Swiss Entertainment & Media Outlook 2023–2027

Executive summary

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Introduction

Switzerland's entertainment and media (E&M) revenue saw its second-strongest year of growth in 2022, increasing 3.6% to CHF17.5bn. This was in part due to the fact that certain segments continued to rebound from COVID-related restrictions, particularly those requiring in-person interaction such as live music and trade shows. A similar story explained the 7.2% year-on-year growth rate achieved in 2021. Nevertheless, while 2021's growth was inflated by this market correction, there were wider reasons for the deceleration in 2022, namely economic concerns and wider uncertainty, ignited by Russia's invasion of Ukraine early that year. The ensuing five years paint a picture of more challenging conditions for E&M providers to operate in. A CAGR of 1.7% is predicted, leaving revenue at CHF19.0bn in 2027.

This report goes into more detail about the outlook for the E&M market in Switzerland until 2027. We summarise the most important findings in each segment. We then take a deeper dive into the consumer market and advertising spending and explore the current use cases and future opportunities for harnessing generative artificial intelligence (AI) in the E&M market. PwC Switzerland has conducted a survey amongst executives and employees from the E&M industry on the application of generative AI and the prospects of dealing with it. The findings of our survey are supplemented with the expertise and experience of three influential personalities from SRG, Tamedia and Admeira.

Entertainment and media by segment

Fig. 1: Restrained growth leads to a forecast of 1.7% CAGR
Switzerland, E&M spending by segment, 2018-2027 (CHFm)

Total E&M (CHF millions)											
Switzerland	**Historical data**					**Forecast data**					**CAGR %**
Category	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2022-27**
Consumer books	573	564	559	551	541	534	528	519	508	495	
Year-on-year (%)		-1.6%	-0.9%	-1.4%	-1.9%	-1.2%	-1.2%	-1.6%	-2.1%	-2.7%	-1.8%
Business-to-business	972	1,005	839	900	1,022	1,081	1,128	1,160	1,181	1,199	
Year-on-year (%)		3.4%	-16.6%	7.4%	13.5%	5.8%	4.4%	2.8%	1.8%	1.5%	3.2%
Cinema	211	227	76	99	162	191	212	227	237	244	
Year-on-year (%)		7.7%	-66.4%	30.5%	63.5%	17.8%	10.9%	7.2%	4.4%	2.8%	8.5%
Internet access	5,140	5,321	5,403	5,476	5,647	5,800	5,949	6,103	6,252	6,393	
Year-on-year (%)		3.5%	1.5%	1.4%	3.1%	2.7%	2.6%	2.6%	2.4%	2.2%	2.5%
Internet advertising	1,794	1,921	2,025	2,581	2,728	2,843	2,939	3,026	3,102	3,158	
Year-on-year (%)		7.0%	5.4%	27.5%	5.7%	4.2%	3.4%	3.0%	2.5%	1.8%	3.0%
Music and radio	1,256	1,264	874	1,030	1,215	1,279	1,295	1,306	1,314	1,321	
Year-on-year (%)		0.7%	-30.9%	17.8%	18.0%	5.2%	1.3%	0.8%	0.6%	0.5%	1.7%
Newspapers and consumer magazines	1,954	1,824	1,513	1,559	1,476	1,405	1,349	1,298	1,254	1,216	
Year-on-year (%)		-6.6%	-17.1%	3.0%	-5.3%	-4.8%	-4.0%	-3.7%	-3.4%	-3.0%	-3.8%
Out-of-home	463	484	373	382	447	478	492	496	498	499	
Year-on-year (%)		4.5%	-22.9%	2.4%	17.0%	6.8%	3.1%	0.8%	0.4%	0.1%	2.2%
Traditional TV and home video	3,143	3,035	3,035	3,110	3,009	3,015	3,029	3,045	3,065	3,085	
Year-on-year (%)		-3.5%	0.0%	2.5%	-3.3%	0.2%	0.4%	0.5%	0.7%	0.6%	0.5%
TV advertising	781	722	635	697	684	666	662	644	625	601	
Year-on-year (%)		-7.6%	-12.0%	9.7%	-1.9%	-2.7%	-0.5%	-2.7%	-2.9%	-3.8%	-2.5%
OTT video	97	107	145	177	199	214	224	233	239	245	
Year-on-year (%)		11.3%	34.6%	22.4%	12.5%	7.5%	4.8%	3.7%	2.8%	2.3%	4.2%
Video games	851	1,000	1,180	1,317	1,379	1,436	1,523	1,597	1,662	1,721	
Year-on-year (%)		17.5%	18.1%	11.6%	4.7%	4.1%	6.0%	4.9%	4.0%	3.6%	4.5%
VR and AR	16	23	34	48	118	191	231	271	304	328	
Year-on-year (%)		42.0%	49.9%	38.2%	148.2%	61.4%	21.3%	16.9%	12.4%	7.8%	22.6%
Total	**16,451**	**16,590**	**15,729**	**16,855**	**17,464**	**17,916**	**18,273**	**18,571**	**18,830**	**19,039**	
Year-on-year (%)		**0.8%**	**-5.2%**	**7.2%**	**3.6%**	**2.6%**	**2.0%**	**1.6%**	**1.4%**	**1.1%**	**1.7%**

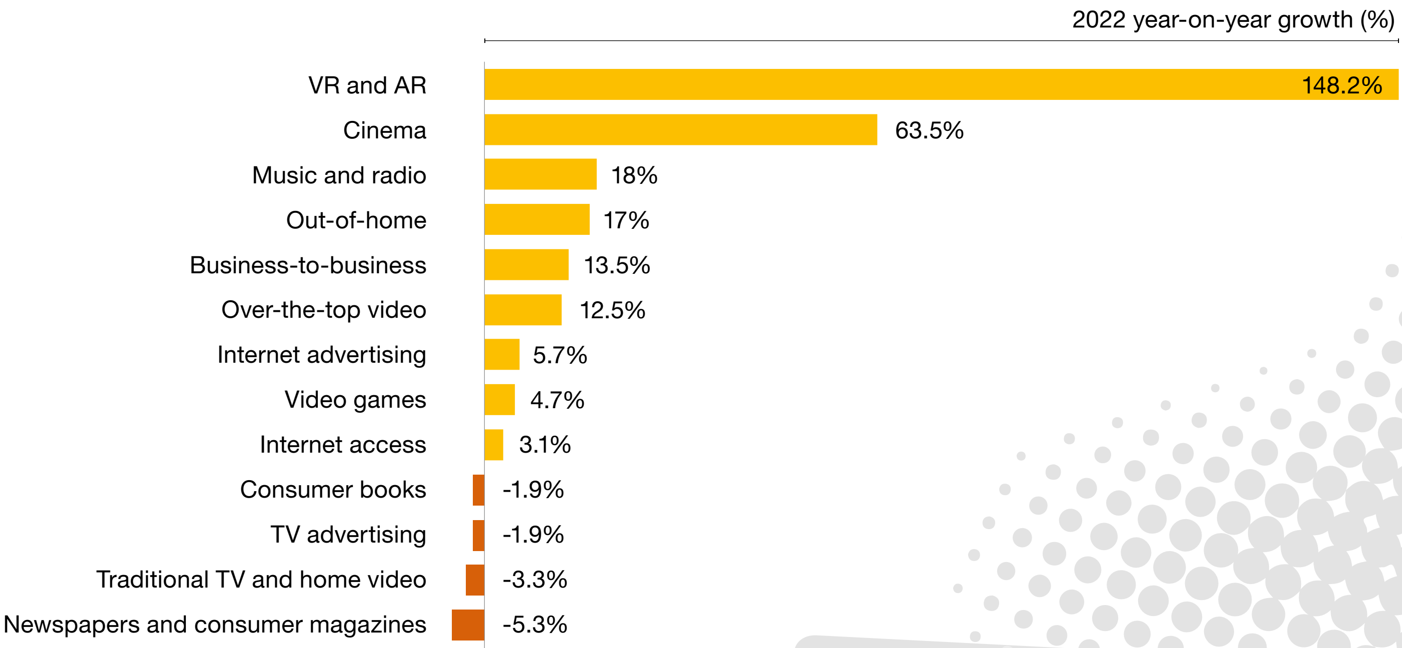
Total excludes double counting
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Last year saw double-digit growth or better in six separate segments. For business to business (B2B), music and radio, out-of-home (OOH) advertising, and cinema, the cause is apparent: the removal of restrictions related to the pandemic meant that trade shows, live music, outdoor advertising providers and cinemas themselves could operate more or less freely, and the rate of growth reflects this return to closer to normality from a COVID-afflicted 2021 base. A more organic growth story comes in virtual reality (VR) and augmented reality (AR), and specifically in mobile AR revenue. The explosive rise of TikTok has been the major contributor to mobile AR revenue's rise, boosting both advertising and consumer revenue via the practice of tipping or gifting. The addition of this gifting functionality to Instagram and Snapchat means VR and AR also have the strongest potential to 2027, with a 22.6% average annual growth forecast.

Finally, over-the-top (OTT) video continued to see strong growth as new services like Paramount+ launched, though the latter years of the forecast should see a return to more steady rises as the segment matures.

At the other end of the scale, print-led segments continue to see decline, with the newspaper and consumer magazines and consumer books segments seeing declines in 2022. TV advertising's faltering broadcast section saw a -1.9% fall, and a reduction in pay-TV revenue also saw traditional TV and home video in decline, caused by more cord-cutting from consumers who see better value from OTT video options. Though pay-TV providers will shore themselves up against modest subscription declines, the other three segments are forecast to decline through to 2027.

Fig. 2: VR and AR lead the pack
Switzerland, year-on-year percentage growth for E&M segments, 2021-2022



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Switzerland's slowdown is not occurring in a vacuum. The whole of Western Europe is seeing growth slow in the outer years of the forecast. Though Switzerland trails the regional average, its forecast CAGR is stronger than Austria's (1.6%) and only a little lower than Finland's and Denmark's (1.8% each).

