

PRESS RELEASE

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Online advertising to grow seven times faster than offline advertising in 2007

- ZenithOptimedia forecasts global internet adspend to grow 28.2% in 2007, while adspend in other media grows 3.9%
- The internet's share of total adspend will increase from 5.8% in 2006 to 8.6% in 2009, and is headed for well over 10%
- The internet will overtake outdoor this year and radio in 2009

Global advertising expenditure by medium

US\$ million, current prices *Currency conversion at 2005 average rates.*

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------|----------------|----------------|----------------|----------------|----------------|
| Newspapers | 119,178 | 123,460 | 127,125 | 131,179 | 135,228 |
| Magazines | 52,993 | 54,807 | 57,021 | 59,450 | 62,078 |
| Television | 151,187 | 160,391 | 167,149 | 176,671 | 184,502 |
| Radio | 34,348 | 35,443 | 36,543 | 37,821 | 39,548 |
| Cinema | 1,697 | 1,812 | 1,938 | 2,087 | 2,272 |
| Outdoor | 21,769 | 23,473 | 25,190 | 27,054 | 29,126 |
| Internet | 18,712 | 24,454 | 31,344 | 36,926 | 42,685 |
| Total | 399,883 | 423,839 | 446,310 | 471,189 | 495,438 |

Share of total adspend by medium 2005-2009 (%)

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------|-------------|-------------|-------------|-------------|-------------|
| Newspapers | 29.8 | 29.1 | 28.5 | 27.8 | 27.3 |
| Magazines | 13.3 | 12.9 | 12.8 | 12.6 | 12.5 |
| Television | 37.8 | 37.8 | 37.5 | 37.5 | 37.2 |
| Radio | 8.6 | 8.4 | 8.2 | 8.0 | 8.0 |
| Cinema | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |
| Outdoor | 5.4 | 5.5 | 5.6 | 5.7 | 5.9 |
| Internet | 4.7 | 5.8 | 7.0 | 7.8 | 8.6 |

ZenithOptimedia predicts that internet adspend will grow 28.2% in 2007, while the rest of the market grows 3.9%. The rise of the internet has been dramatic. It has taken only eleven years to overtake two long-established media: cinema (which it overtook in 1997) and outdoor (which it overtook this year), and by 2009 it will be larger than radio.

There is still plenty of potential for growth in internet adspend. Internet penetration is peaking at about 70% in the most mature markets, but is only 17% worldwide. Even in the developed markets, the internet receives a much lower share of ad budgets than the amount of time consumers devote to it would suggest it warrants. In 2005 consumers in the USA, Japan and the UK (the top three ad markets) spent 21.9% of their media time using the internet, yet advertisers in these three markets spent only 6.8% of their budgets online – a consumption-to-spending ratio of more than 3:1.

We expect the internet to take nearly 9% of global adspend by 2009, but experience from the most developed markets suggests it is heading for well over 10%. The internet already attracts more than 10% of adspend in three markets (Norway, Sweden and the UK), and by 2009 we expect it to do so in ten markets (Australia, Canada, Israel, Japan, Norway, South Korea, Sweden, Taiwan, the UK and USA). The internet has its highest share in the UK, where it will attract 13.5% of adspend this year and 21.5% in 2009.

Internet expenditure by type

US\$ million, current prices *Currency conversion at 2005 average rates.*

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------|---------------|---------------|---------------|---------------|---------------|
| Display | 7,043 | 8,617 | 10,462 | 11,849 | 13,292 |
| Search | 7,833 | 10,610 | 13,993 | 16,803 | 19,711 |
| Classified | 3,291 | 4,578 | 6,169 | 7,532 | 8,856 |
| Other * | 545 | 649 | 721 | 742 | 825 |
| Total | 18,712 | 24,454 | 31,344 | 36,926 | 42,685 |

** email and mobile advertising*

Paid search is already the largest type of internet advertising, and the gap between search and display is widening. However, display includes video ads and other innovations that are exploiting the creative opportunities offered by high-speed broadband, and still has a lot of potential for growth. Meanwhile classified continues to migrate from print to online.

Apart from the internet, only cinema and outdoor are forecast to grow faster than the market to 2009. Cinema is the smallest of the traditional media – less than a tenth the size of the internet in dollar terms – but it is new and growing quickly in the US. In most developed markets, cinema chains continue to construct new multiplexes and improve the cinema-going experience, attracting higher admissions.

Outdoor continues to gain share as contractors invest in better displays and better research. Outdoor is reaching further into the places where people consume (such as shops, bars) and its high reach means it's a good substitute for TV. Outdoor is hard to avoid, yet not intrusive, and is good for simple brand communication.

Newspapers and magazines are still growing – by 3% and 4% a year respectively. Even after adjusting for inflation, print adspend continues to grow by 1% a year. Classified advertising is migrating to the internet, however, or being substituted by auction or search sites, while newspaper circulation continues to decline in the developed world.

Television's share of adspend has been falling for a while in some markets, but this is the first time we have seen sustained loss of share on a global level. The migration of viewers from premium mass-audience channels to cheap specialist channels (which has been enabled by the spread of digital television) is holding down prices.

