

DIGITAL MEDIA

THE UK HAS THE MOST VIBRANT AND
ADVANCED DIGITAL MEDIA INDUSTRY IN
EUROPE, DRIVEN BY UK CONSUMERS' HUGE
APPETITE FOR DIGITAL SERVICES AND DEVICES

THE MARKET OPPORTUNITY

- The UK has one of the world's most advanced digital media industries.
- It is Europe's largest market for MP3 players, digital music downloads, flat panel TVs and video games.
- It is Europe's leading market for take-up of digital TV services, and also lead market for ICT related services.
- The UK has the highest proportion of internet advertising of any developed economy.
- Almost 90 per cent of the UK population now have at least one digital TV in their home.¹
- The UK has the most extensive broadband market of the G7 countries.¹
- By 2012, £1 in every £5 of all new commerce in the UK will be spent online.¹



THE MOBILE ADVERTISING MARKET IS WORTH AROUND £30 MILLION IN THE UK.²



THE UK IS THE LARGEST INDIVIDUAL MOBILE MUSIC MARKET IN RESEARCH COMPANY EMARKETER'S EU-5 GROUPING OF COUNTRIES. IT PREDICTS MOBILE MUSIC RETAIL REVENUES IN THE FIVE EU COUNTRIES WILL REACH \$1.4 BILLION BY 2012 – UK WILL ACCOUNT FOR AROUND A THIRD OF THIS TOTAL.

THE SUPPLY CHAIN

- The high level of take-up of new networks and devices by UK consumers creates a market environment which unlocks new commercial possibilities and encourages innovation in new content, services and applications.
- Digital media employs a highly educated and talented workforce based throughout the UK. The South West of England, for example, is home to more than 1,800 digital media companies, creating cutting edge solutions for blue-chip clients.³
- The UK has one of the most experienced research and skills base in content development for film, TV, music and games. Example of UK research are displays, batteries, machine learning, Artificial Intelligence, speech technologies, and semantic web which are important for content to work.
- Outside of the USA, the UK has the best screen supply chain structure in the world.
- The UK is also home to over 40 per cent of Europe's electronic design industry.

FILM

- The UK is one of the few places in the world that are recognised to have all the skills, equipment and technologies required to produce major Hollywood films.⁴
- The diversity and quality of UK films and talent resonate across borders, cultures and societies, winning respect, audiences and awards all over the world.
- Excellence in technical innovation and the depth and expertise of its skills and services makes the UK a world-class production partner.
- The UK provides a film-friendly environment for all productions, at both the pre and post stage. The favourable tax system and infrastructure for inward investment and co-production, the enthusiasm of the UK public and Government, unique shooting locations and the multitude of entertainment options open to visiting and domestic productions all make the UK an ideal place to produce.
- Recent statistics published by the UK Film Council show that total UK spend value for the first half of 2009 was £535 million of which £436 million was accounted for by inward investment films such as Harry Potter and the Deathly Hallows (Warner Bros), Clash of the Titans (Warner Bros) and Gulliver's Travels (20th Century Fox).



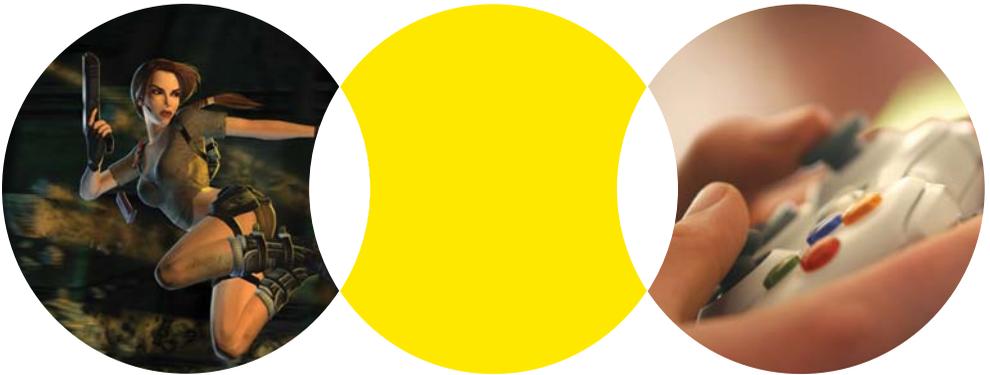
THERE ARE OVER 100 PRODUCTION STUDIOS IN THE UK, RANGING FROM LARGE STUDIOS CAPABLE OF HOUSING THE BIGGEST SETS TO SMALL STUDIOS CATERING FOR MUSIC VIDEOS AND COMMERCIAL WORK. LEADING EXAMPLES INCLUDE PINEWOOD, SHEPPERTON, ELSTREE, THREE MILLS AND EALING. WARNER BROTHERS RECENTLY ACQUIRED LEAVESDEN STUDIOS IN HERTFORDSHIRE, MAKING IT THE ONLY MAJOR HOLLYWOOD STUDIO TO HAVE A PERMANENT BASE OUTSIDE OF THE USA.