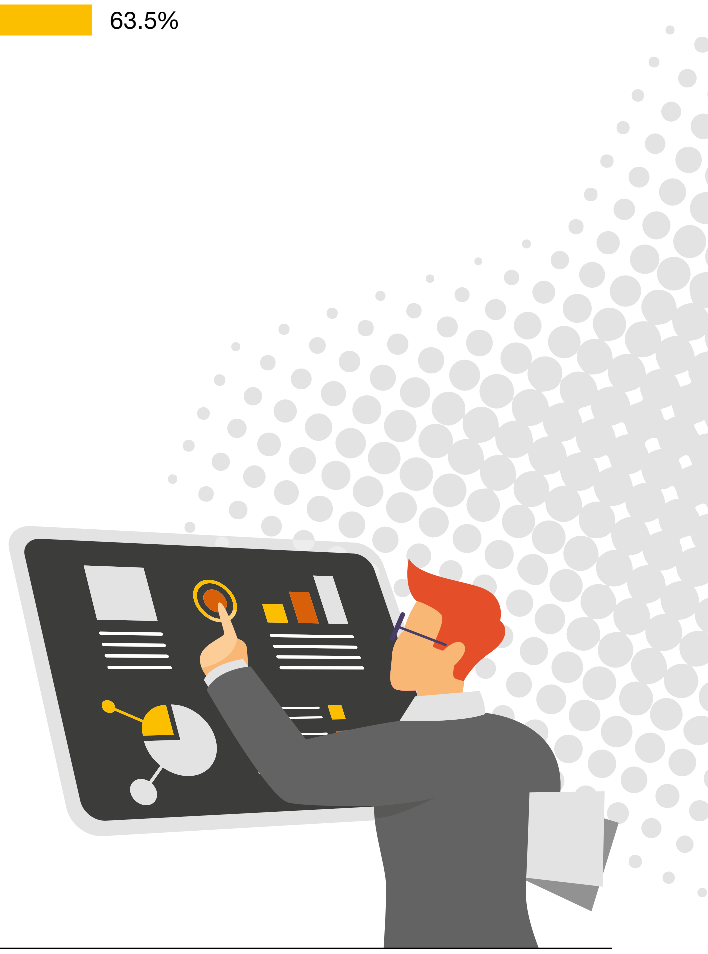
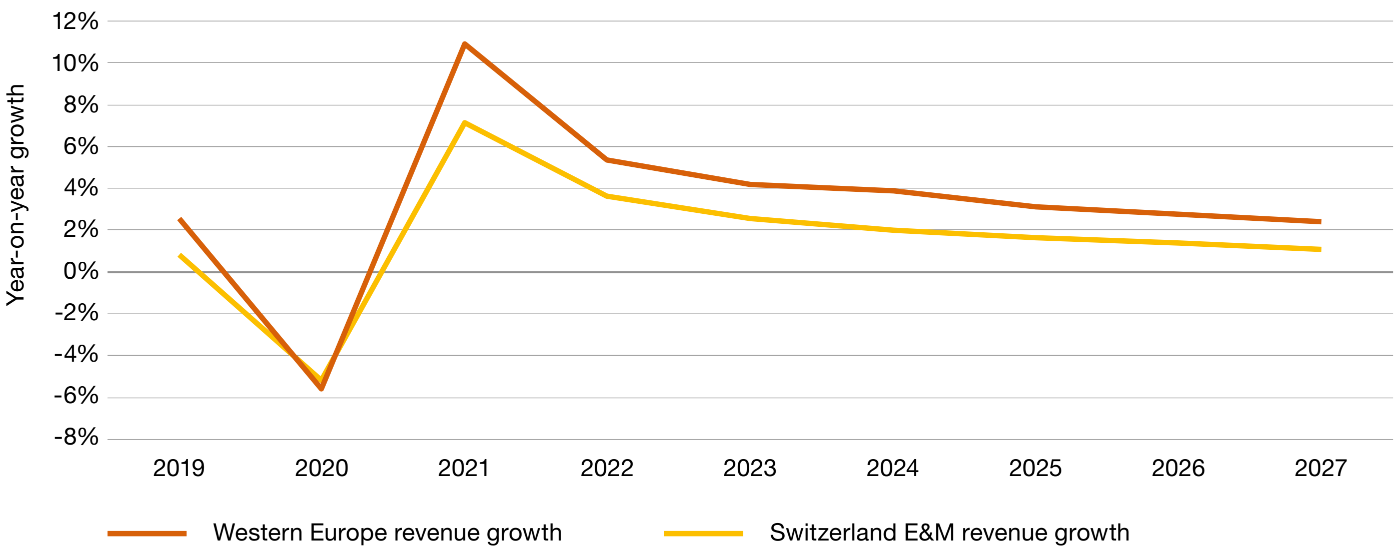


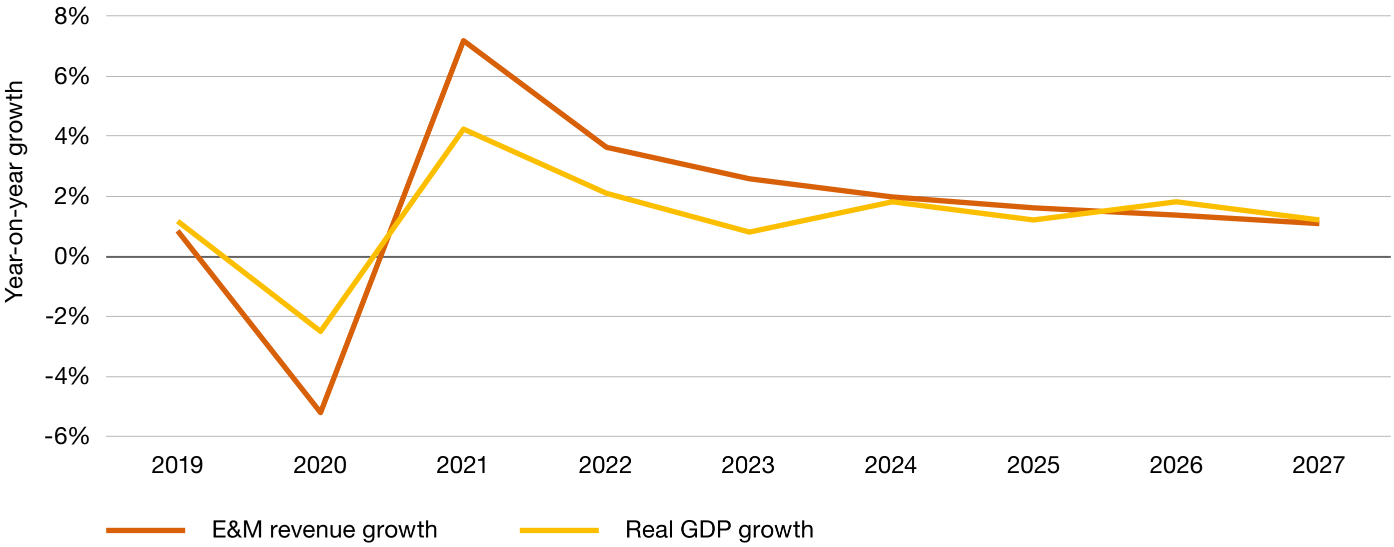
Fig. 3: Switzerland declined less badly, but recovered less strongly, than the Western European average
Switzerland, E&M revenue growth vs Western Europe, (%), 2019-2027



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Switzerland's forecast to 2027 shows a close correlation to the country's real GDP growth over the same period, as it has done in past years. It is only during the COVID-19 years, when E&M revenue fell more sharply and therefore recovered more quickly, that a notable disparity can be seen between the two metrics.

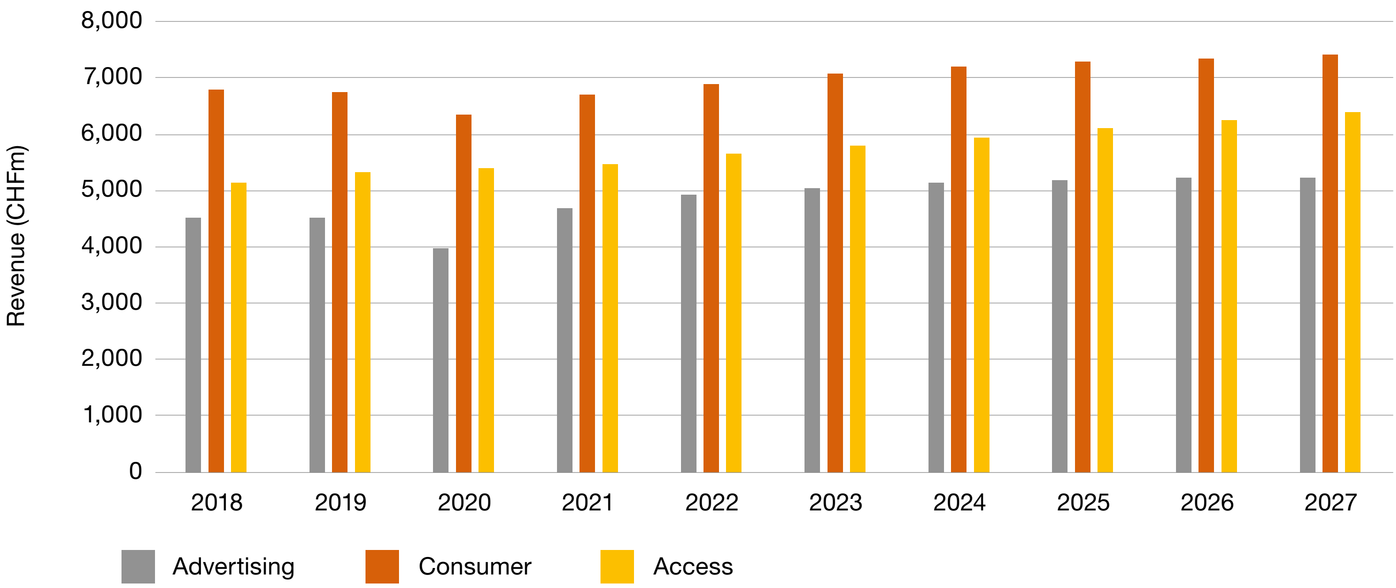
Fig. 4: E&M growth set to track real GDP growth closely in outer years of forecast
Switzerland, E&M revenue growth vs real GDP growth, (%), 2019-2027