Radio is losing share in developed markets, where it is suffering from substitution by paid services (such as satellite radio in the USA) and audio over the internet.

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
US\$ million, current prices. Currency conversion at 2005 average rates.

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| North America | 174,072 | 183,182 | 190,828 | 198,634 | 205,690 |
| Western Europe | 98,111 | 101,544 | 105,391 | 109,706 | 114,442 |
| Asia Pacific | 85,496 | 90,542 | 96,217 | 103,334 | 109,441 |
| Central & Eastern Europe | 23,336 | 27,210 | 31,455 | 35,994 | 41,006 |
| Latin America | 18,401 | 19,732 | 20,568 | 21,570 | 22,647 |
| Africa/M. East/ROW | 10,434 | 12,812 | 14,188 | 15,863 | 17,588 |
| World * | 409,849 | 435,022 | 458,648 | 485,101 | 510,815 |

Source: ZenithOptimedia

* The totals here are higher than the totals in the 'Global advertising expenditure by medium' table above, since this table includes total adspend figures for a few countries for which spend is not itemised by medium

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
Year-on-year change (%)

| | 2005 v 04 | 2006 v 05 | 2007 v 06 | 2008 v 07 | 2009 v 08 |
|--------------------------|------------|------------|------------|------------|------------|
| North America | 3.0 | 5.2 | 4.2 | 4.1 | 3.6 |
| of which USA | 2.9 | 5.2 | 4.1 | 4.1 | 3.5 |
| Western Europe | 3.7 | 3.5 | 3.8 | 4.1 | 4.3 |
| Asia Pacific | 5.4 | 5.9 | 6.3 | 7.4 | 5.9 |
| Central & Eastern Europe | 15.4 | 16.6 | 15.6 | 14.4 | 13.9 |
| Latin America | 18.9 | 7.2 | 4.2 | 4.9 | 5.0 |
| Africa/M. East/ROW | 15.8 | 22.8 | 10.7 | 11.8 | 10.9 |
| World | 5.3 | 6.1 | 5.4 | 5.8 | 5.3 |

Source: ZenithOptimedia

Global adspend continues to grow slightly faster than average, thanks to the benign state of the economy. ZenithOptimedia predicts the world ad market will grow 5.4% in 2007, 5.8% in 2008 and 5.3% in 2009, staying ahead of the 5.1% rate it has grown at for the last ten years. Adspend is not growing faster than GDP, though, so this growth looks sustainable in the longer term.

Asia Pacific, Central & Eastern Europe and the Middle East are driving the above-trend growth; North America, Western Europe and Latin America are behind the world average

The Winter Olympics was popular in North America and boosted ad growth in the first half of this year; the US mid-term elections bolstered the second half. We expect slower 4% annual growth for 2007-2009 as US economic growth continues to subside from its 2004 peak.

Western Europe has lagged North America this year, despite hosting the Winter Olympics (in Italy) and the football World Cup (in Germany). However, we expect its growth rate to edge up each year as the Eurozone economy recovers.

Asia Pacific spend is accelerating in the run-up to the Beijing Olympics in 2008. We expect growth to drop off slightly in 2009, the year after the Olympics, but it should remain faster than the growth in North America, Western Europe and Latin America. China, India and Indonesia all continue to grow at double-digit rates. The gap between Asia Pacific and Western Europe will narrow from US\$11 billion in 2006 to just US\$5 billion in 2009.

The fastest-growing region is Central & Eastern Europe, where ad markets are rushing towards maturity. Although the ad market in Central & Eastern Europe is barely a quarter of the size of the ad market in Western Europe (27% in 2006), we predict it will grow by US\$13.8 billion between 2006 and 2009, ahead of Western Europe, which will grow by US\$12.9 billion.

After very rapid growth in 2004 and 2005, Latin America is settling down to more moderate adspend growth over the next three years. The expansion of Latin America's ad market has been characterised by years of wild growth punctuated by years of steep decline. 4%-5% annual growth looks more sustainable than the 13%-19% we saw in 2004 and 2005, and in fact is slightly higher than the 3.5% average growth rate over the last ten years.

The Middle East is driving the rapid growth of our 'Africa/Middle East/Rest of World' category, thanks to oil dollars and the proliferation of Middle Eastern media. This year's spike in oil prices has caused a corresponding peak in ad market growth, but even after the recent moderation in prices we expect 11%-12% annual growth.

China and Russia are rising quickly through the ranks of the world's largest ad markets. In 2005 China was the seventh-largest; this year it is sixth; and it will take fifth place in 2008. Russia is moving up even faster: it will be 13th this year, eighth in 2008 and seventh in 2009.

China and Russia will be the second and third largest contributors of new dollars to the world ad market between 2006 and 2009, by virtue of their rapid growth and large scale. Each will contribute 9% of the extra ad expenditure. The USA, however, will still add far more ad dollars than any other market (30% of the global total), despite its more modest growth in percentage terms.

Advertising Expenditure Forecasts is published quarterly priced £395. It may be ordered in hard or soft copy from www.zenithoptimedia.com

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