MOBILE CONTENT AND COMMUNICATIONS

- The UK is the largest and most profitable mobile market in the EU with revenues of over £12 billion of which mobile content is around £1 billion and growing significantly due to improved mobile devices and flat rate monthly billing for calls and data.⁵
- The advent of flat rate data billing for mobile web and the improvement in Smartphones is expanding the market in the UK for engaging, rich mobile content and services, such as location based services and connected applications.
- The launch of the iPhone and the App store lead the way for handset manufacturers and operators to open their business models. This has led to opportunity and revenue shares for developers of mobile content and services.
- Publishers are developing their business models for PC and Mobile platforms, with notable successes e.g. The Guardian newspaper iPhone paid app had over 100,000 downloads in one month (February 2010).

DIGITAL GAMES

- The UK is the largest digital games consumer market in Europe and is a leading location for world-class games development.⁶
- In the UK in 2008-09 video games software sales were £1.62 billion with 114.2 million units sold.⁷
- Online gaming has increased in line with improved internet infrastructure and broadband speeds and in response to demand.
- The UK games industry employs a total of more than 22,000 people in studio, publishing and retail positions.³
- The UK has double the number of console developers than France and Germany combined.⁸
- UK games talent continue to attract international business; many of the major players in the Games Industry have UK-based development studios, including Microsoft, Sony, Electronic Arts, Disney and Square Enix. In addition, many of these overseas corporations have established their European headquarters in the UK.



One of China's largest online games companies, Sohu Games, established ChangYou Games in London in 2009 with the support of UK Trade and Investment. Since setting up base in Hammersmith, Changyou.com have employed 12 staff focusing on marketing with a view to expanding these numbers later in 2010.

"UKTI's support has been invaluable in helping Sohu Games establish ChangYou.com in the UK and gaining an appreciation of the market and potential partners. For creative content companies it is always difficult to enter new territories and UKTI have enabled us to speed up our progress and rightly inform our decision making."

Aileen Yang, ChangYou's General Manager

PUBLISHING

- The UK has the second-largest publishing industry in Europe and one of the largest in the world.
- It has a turnover of over £20 billion, with 8,500-plus companies employing around 167,000 people.⁹
- The Association of Online Publishers' Organisation census survey revealed 75 per cent of media owners plan to increase investment in their digital business.
- The success of the UK publishing industry has had a global impact, driven by the dominance of the English language.
- The UK publishing industry leads the way in technical and commercial innovation and the fight against piracy and gave the world many of the basics of modern publishing practice.
- The UK is a world-leader in the development of international standards for the electronic access and delivery of content, bibliographic information and publishing e-commerce.



Tom St John, Chief Executive Officer of Canadian company, Kontexto, a provider of digital tools to the publishing industry, states: "UKTI provided Kontexto with the regional market knowledge required to help us set up our UK operations intelligently and efficiently. Working with the UKTI staff saved us time, money and made sure we were on the right track to establishing our company in the UK. UKTI worked with our senior executives to provide several meaningful business introductions to decision makers in the UK media sector, which has translated into direct business for our company. We look forward to building our relationship with UKTI in the years to come".

TELEVISION

- The UK television industry is characterised by a strong independent sector, and has an unrivalled international reputation for the quality, quantity, creativity and diversity of its programming.
- The UK television industry is known worldwide for its pioneering spirit and innovation, and is a world leader in digital broadcasting and development of broadcasting technology.
- The UK was the first country to launch digital TV services in 1998 and is the world's most advanced digital TV market, with all platforms being utilised and explored.
- BSkyB launched its high-definition (HD) services in the UK in 2006 and is launching Sky 3D, Europe's first dedicated 3D TV Channel in 2010. Substantial HDTV production and postproduction facilities are in place as HD services come on stream.
- Technologies such as video-on-demand, personal video recorders and broadband are increasingly transforming the UK television market into an on-demand service.

ANIMATION

- The UK is considered a world leader in animation and boasts an internationally renowned expertise in a wide range of specialisms.
- The UK is renowned for the quality of its highly educated and trained workforce and its nurturing of top animation talent.¹⁰
- The animation industry in the UK produces animated content on television, in feature films, commercials, websites and computer and video games.
- The UK is globally renowned for its expertise in pre-school storytelling and design animation. Key examples include cut-out multimedia animation series Charlie and Lola (Tiger Aspect Productions) and Shaun the Sheep (Aardman Animations), which has won numerous international awards.
- The UK has an international reputation in short film animation and computer-generated animation for computer and video games.
- The UK boasts some of the world's leading providers of computer-generated visual effects for feature films. Examples include Double Negative, whose extensive portfolio includes the Harry Potter film series.