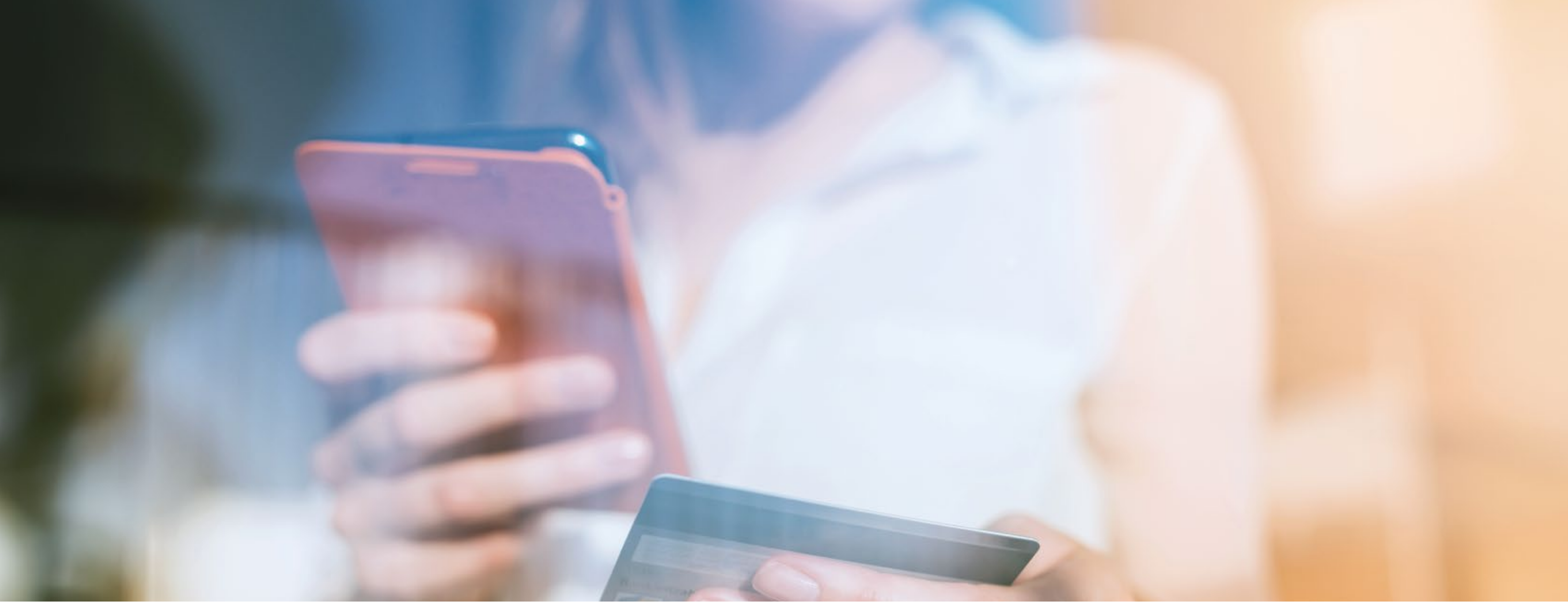
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

When internet access spending is removed from consumer revenue it becomes evident that the former is the fastest-growing key aspect of E&M revenue. Consumer revenue with internet access included is forecast to increase at a 1.9% CAGR to 2027. Without internet access, this drops to 1.4%. Internet access is thus gaining on pure consumer revenue itself, with the latter dropping from 39.5% of total E&M revenue in 2022 to 38.9% in 2027.

Fig. 5: Access makes inroads on consumer revenue in terms of E&M balance
Switzerland, advertising vs consumer vs access, 2018-2027 (CHFm)



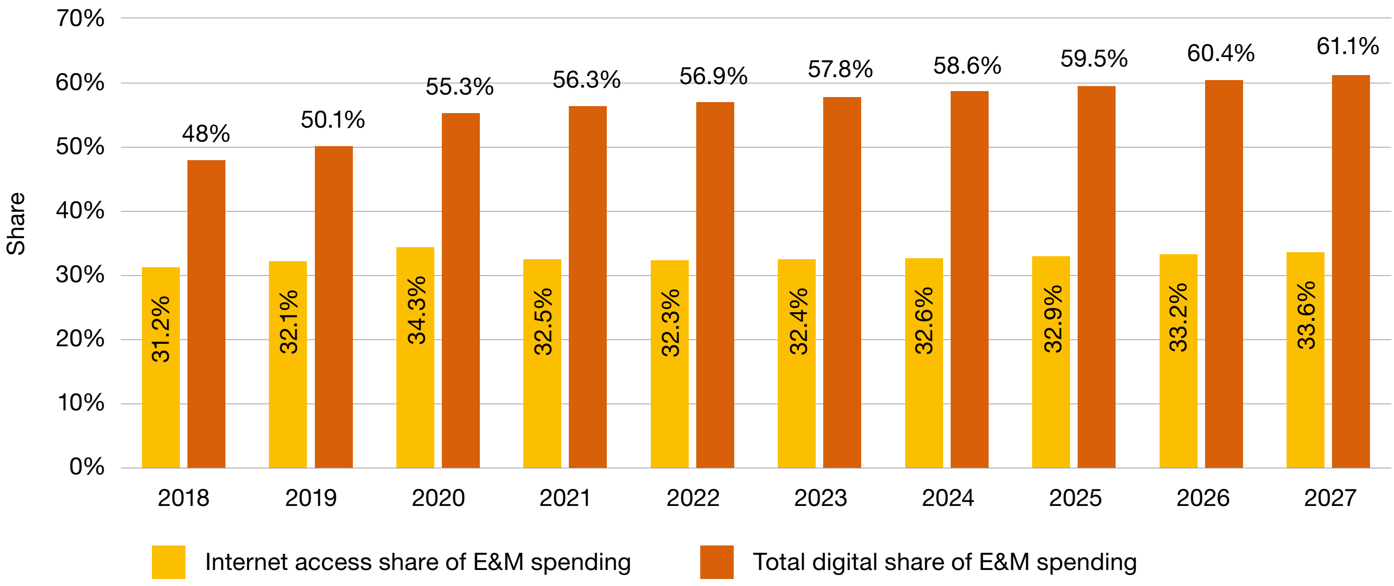
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia



The internet advertising segment, by far the largest single contributor to overall advertising revenues, dragged overall growth down in 2022. A year-on-year rise of 5.7% was well below the 27.5% seen in 2021. While the 2022 rate of expansion is still very healthy compared with some other E&M segments, weaker growth has triggered layoffs in this space, with market leaders Meta and Google among those hit. Cutbacks by advertisers amid the wider global economic backdrop, as well as the increasing maturity of the internet advertising segment, contributed to this reduction in growth. Nevertheless, an overall year-on-year rise of 5.2% for advertising – backed up by a rebound in growth for OOH and the return of trade shows – far exceeded the 3.1% rise in internet access revenue and the 2.9% increase in consumer revenue excluding access.

Switzerland's E&M market is now firmly digital-first, having passed that milestone in 2019. In 2022, 56.9% of E&M revenue derived from digital sources, while by 2027 the figure will rise to 61.1%. Internet access and internet advertising combined now account for nearly half (48.0%) of total E&M revenue, even before adding burgeoning consumer spending in areas like OTT, video games and music. By 2027, a tipping point will occur: internet access and internet advertising combined will move above half of total E&M spending (50.2%).

Fig. 6: Digital share of revenue to exceed 60% by 2026
Switzerland, internet access share and total digital share of E&M spending, 2018-2027 (%)

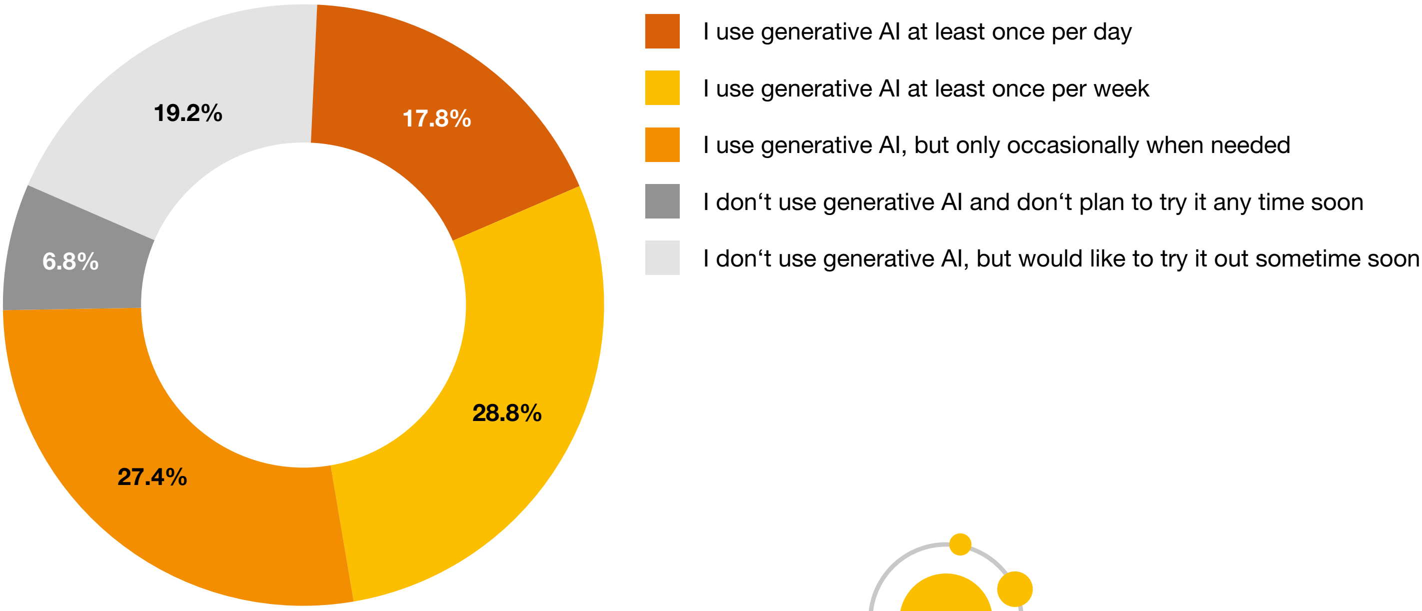


Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

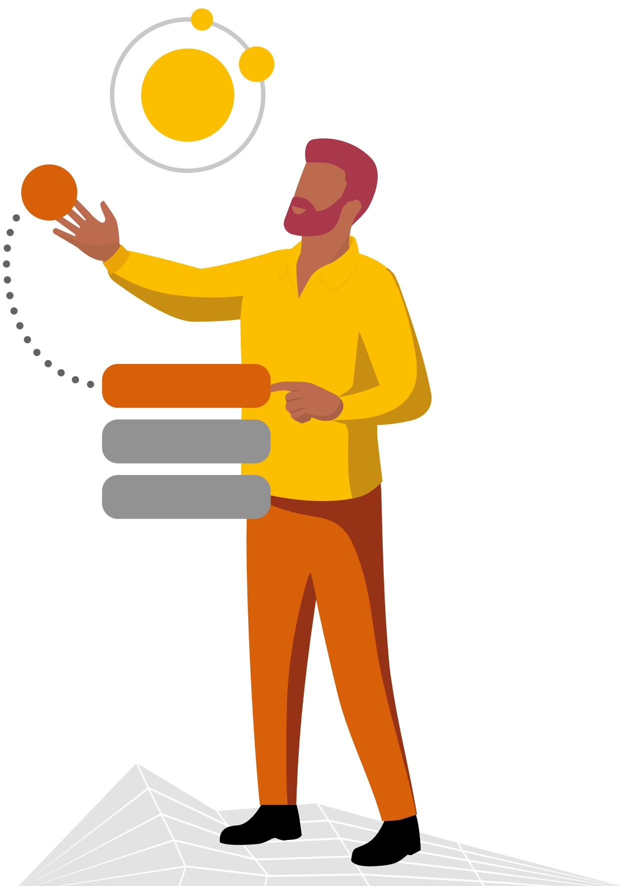
Generative artificial intelligence across the E&M industry

In June 2023, PwC Switzerland conducted a survey on the application of generative artificial intelligence (AI) in the E&M industry and the prospects of dealing with it. A total of 73 executives and employees from the E&M industry submitted a questionnaire that was evaluated for the SEMO study. Additionally, interviews with Tamedia, Admeira and SRG were carried out.

