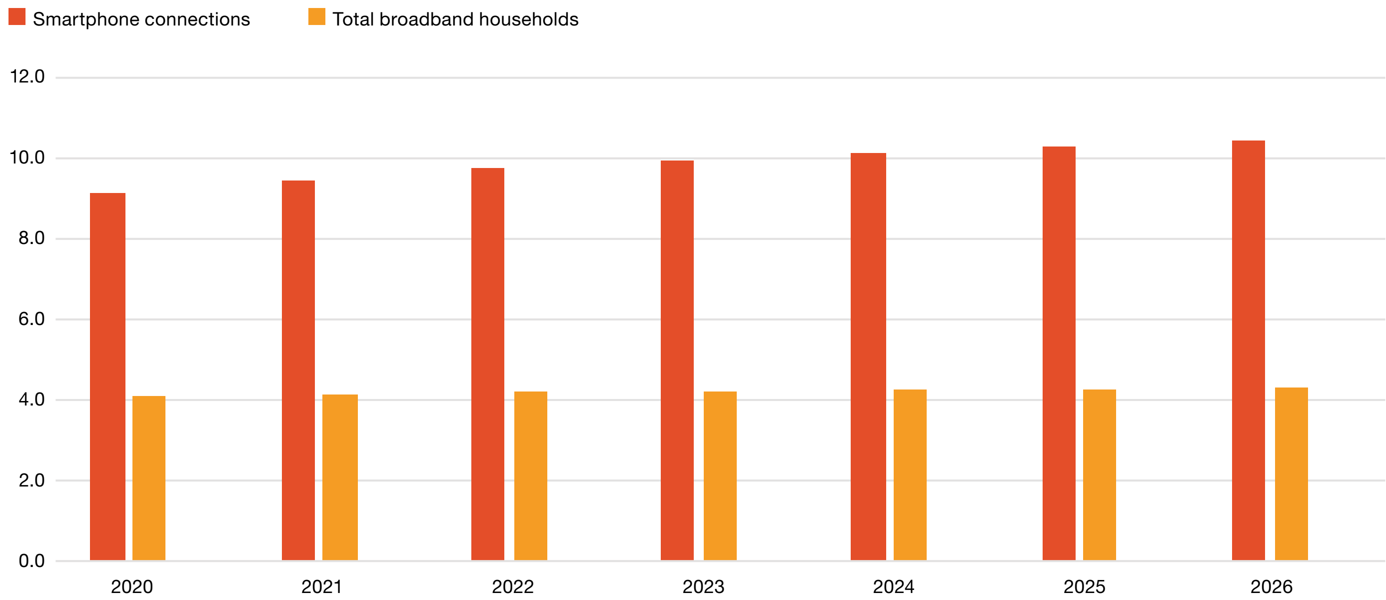
Netflix's main games-related objective is mobile gaming. The company released its gaming platform in Switzerland and other countries in November 2021. In May 2022, the platform announced that it was looking to offer 50 games to subscribers by the end of the year. Netflix also made a series of acquisitions in 2021, including mobile gaming companies Boss Fight Entertainment and Next Games.

Amazon has a different proposition for gaming, including its cloud-gaming platform called Luna. The company also has Prime Gaming, with which it can attract a portion of its Prime subscribers. This service offers free access to a series of games and access to paid channels inside the Twitch platform. Amazon has bold ambitions for games development, and its large video content portfolio could support the creation of new titles.

Similarly, for many decades Disney has been a very high-profile holder of one of the most expansive content portfolios in the entertainment industry. But since 2016, the company has dropped a significant part of its gaming offering and focused on being a provider instead of a developer. Meanwhile, Bethesda's MachineGames is developing a new Indiana Jones title, a sign of the attractiveness of Disney's Lucasfilm franchises.