Peter Lord and David Sproxton began their animating partnership at school. In 1972 they registered the name Aardman Animations and created Morph for the children's programme 'Take Hart'. The studio has had seven Oscar nominations, and has won four, including the Oscar-winning Wallace & Gromit series.

"Since Peter and I set up Aardman in the middle of the 1970s, the animation scene in the UK has changed beyond recognition. Where there was once only a small handful of colleges teaching animation skills, there are now over 200 to choose from. Where once there was only a cottage industry with a small number of companies producing work for television, there is now an industry employing thousands, producing work for large scale feature films, television series and television commercials which are seen across the world. The UK's skill base has grown massively and is now recognised across the world as being first class and award winning. We ourselves have benefited from these changes and employ talent from across the UK... and keep our eyes on the animation talent coming out of the many UK colleges in particular."

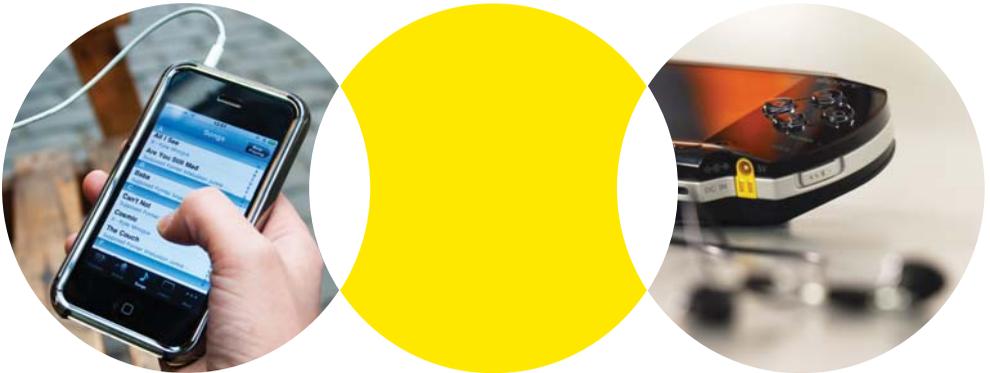
Dave Sproxton, Co-founder and Executive Chairman of Aardman Animations Ltd



MORE THAN THREE QUARTERS OF THE UK'S ANIMATION WORKFORCE ARE GRADUATES AND OVER A THIRD HAVE A POST-GRADUATE QUALIFICATION.³

LOCATION OF CHOICE

- More overseas companies set up their European headquarters in the UK than anywhere else.¹¹
- The UK is the number one gateway to Europe, giving easy access to the 27 member states of the European Union, the world's single largest market, with its population of nearly 500 million.
- The UK secured 1,744 inward investment projects in the year to March 2009, maintaining its position as the number one investment location in Europe.
- The World Bank ranks the UK fifth in the world on "Ease of Doing Business" making it the highest ranking country in Europe.¹²
- The UK is one of the easiest places to set up and run a business in Europe. Setting up in the UK takes just 13 days.¹²
- The UK has one of the most open, competitive and transparent tax, security and regulatory environments in the world.



The UK Government has a strong commitment to the promotion of research & development (R&D). The Technology Strategy Board (TSB) draws on a rolling three year budget (£3 billion for 2009-11) to fund projects involving business and foreign-owned companies through a variety of programmes. This commitment is further supported by the Government's R&D Tax Credit scheme. Further details of these and other public funding opportunities are available from UKTI.

How UKTI can help you

UKTI can help you to assess the opportunities in the UK for your organisation, whether you are, for example, seeking to locate in the European market, exploit a new technology, access technical talent within the UK, or looking to partner with UK companies.

UKTI can provide information in a range of areas such as market opportunities, local skills and expertise, industry clusters, universities, incentives and funding support.

For further information and advice, please contact your local UK Trade & Investment office from our global contact list at:

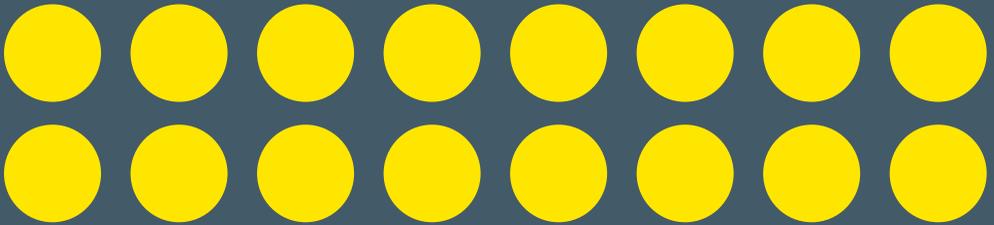
www.ukti.gov.uk/invest.html

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www.ukti.gov.uk



Reference:

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- 2 Internet Advertising Bureau, www.iabuk.net
- 3 Skillset, www.skillset.org
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- 10 NESTA, www.nesta.org.uk
- 11 European Investment Monitor, www.eyeim.com
- 12 World Bank: Doing Business 2010, www.worldbank.org

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