Fig. 7: Three quarters of respondents are already using generative AI
Use of generative AI in the E&M industry



Source: Switzerland Entertainment and Media Outlook, PwC



The survey shows that generative AI is being widely used in the E&M industry, with three-quarters of respondents reporting its use and 46% using it at least once a week. The main barrier to adoption is a lack of understanding and technical know-how. Still, the survey indicates that 86.7% of participants believe the increasing use of generative AI brings more benefits than drawbacks. It improves audience experience, creativity and productivity by automating tasks and workflows. However, current usage is mainly focused on text generation, research, translation and idea generation. Challenges include data privacy concerns, the potential for copyright infringement, ethical matters, environmental harm and the risk of incorrect information. This leads to 78.3% of respondents having mistrust in generative AI and its outputs. To address the risks, employee training and the development of guidelines for responsible and transparent use are essential. While generative AI offers significant potential, it requires proactive management to mitigate risks and ensure positive outcomes for the industry.

Consumer market

Consumer revenue saw a 3.0% rise in 2022 to CHF12.5bn. A projected 1.9% CAGR increase will see the total reach CHF13.8bn in 2027. With internet access removed, consumer revenue will rise from CHF6.9bn in 2022 to CHF7.4bn in 2027, at a 1.4% CAGR, with cinema, video games, VR and AR, and OTT video among the bright spots.

Fig. 8: Consumer spending set to tick along at 1.9% CAGR
Switzerland, end-user E&M spending, 2018-2027 (CHFm)

Total consumer market (CHF millions)											
Switzerland	**Historical data**					**Forecast data**					**CAGR %**
Category	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2022-27**
Consumer books	573	564	559	551	541	534	528	519	508	495	
Year-on-year (%)		-1.6%	-0.9%	-1.4%	-1.9%	-1.2%	-1.2%	-1.6%	-2.1%	-2.7%	-1.8%
Business-to-business	671	695	678	688	759	791	818	837	849	860	
Year-on-year (%)		3.6%	-2.4%	1.5%	10.3%	4.3%	3.4%	2.2%	1.5%	1.3%	2.5%
Cinema	179	193	67	85	138	165	184	199	208	214	
Year-on-year (%)		8.2%	-65.2%	26.8%	62.3%	19.0%	11.9%	7.8%	4.7%	3.1%	9.2%
Internet access	5,140	5,321	5,403	5,476	5,647	5,800	5,949	6,103	6,252	6,393	
Year-on-year (%)		3.5%	1.5%	1.4%	3.1%	2.7%	2.6%	2.6%	2.4%	2.2%	2.5%
Music and radio	1,026	1,031	733	861	1,006	1,052	1,061	1,069	1,074	1,080	
Year-on-year (%)		0.5%	-28.9%	17.3%	17.0%	4.5%	0.9%	0.7%	0.5%	0.5%	1.4%
Newspapers and consumer magazines	863	808	670	715	671	636	606	576	547	520	
Year-on-year (%)		-6.4%	-17.1%	6.8%	-6.2%	-5.3%	-4.7%	-5.0%	-5.0%	-5.0%	-5.0%
Traditional TV and home video	3,143	3,035	3,035	3,110	3,009	3,015	3,029	3,045	3,065	3,085	
Year-on-year (%)		-3.5%	0.0%	2.5%	-3.3%	0.2%	0.4%	0.5%	0.7%	0.6%	0.5%
OTT video	97	107	145	177	199	214	224	233	239	245	
Year-on-year (%)		11.3%	34.6%	22.4%	12.5%	7.5%	4.8%	3.7%	2.8%	2.3%	4.2%
Video games	708	772	903	964	980	1,010	1,052	1,085	1,111	1,136	
Year-on-year (%)		9.0%	17.0%	6.8%	1.7%	3.0%	4.2%	3.1%	2.4%	2.3%	3.0%
VR and AR	12	13	17	24	64	125	155	187	215	234	
Year-on-year (%)		7.1%	33.6%	42.7%	166.8%	94.5%	24.3%	20.4%	15.0%	9.2%	29.6%
Total consumer spending	**11,933**	**12,064**	**11,752**	**12,180**	**12,546**	**12,874**	**13,141**	**13,385**	**13,603**	**13,797**	
Year-on-year (%)		**1.1%**	**-2.6%**	**3.6%**	**3.0%**	**2.6%**	**2.1%**	**1.9%**	**1.6%**	**1.4%**	**1.9%**

Total excludes double counting
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

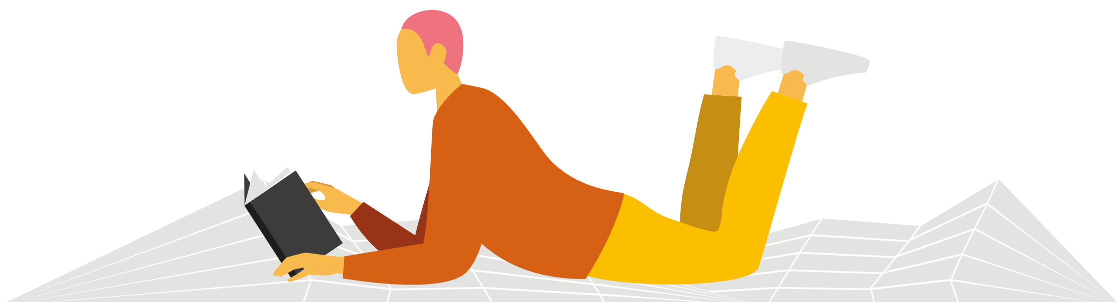
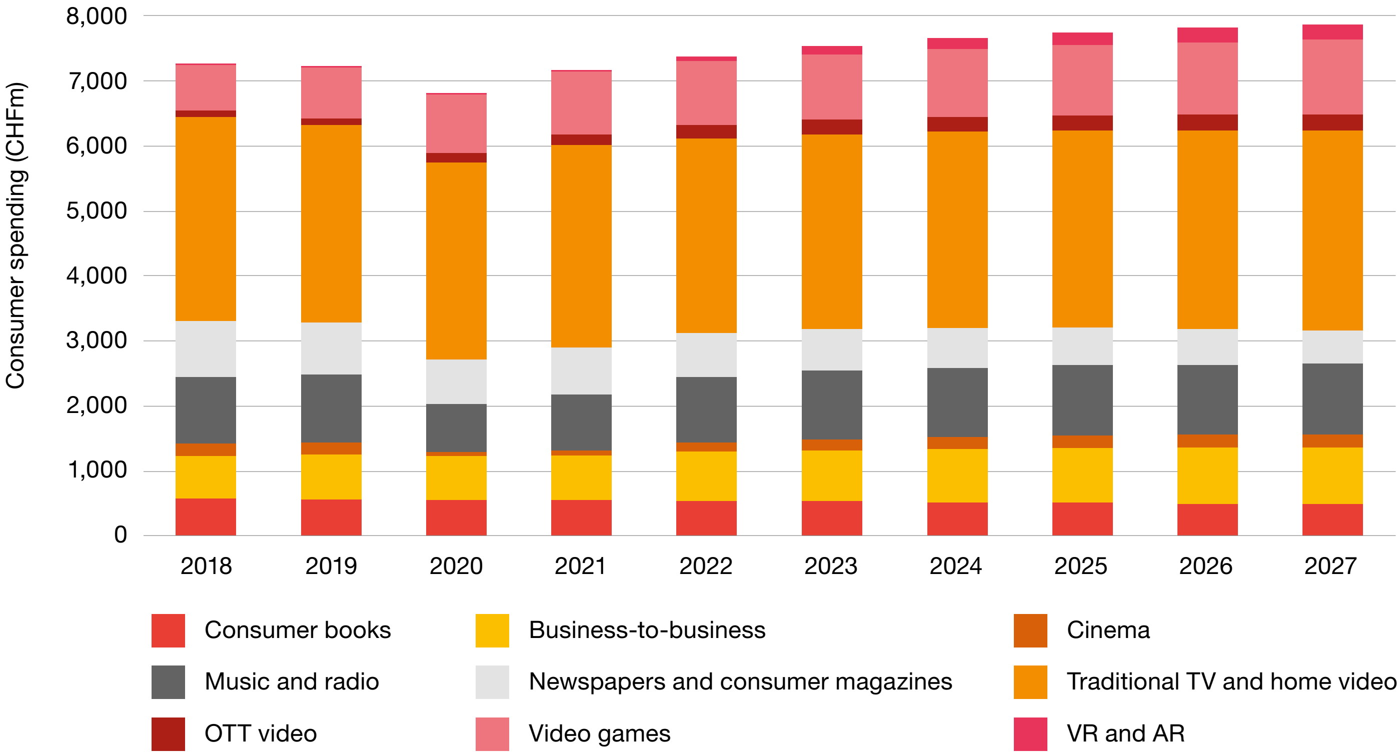
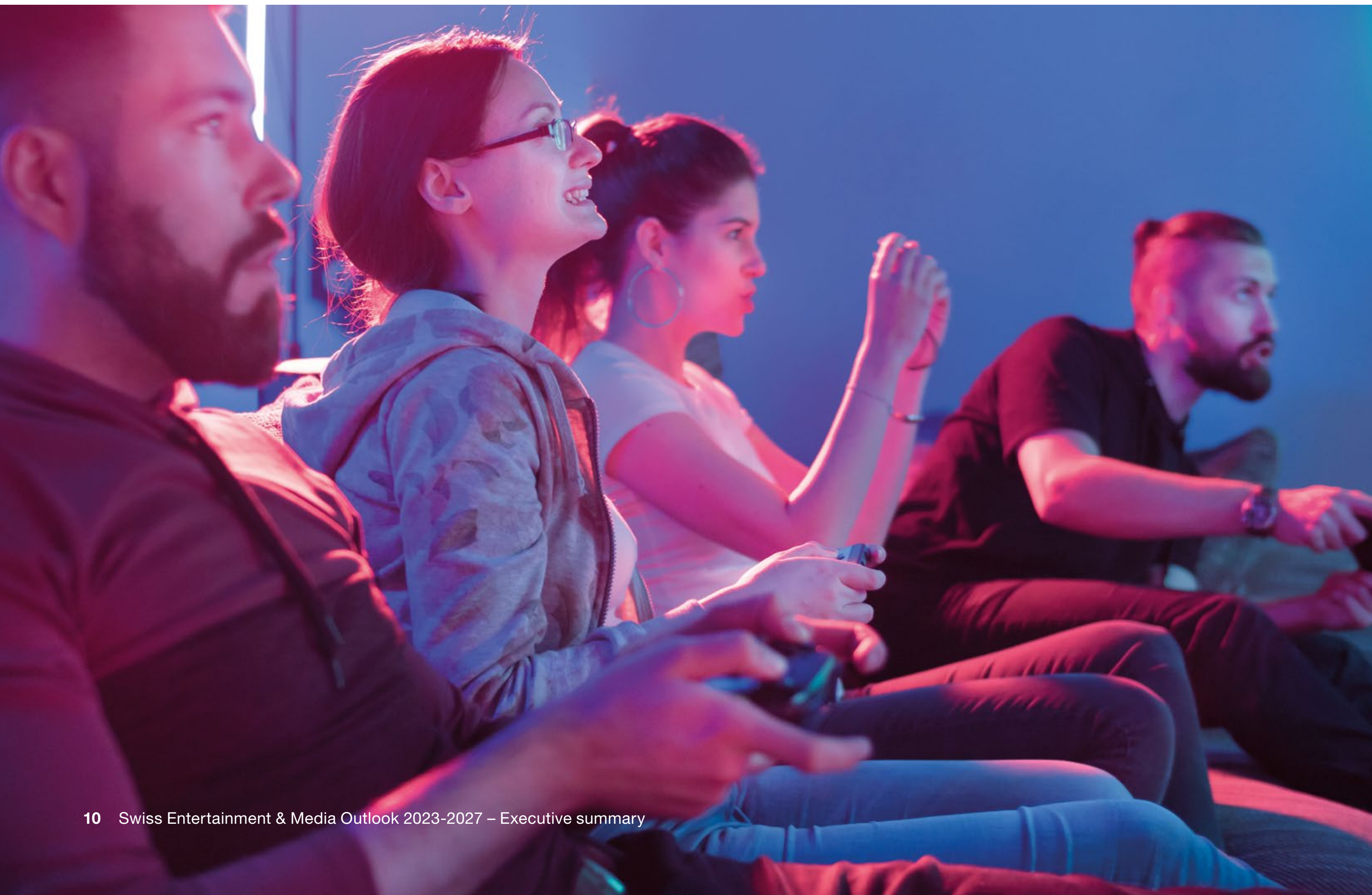