These games offerings bring a different proposition to consumers. They can boost viewer engagement by providing further interaction with a series or film and enabling people to control their favourite characters. Overall, the addition of games improves the user experience and enhances engagement with the service and brand. Another benefit gaming could offer to online video is the creation of new cross-media franchises, helping to generate new revenue streams. They can bring new games to a given service, with the possibility of creating additional subscription tiers.

Fig. 13: Smartphone connections grow due to 5G rollout while the household broadband market reaches saturation
Smartphone connections and broadband households, 2020-2026 (mn)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Increases in smartphone ownership over the forecast period will aid the growth of gaming, as will the improved availability of 5G networks. In fact, gaming is becoming a priority for telcos seeking to market their 5G services. One example is Sunrise's Game Cloud – the world's first 4K cloud gaming service over 5G. At the end of 2021, 12.1% of all mobile connections were 5G according to data from Omdia.

As for fixed broadband, the picture is less rosy. In the first half of 2022, the Competition Commission (COMCO) ruled that Swisscom must stop expanding its fibre network with its new technology. This decision will impact fibre rollout over the next few years. This has led to the telco lowering its coverage goal from 60% to 50% of households by 2025. In the meantime, Swiss operators launched fixed wireless access (FWA) 5G services as an alternative technology for areas not yet covered by fibre-to-the-home (FTTH) networks.

Advertising spending

The advertising market in Switzerland grew 19.1% year-on-year in 2021 to CHF5.0bn, up from CHF4.2bn in 2020. Advertising is forecast to expand at a CAGR of 3.5% over the next five years, reaching CHF6.0bn in 2026.

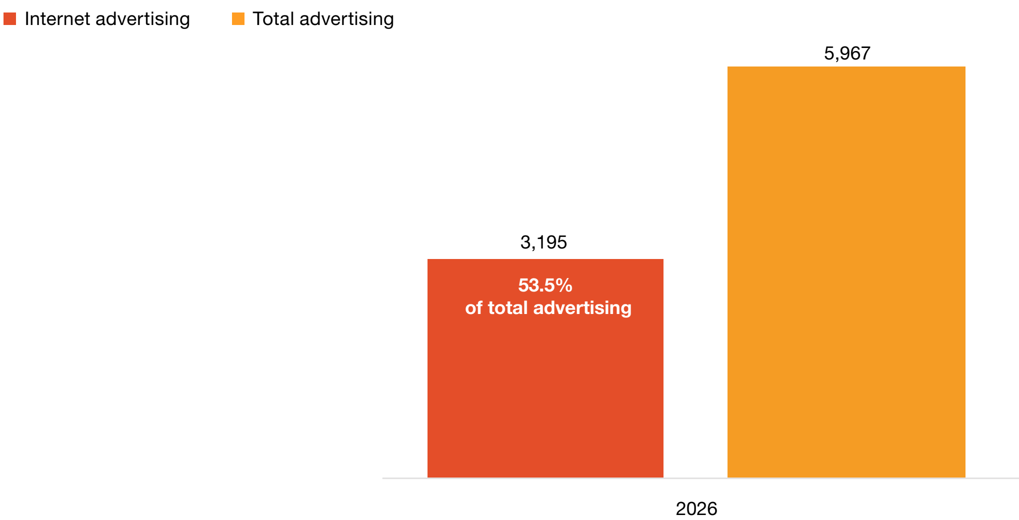
Fig. 14: Advertising revenues to hit CHF6.0bn in 2026
Advertising E&M spending, 2017-2026 (CHFmn)