Fig. 9: Video games, and music and radio, set to exceed CHF1bn in forecast period
Switzerland, consumer spending (excluding internet access) by segment (CHFm), 2018-2027



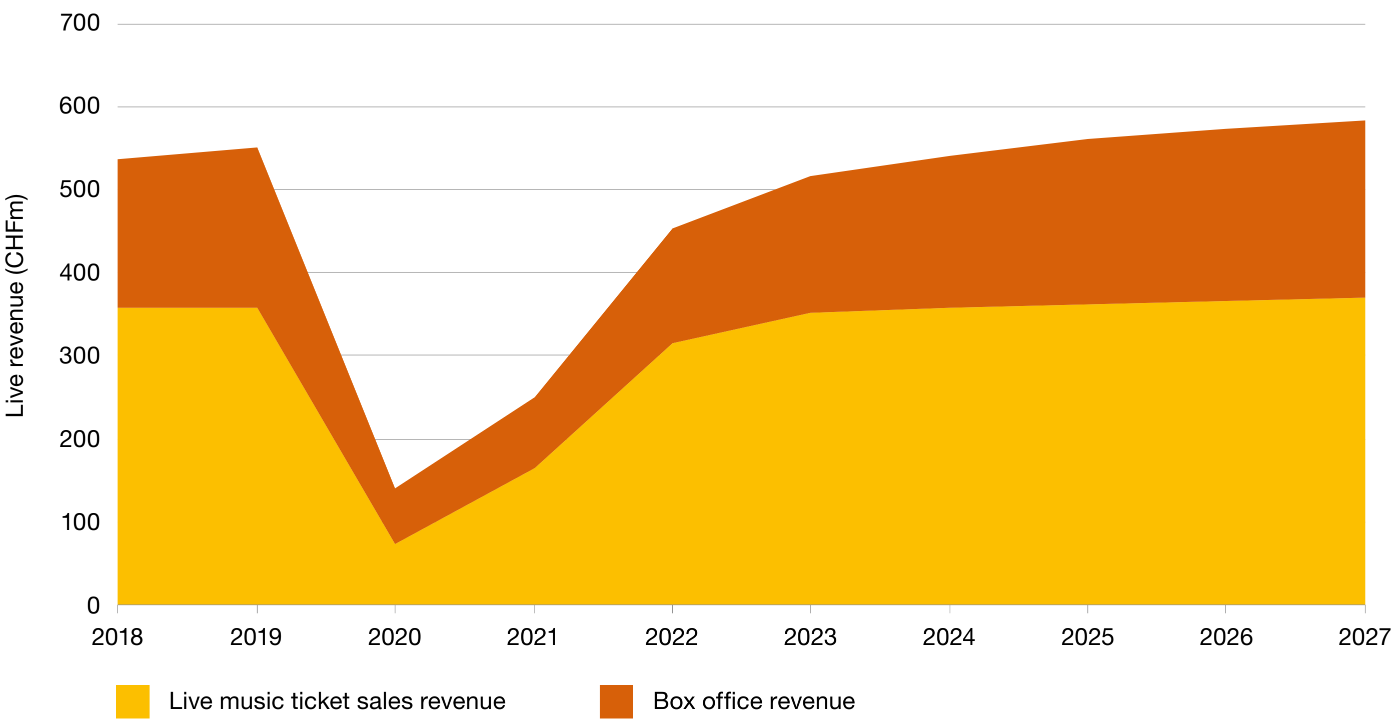
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia



Live events retain appeal in post-COVID world

Live events were hit hardest by COVID-19 restrictions throughout 2020 and 2021, as the population was put in lockdown or otherwise restricted from attending live events. This caused many scheduled events to be either cancelled or postponed, leading to a severe decline in consumer-live-event revenue (cinema box office and live music ticket sales combined) of -74.6% year-on-year in 2020 from 2019. However, as COVID-19 restrictions were lifted partially in 2021, and fully in 2022, live shows were quick to return to growth. Both live music revenue and box office revenue are now set to exceed 2019 levels in 2025. The overall picture is positive given the uncertainties of how COVID-19 might have affected consumer behaviour in the long term. The pull of live experiences remains compelling: the Swiss OpenAir brand, for example, hosted a series of festivals in summer 2023. A combined CAGR of 5.2% to 2027, from a base that was only partially disrupted by the effects of COVID-19 in 2022, is a positive for companies in the space – and far higher than the 1.9% CAGR predicted for overall consumer revenue over the next five years. These two lines combined will account for CHF584m in 2027 – more than 7% of total consumer revenue excluding internet access.

Fig. 10: Live events shake off COVID-19 and will record new highs
Switzerland, live music ticket sales revenue and box office revenue, 2018-2027 (CHFm)



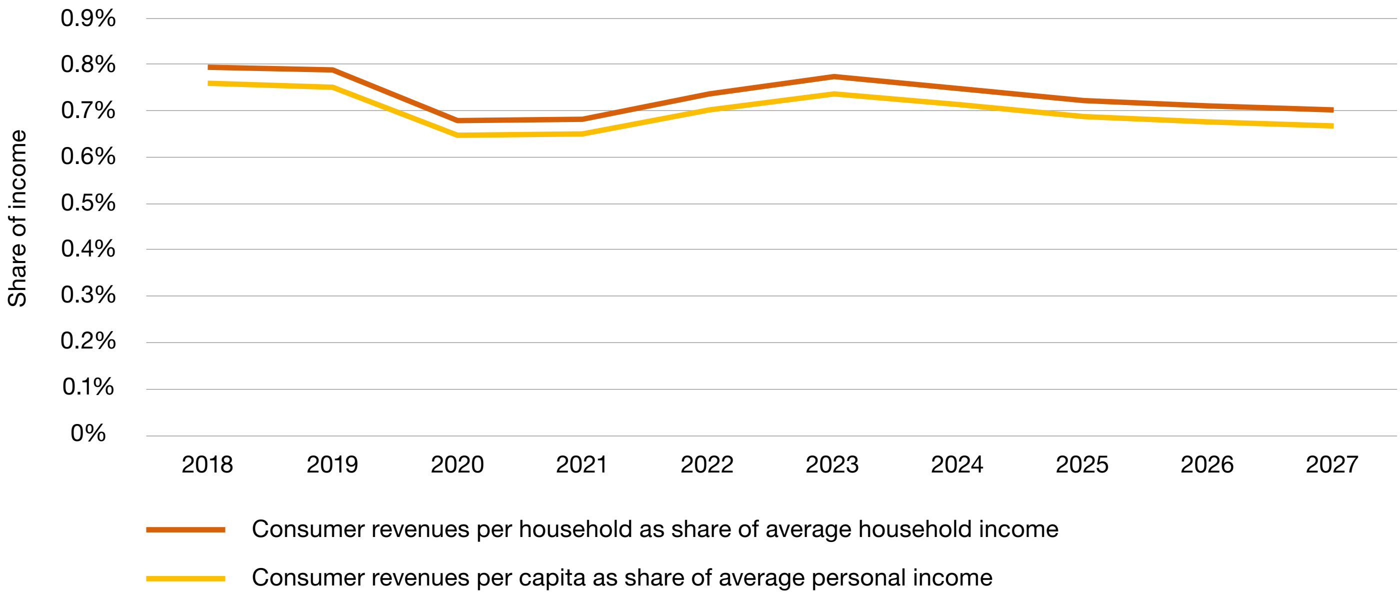
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Consumer spending per capita set to fall until 2027

Examining consumer-based E&M revenue per capita brings up interesting trends that require deeper analysis to explain. As time progresses over the forecast period, consumer spending per capita will largely decline in Switzerland (and indeed, around the world), from 0.76% of average personal income in 2018 to 0.67% in 2027. The same trend will occur in terms of consumer revenues per household (0.8% to 0.7%). What we are seeing here is, generally speaking, the continued shake-out from expensive non-digital options being replaced by cheaper digital alternatives. The most prominent example here is TV, where consumers continue to move slowly away from expensive pay-TV packages to cheaper OTT alternatives: subscription TV households have a forecast -0.5% CAGR to 2027. Consumers thus continue to receive compelling viewing content but need to spend less of their income to do so. In newspapers and magazines, the trend is also prevalent, albeit more played out. Expensive print editions are abandoned year after year, with the plethora of ad-supported free online options meaning many consumers are no longer paying for news content at all.

Even digital consumer revenue spending per capita itself will slowly decline over time. Various factors explaining this include renewed investment in free or lower-cost ad-supported models, as shown by the likes of Netflix in recent times. So-called “freemium” games will also continue to proliferate: in October 2022, popular EA title The Sims 4 went free-to-play after more than eight years of charging for each copy. Consumer spending will continue to be healthy, of course, but E&M providers may need to put additional efforts into making their premium experiences compelling.

Fig. 11: Consumers set to spend less of their income on E&M each year
Switzerland, consumer spending on E&M per capita, 2018-2027 (%)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The increases in digital spending are, naturally, only permitted by strong nationwide network connectivity. Market leader Swisscom launched 5G in April 2019, and already covers over 99% of the population with its 1Gbps 5G network. It is expanding the 5G network to provide speeds of up to 2Gbps, currently covering over 75% of the country's population. Sunrise launched 5G in 2Q19; its network now covers more than 96% of the Swiss population with basic 5G (up to 1Gbps) and over 1,132 places with high-speed 5G (up to 2Gbps). Salt was the last operator to launch its commercial 5G services in 3Q20; it aims to provide 100% 5G population coverage by the end of 2023. By March 2023, 91% of all Swiss homes and businesses were also provided with 80Mbps ultrafast broadband (UBB), 80% over 200Mbps, and 43% with speeds up to 10Gbps. Swisscom plans to increase fibre-to-the-home (FTTH) coverage to 55-60% by the end of 2025. This is the bedrock on which digital E&M experiences can thrive, including the "Swisscom blue" product family, which combines all of Swisscom's entertainment offerings. Indeed, for 2022, the Brand Finance Switzerland 50 2022 report rated Swisscom as the year's strongest brand in Switzerland, ahead of Lindt and 2021 winner Rolex.

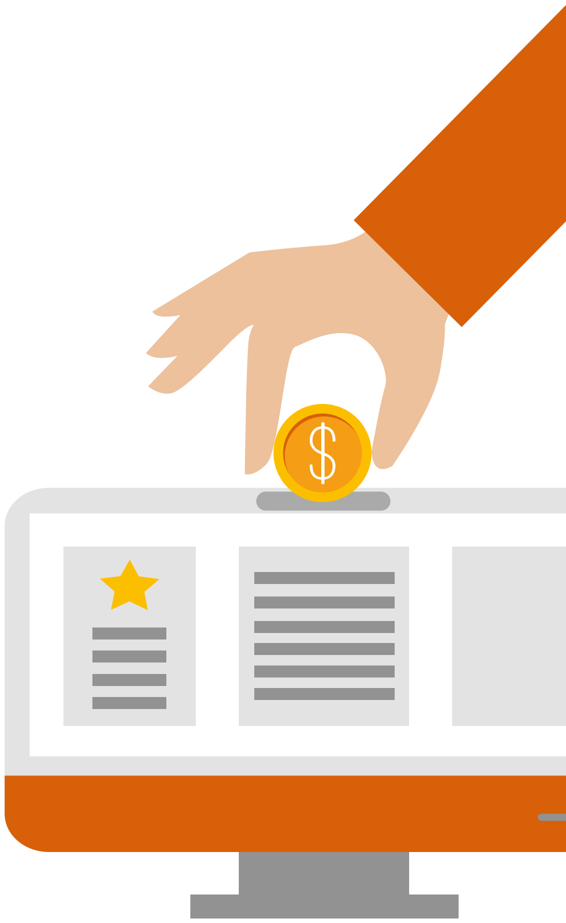
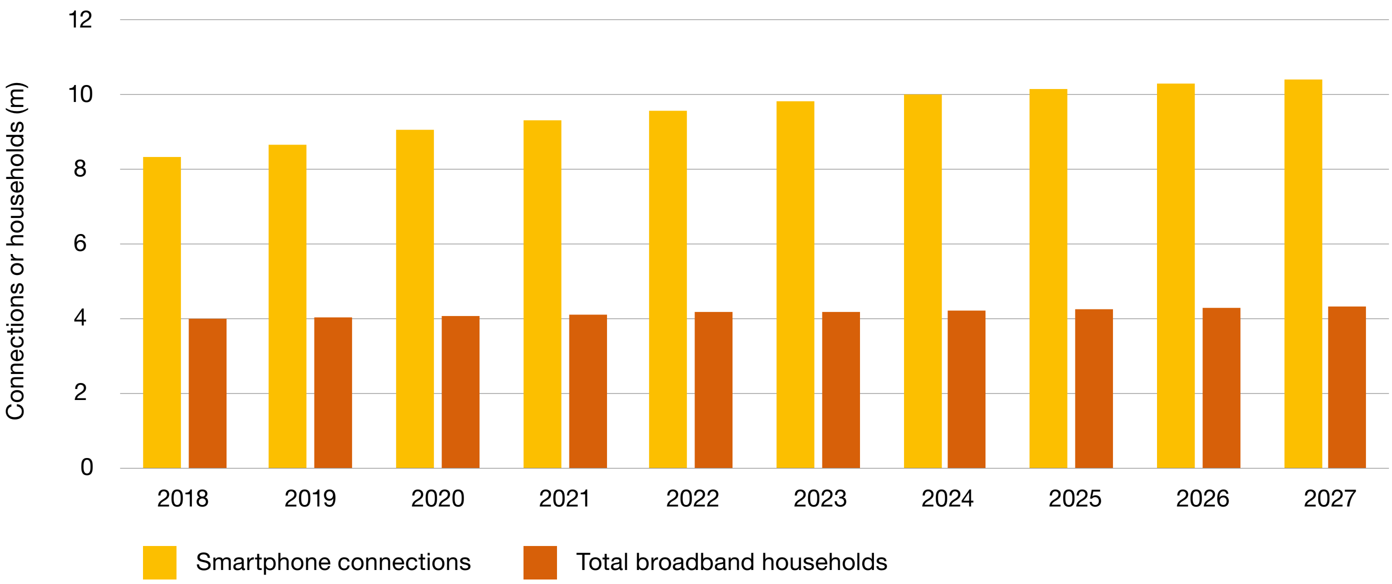


Fig. 12: Strong internet access is ubiquitous across Switzerland
Switzerland, smartphone connections and broadband households (m), 2018-2027



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Advertising spending

After an enormous 17.6% rise in advertising revenue in 2021, 2022 saw more muted, but still above-average, growth of 5.2% year-on-year to CHF4.9bn. This was in large part due to rebounds in OOH, cinema, and trade show advertising made possible by a return to normality post-pandemic. However, internet advertising, which accounted for 55.5% of total E&M advertising in 2022, was the most significant contributor, posting a 5.7% increase. Looking ahead, with internet advertising quickly maturing and falls in print and TV advertising still to play out, a 1.3% CAGR is predicted, meaning advertising revenue will reach CHF5.2bn in 2027.

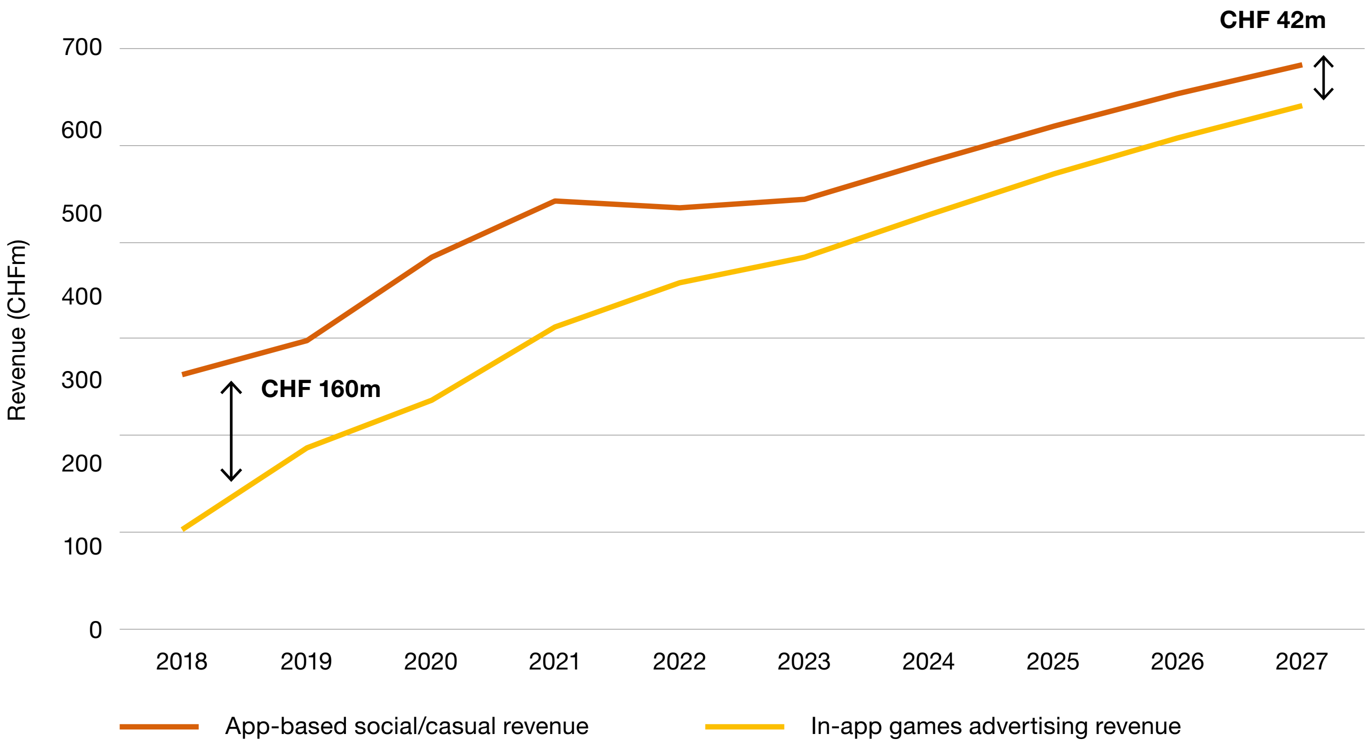
Fig. 13: Advertising growth set to prove hard to come by in outer years of forecast
Switzerland, advertising E&M spending, 2018-2027 (CHFm)