Total consumer market (CHF millions)											
Switzerland	**Historical data**					**Forecast data**					**CAGR %**
Category	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2021-26**
Business-to-business	292	301	310	161	212	260	288	309	324	333	
Year-on-year (%)		3.2%	2.9%	-48.2%	32.1%	22.4%	10.8%	7.3%	4.6%	2.9%	9.4%
Cinema	32	32	34	9	14	22	24	24	25	25	
Year-on-year (%)		0.9%	4.8%	-73.5%	58.3%	55.4%	7.8%	3.2%	2.0%	1.3%	12.3%
Internet advertising	1,605	1,794	1,921	2,025	2,581	2,782	2,934	3,049	3,129	3,195	
Year-on-year (%)		11.8%	7.0%	5.4%	27.5%	7.8%	5.5%	3.9%	2.6%	2.1%	4.4%
Music and radio	233	228	230	132	189	223	229	231	233	236	
Year-on-year (%)		-2.3%	0.7%	-42.7%	43.6%	18.0%	2.9%	0.7%	0.9%	1.3%	4.5%
Newspapers and consumer magazines	1,182	1,091	1,016	843	843	811	780	759	745	736	
Year-on-year (%)		-7.7%	-6.8%	-17.0%	0.1%	-3.8%	-3.8%	-2.7%	-1.9%	-1.2%	-2.7%
Out-of-home	451	463	484	373	382	425	458	468	474	471	
Year-on-year (%)		2.7%	4.5%	-22.9%	2.4%	11.4%	7.7%	2.3%	1.1%	-0.5%	4.3%
TV advertising	787	781	722	635	697	713	709	701	673	658	
Year-on-year (%)		-0.8%	-7.6%	-12.0%	9.7%	2.3%	-0.5%	-1.1%	-4.1%	-2.2%	-1.2%
Video games	101	143	228	277	353	422	491	549	604	655	
Year-on-year (%)		41.6%	59.8%	21.7%	27.4%	19.5%	16.2%	11.7%	10.1%	8.4%	13.1%
VR and AR	3	4	10	18	24	35	43	48	50	52	
Year-on-year (%)		77.2%	134.5%	69.5%	33.8%	48.2%	23.2%	11.6%	4.8%	2.7%	17.0%
Total advertising	**4,486**	**4,620**	**4,714**	**4,213**	**5,018**	**5,389**	**5,627**	**5,785**	**5,882**	**5,967**	
Year-on-year (%)		**3.0%**	**2.0%**	**-10.6%**	**19.1%**	**7.4%**	**4.4%**	**2.8%**	**1.7%**	**1.4%**	**3.5%**

Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Internet advertising is forecast to grow at a CAGR of 4.4% over the next five years, making up 53.5% (CHF3.2mn) of total Swiss advertising revenue by 2026. Its expansion will be helped by the development of 5G and improvements to existing fibre infrastructure, as well as new and improved devices that provide video and gaming use cases for advertisers' marketing campaigns.

Fig. 15: Internet advertising will make up nearly two-thirds of total advertising in 2026
Internet advertising vs total advertising, 2026 (CHFmn)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

There is a reasonable degree of cannibalisation of ad budgets shifting from traditional ad sources to internet advertising, but the latter is also bringing in many more new ad dollars. This is down both to relatively new innovations in internet advertising and the ever-increasing usage of more established models. In the former camp, advances in targeting and selling advertising through CTVs are spurring huge advances in video internet advertising revenue. There are now three ad-funded video on demand (VOD) models: pure-play advertising-based video on demand (AVOD), favoured by broadcasters and multichannel networks, hybrid solutions, such as Comcast's Peacock which will launch in Switzerland in 2022, which are capturing audiences who don't want to pay the full price for an à la carte service, and premium subscription video on demand (SVOD) services, which are ideally suited for monetising library content across more casual audiences. All of these lines of revenue still have some way to go before reaching anything like maturity. For instance, Netflix only recently announced its intention to introduce ad-supported price plans.

In video games, meanwhile, this year's E&M Outlook report marks the first time that in-app games advertising has been measured. In doing so, its scale and continued growth potential have become clear. In-app advertising is emerging as an important complementary revenue source for games, as the number of mobile users plateaus and average revenue per paying user (ARPPU) is becoming the key driver of growth. Aggressive promotional campaigns to ramp up ARPPU bring the risk of user fatigue and complaints, which can damage a game's reputation. If gamers spend less on in-app purchases, particularly if inflation puts pressure on discretionary income over the forecast period, publishers are likely to dial up their in-app ad monetisation efforts. And although marketing budgets will be squeezed in economic crises too, marketers tend to focus their fewer dollars on more targetable and measurable forms of advertising, making in-app games advertising a prime contender for those budgets. In April 2022 both Sony and Microsoft were reported to be exploring the use of ads in their free-to-play games, further bolstering the games advertising market. Add in the intriguing possible use cases for metaverse advertising and advertising becomes one of the most vibrant and dynamic facets of the present E&M Outlook.

TV advertising is becoming increasingly shoppable

Broadcasters have operated in the one-to-many space for decades. For the most part, TV's ability to drive mass simultaneous reach has been its biggest appeal to advertisers. However, the advent of data-driven and addressable TV advertising and a general trend toward ad performance have driven broadcasters towards more outcome-based advertising and measurement services. The rapid rise of e-commerce, spurred by the ongoing COVID-19 pandemic, has also increased the importance of tying advertising investment to purchases. As a result, there has been a boom in shoppable advertising units across both digital and traditional media channels.

Shoppable TV is nothing new, but the convergence of addressable linear TV (people watching TV programmes on certain channels at certain times), OTT streaming, CTV ads and mass online retail is now laying the groundwork for Shoppable TV 2.0.

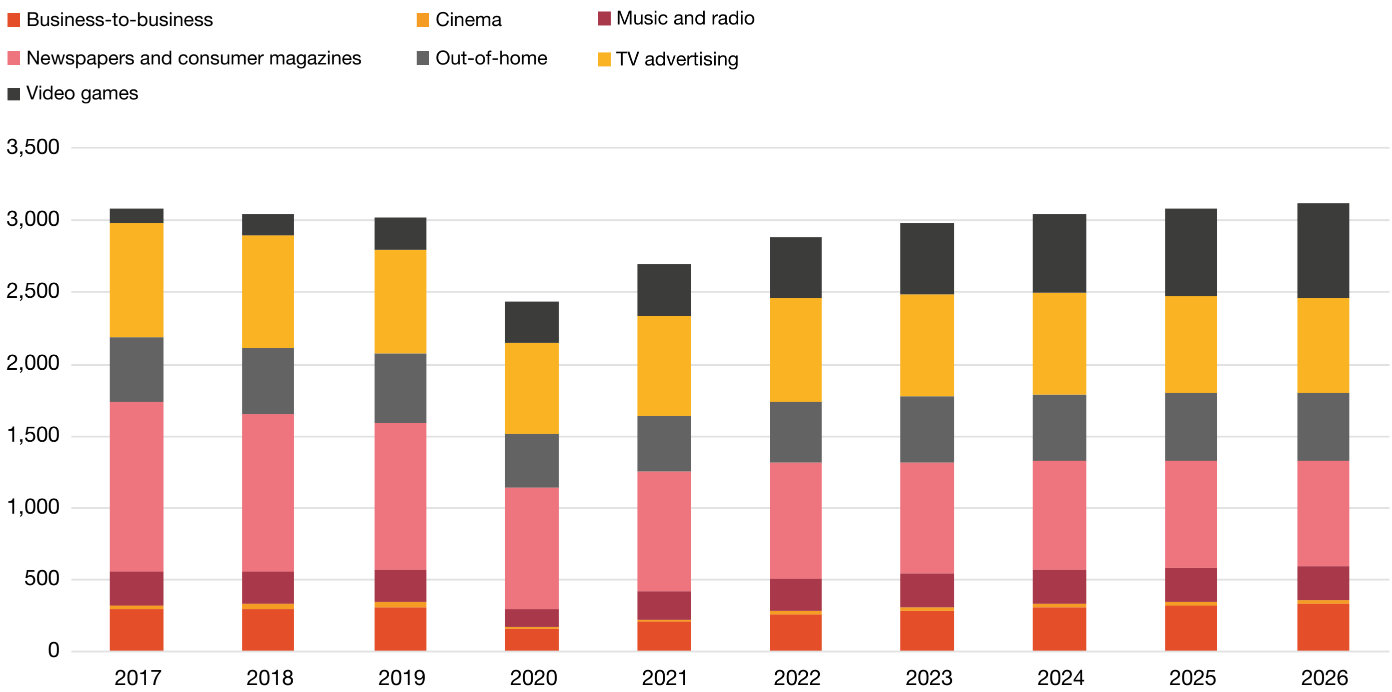
The most prominent broadcasters active in this space, Sky and Comcast-owned NBCUniversal, have chosen QR codes as a way to offer accurate measurement and sales attribution across OTT and more traditional means of distribution. The codes can be embedded into the ads and, when scanned by a viewer's mobile device, direct to a brand's product page or online retail listing where the purchase can be made on the second screen. Companies identify and measure page visits facilitated by QR codes, which provide direct attribution to the ad campaign in addition to more traditional metrics like reach.