Total advertising market (CHF millions)											
Switzerland	**Historical data**					**Forecast data**					**CAGR %**
Category	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2022-27**
Business-to-business	301	310	161	212	263	290	310	323	332	339	
Year-on-year (%)		2.9%	-48.2%	32.1%	23.8%	10.4%	6.8%	4.1%	2.8%	2.1%	5.2%
Cinema	32	34	9	14	24	27	28	29	29	30	
Year-on-year (%)		4.8%	-73.5%	58.3%	70.4%	10.7%	4.9%	3.3%	2.2%	1.1%	4.4%
Internet advertising	1,794	1,921	2,025	2,581	2,728	2,843	2,939	3,026	3,102	3,158	
Year-on-year (%)		7.0%	5.4%	27.5%	5.7%	4.2%	3.4%	3.0%	2.5%	1.8%	3.0%
Music and radio	230	233	141	169	209	227	233	237	240	241	
Year-on-year (%)		1.3%	-39.7%	20.4%	23.3%	8.9%	2.8%	1.6%	1.1%	0.7%	3.0%
Newspapers and consumer magazines	1,091	1,016	843	843	805	770	743	722	707	697	
Year-on-year (%)		-6.8%	-17.0%	0.1%	-4.6%	-4.3%	-3.5%	-2.7%	-2.1%	-1.5%	-2.8%
Out-of-home	463	484	373	382	447	478	492	496	498	499	
Year-on-year (%)		4.5%	-22.9%	2.4%	17.0%	6.8%	3.1%	0.8%	0.4%	0.1%	2.2%
TV advertising	781	722	635	697	684	666	662	644	625	601	
Year-on-year (%)		-7.6%	-12.0%	9.7%	-1.9%	-2.7%	-0.5%	-2.7%	-2.9%	-3.8%	-2.5%
Video games	143	228	277	353	399	426	470	513	551	585	
Year-on-year (%)		59.8%	21.7%	27.4%	12.9%	6.7%	10.4%	9.0%	7.5%	6.1%	8.0%
VR and AR	4	10	18	24	54	66	76	84	90	93	
Year-on-year (%)		134.5%	69.5%	33.8%	129.1%	22.2%	15.5%	9.9%	6.7%	4.3%	11.5%
Total advertising	**4,518**	**4,527**	**3,976**	**4,675**	**4,918**	**5,042**	**5,132**	**5,186**	**5,226**	**5,242**	
Year-on-year (%)		**0.2%**	**-12.2%**	**17.6%**	**5.2%**	**2.5%**	**1.8%**	**1.1%**	**0.8%**	**0.3%**	**1.3%**

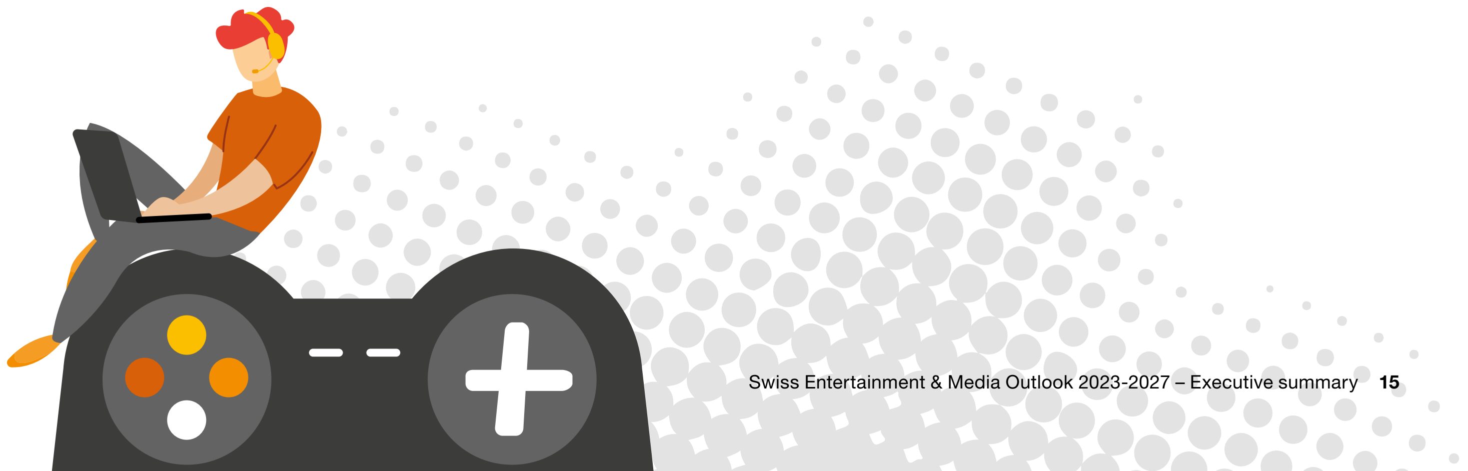
Total excludes double counting
Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

The in-game advertising market is expanding particularly rapidly, contributing to an 8.0% CAGR for video games advertising. As the mobile games market continues to broaden and reach increasing numbers of casual consumers, developers are increasingly turning to advertising to supplement – or even replace – other forms of monetisation. Shifts in advertising formats are also playing a crucial role. Rewarded ads – which offer in-game incentives for opting in to view an advertisement – have helped to reframe advertising as a positive in the eyes of consumers, while playable and intrinsic ads can each offer unique benefits to both games publishers and advertisers. As a result, what was a CHF160m delta between app-based social/casual consumer games revenue and in-app game advertising revenue in 2018 had fallen to CHF77m in 2022 and will shrink further to CHF42m in 2027.

Fig. 14: In-app advertising rises in importance for the mobile games market
Switzerland, app-based social/casual vs in-app games advertising revenue, 2018-2027 (CHFm)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia



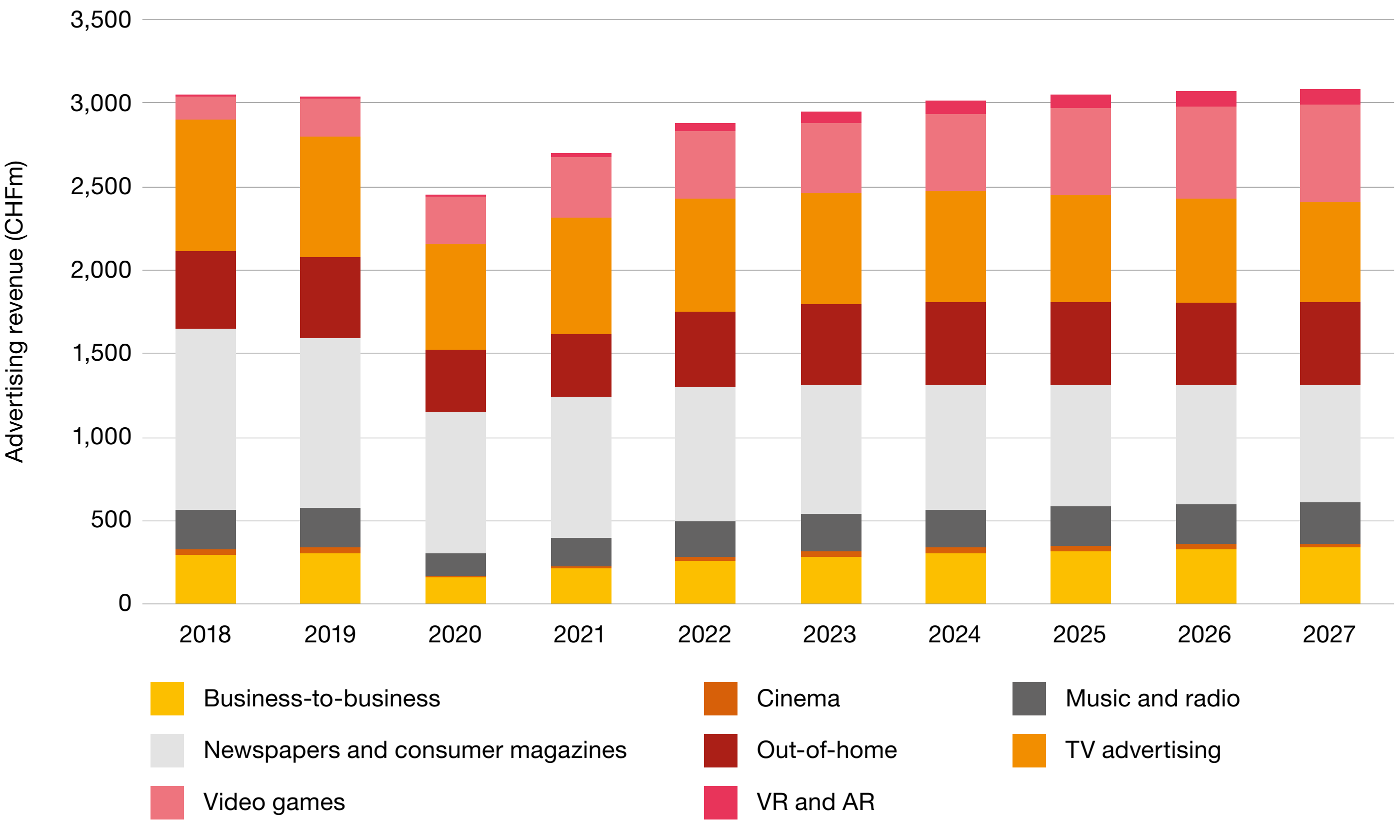
Linear TV declines but remains important for advertisers

Traditional linear TV broadcasters face new, very high-profile competition for advertising budgets. The likes of Netflix and Disney+ have adopted hybrid monetisation models, with advertising a new focus. But given the right circumstances, linear TV can still garner exceptional viewing levels. There are still occasions where families and friends gather together in a living room for a communal viewing experience in front of the TV set – the FIFA World Cup Final or major news events, for example. Even beyond regular special events, this viewing activity often centres around sport, news and primetime entertainment shows. For some older demographics in particular, linear TV continues to be a principal entertainment choice on a day-to-day basis.