Some broadcasters are doing more than just directing viewers to mobile landing pages through QR codes. NBCUniversal, for instance, has developed NBCU Checkout, which allows viewers to purchase products without leaving its video player. NBCU also announced "in-scene ads" in May 2022, which it says will provide "dynamic and contextual targeting for advertisers".

Broadcasters may have kickstarted the renewed interest in shoppable TV, but it is digital incumbents Google and Amazon that look set to dictate its future. In 2021, Google's YouTube announced a new type of ad called "brand extensions". It means that when people see a product being advertised on TV, they can use their TV remote to send a notification to their smartphone containing a link to the product page. This has significant potential, as YouTube's watch time is growing fastest on CTVs. While this is in effect similar to the QR codes being employed by broadcasters, it offers a more frictionless experience for both viewers and advertisers, enabled by YouTube's dominance on mobile.

Amazon has also been stepping up its shoppable TV game through its Amazon Freevee AVOD service (the rebranded IMDb TV). In addition to a number of new original ad-supported shows, Amazon revealed a new interactive CTV ad format for Amazon Freevee: "actionable video ads". These allow viewers to buy a product being advertised by pressing a button on their remote control or interacting with the company's virtual assistant, Alexa. The potential here is huge, especially given Amazon's vast online retail infrastructure and access to first-party, commerce-driven data on its users. In May 2022, Amazon also announced that both Prime Video and Freevee platforms will feature virtual product placements (whereby product advertising is inserted into films or TV shows in post-production). Such a frictionless combination of TV, commerce and the smart home is the long-term future of shoppable TV.

Fig. 16: Advertising in music and radio bounce back strongly in 2021 after COVID-19
Advertising E&M spending (without internet advertising), 2017-2026 (CHFmn)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Metaverse in-game advertising

In June 2022, in-game advertising company Admix announced it would merge with metaverse experiences company Landvault. Admix had been a prominent provider of in-play games advertising (where ads are integrated within game content rather than appearing in banners and in-play videos).

There are several challenges around in-play games advertising, such as where to insert the advert, how it merges with gaming content and how to overcome gamer resistance to advertising. These difficulties are limiting this type of advertising from reaching its full potential. However, Admix's early move into the dawn of metaverse advertising could put the company in a strong future position.

Switzerland has already made its mark on the metaverse. Meta (formerly Facebook), Google, Disney Research and Magic Leap have opened offices or research labs in Zurich. As the metaverse technology and use cases develop, Zurich may turn into something of a hub. This could help Switzerland to create a strong ecosystem and play an important role in developing the metaverse.

Contact

Bogdan Sutter
Director Advisory, Strategy and Digital Change Expert, PwC Switzerland
+41 58 792 77 51
bogdan.sutter@pwc.ch
www.linkedin.com/in/bogdansutter

www.pwc.ch/outlook