Linear TV's unique selling point of reach and scale has long been considered by advertisers as the best way to reach as many consumers as possible and build the all-important brand awareness that they crave. While the uniqueness of TV's scale is no longer as clear as it once was, with digital alternatives continuing to grow, linear TV is still perceived as the best location to achieve that mass, simultaneous reach. Digital advertising's strength is seen as offering short-term call-to-action boosts, but TV remains key to the building and reinforcing of brands over the medium to long term.

While older demographics will, by and large, continue watching traditional linear TV, it is important that broadcasters also engage with younger audiences. To do so, they need to make their own online video streaming platforms increasingly compelling. As digital linear alternatives such as free ad-supported streaming television (FAST) continue to grow, advertisers favouring placements within a linear environment will split their budgets between traditional linear TV and online linear alternatives. Traditional broadcasters need to be ready with an offer that can satisfy both requirements and so keep those revenues within their own universe.

Fig. 15: TV remains a sizeable chunk of the advertising mix
Switzerland, advertising E&M spending (without internet advertising), 2018-2027 (CHFm)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

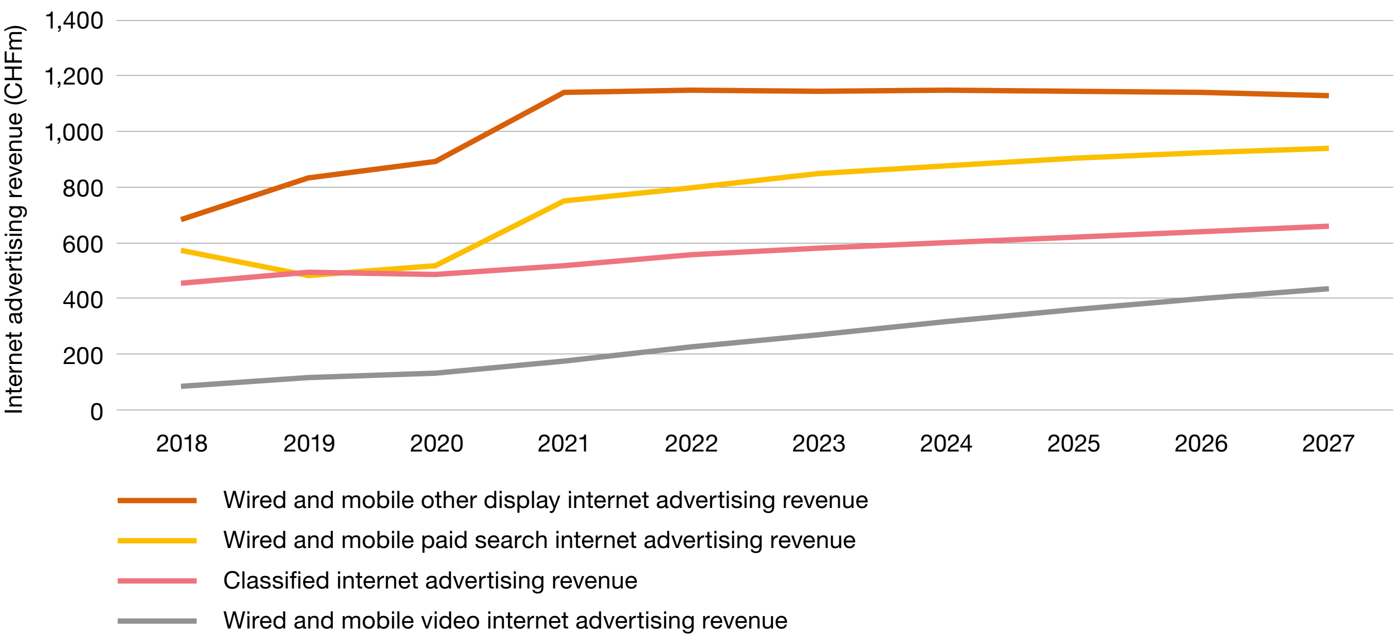
Internet advertising is removed from the chart above because of the skewing effect it has on revenue. Though much industry talk and attention goes towards video internet advertising, that will remain the smaller part of the Swiss internet advertising market to 2027, behind all of search, classified and other display.

AI and e-commerce set to drive search internet advertising

The role of paid search advertising as a highly attributable way to monetise internet usage by consumers will become increasingly important over the forecast period. Although growth in paid search advertising revenue is expected to decelerate, revenue will still increase at a 3.3% CAGR to CHF923m in 2027.

Mobile's share of this total will grow from 42.4% in 2022 to 49.2% in 2027, as consumers increasingly search for location-specific events, products and services while outside the home and as paid search becomes an increasingly important driver of promotion strategies for mobile content and apps.

Fig. 14: In-app advertising rises in importance for the mobile games market
Switzerland, app-based social/casual vs in-app games advertising revenue, 2018-2027 (CHFm)



Source: Switzerland Entertainment and Media Outlook, PwC, Omdia

Meanwhile, new AI technologies will serve as both a threat to, and an opportunity for, traditional internet search engines. For example, February 2023 saw Microsoft integrate OpenAI's GPT-4 model into its Bing search engine, allowing new, conversational search experiences. This move coincided with Google's announcement of its own consumer-facing conversational AI competitor, Bard. While Bard is positioned as a complement to rather than a replacement for Google search, its functionality is ostensibly similar. The potential for disruption caused by AI has been picked up in Switzerland too. In March 2023, Nexoya, a Swiss start-up company using AI and machine learning to assist with multi-channel advertising campaigns, picked up CHF4.8m in funding to accelerate growth.

Although such conversational engines have the potential to massively disrupt the core internet search experience – and, by extension, the paid search advertising revenue stream – early results have been mixed in terms of accuracy. Indeed, AI's short- to medium-term role in the paid search segment is likely to improve the contextual relevance, accuracy and usefulness of search results rather than replace search entirely. While AI has been used for some time in other forms of online advertising, its role is expected to increase to achieve further personalisation and targeting of advertisements at scale and speed. Improvements made to chatbots mean that AI responses are rendering click-through unnecessary for some queries (that is, the AI response itself is satisfactory, meaning users do not have to open a new site to find an answer), which could have wider implications for traffic and the effectiveness of the paid search model in the long term.

A more immediate driver of the paid search segment is the increasing prevalence of e-commerce in the space. This increase is being driven not only by Google and Microsoft making their search engines more shoppable, but also by the rise of retail media business for prominent retailers and technology vendors. Brands are seeking greater return on investment (ROI) as economic uncertainty puts pressure on their advertising budgets. As a result, paid search campaigns on retailers' sites and apps – which can easily be tied directly to purchases – will grow in importance and generate more advertising revenue. It is also driving up the value of retailers' first-party data, especially as e-commerce activity continues to grow.

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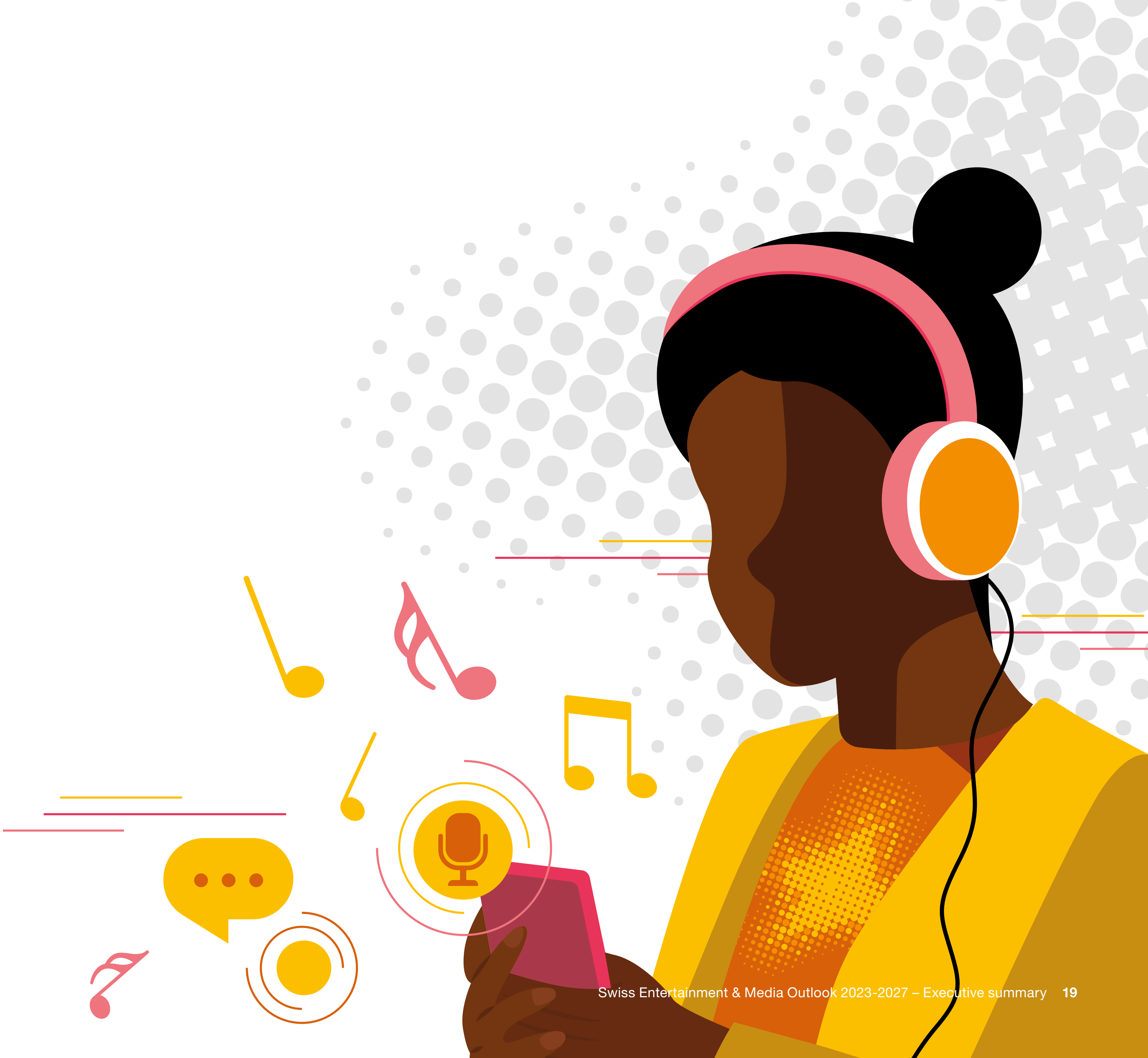

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