

PRESS RELEASE

Embargoed until 00.01 Tuesday 8 December

Global ad market has stabilised; prospects for 2010 and beyond improving

- After the worst decline in ad expenditure in modern times (-10.2%) in 2009, the world's ad market has now stabilised and will grow 0.9% in 2010
- This is our first upgrade to 2010 for 18 months
- As is usual after a downturn, the market will improve steadily over the next three years, reaching normal 5% growth in 2012
- Paid-search to grow 15% in 2009, driving 9% growth in overall internet advertising
- Internet's share of ad expenditure to rise from 12.4% in 2009 to 16.2% in 2012

The worst recession since the Great Depression has caused an advertising downturn unprecedented in modern times. We estimate that global ad expenditure will have dropped 10.2% over the course of 2009. It is normal for ad expenditure to exaggerate general economic trends: when the economy shrinks, ad expenditure shrinks faster, and by more. The corollary to this is that when recovery is complete, we can expect the ad market to outperform the economy as a whole.

The recovery will take some time. After reaching its lowest point during the last two recessions, the global ad market recovered progressively over the course of the next three years, and we expect the current downturn to follow this pattern. However, we have raised our forecasts for growth in 2010 by 0.4 percentage points to 0.9%. This is our first upgrade to 2010 since we published our forecasts in June 2008, just before the full extent of the financial crisis became clear and the advertising downturn began. We expect the recovery to strengthen steadily as corporate and consumer confidence continue to improve, with 3.9% growth in 2011 and 4.8% growth in 2012.

In some markets new regulations have exacerbated the downturn, or are likely to hinder recovery. In France the public television channels (which attract more than a third of all viewing) began to phase out their advertising at the beginning of 2009, and will be completely ad-free by 2011. In Spain the government plans to remove all advertising from the public channels (which attract more than a fifth of viewing) at the beginning of 2010, and in China the government will reduce the numbers of ads all channels are permitted to broadcast, again from the beginning of 2010. Reducing the supply of television ads will probably raise the price of the remaining airtime, but not by enough to compensate for the lower volume.

The pain inflicted by the ad downturn has been distributed across the globe very unevenly. All the developed markets (in North America, Western Europe and Japan) have suffered substantial losses, and we expect decline to continue in these markets in 2010 as economic growth remains slow and uncertain. We forecast ad expenditure to shrink 2.4% in North America, 0.5% in Western Europe and 3.2% in Japan, before mild growth returns in 2011.

Plenty of markets in the developing world – particularly in Asia Pacific and Latin America – have continued to grow this year, however, and are already picking up speed after a slowdown in the first half of 2009. We expect these regions to return to healthy growth in 2010. Many developing markets in Central & Eastern Europe and the rest of the world have suffered large shocks to their economies and ad markets. We think these shocks are one-off adjustments rather than deep-seated problems, and expect healthy growth next year here too. 27 developing markets have continued to grow during 2009, 12 of them at double-digit rates, and we forecast the number of growing ad markets – out of the 79 we cover – to increase to 63 next year. In 2010 we forecast ad expenditure to grow 8.4% in Asia Pacific (excluding Japan), 8.1% in Latin America, 2.3% in Central & Eastern Europe and 7.0% in the rest of the world.

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)

US\$ million, current prices. Currency conversion at 2008 average rates.

	2008	2009	2010	2011	2012
North America	179,763	156,973	153,277	155,814	160,383
Western Europe	121,039	106,774	106,193	109,117	112,748
Asia Pacific	107,332	103,956	107,897	113,644	120,543
Central & Eastern Europe	35,166	27,528	28,158	30,393	33,267
Latin America	30,405	30,485	32,968	35,081	37,597
Africa/M. East/ROW	20,284	17,988	19,240	21,003	22,822
World	493,988	443,704	447,734	465,052	487,360

Source: ZenithOptimedia

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)

Year-on-year change (%)

	2008 v 07	2009 v 08	2010 v 09	2011 v 10	2012 v 11
North America	-3.7	-12.7	-2.4	1.7	2.9
of which USA	-4.2	-12.9	-2.6	1.6	2.9
Western Europe	-1.5	-11.8	-0.5	2.8	3.3
Asia Pacific	2.3	-3.1	3.8	5.3	6.1
Central & Eastern Europe	12.5	-21.7	2.3	7.9	9.5
Latin America	14.7	0.3	8.1	6.4	7.2
Africa/M. East/ROW	22.4	-11.3	7.0	9.2	8.7
World	1.0	-10.2	0.9	3.9	4.8

Source: ZenithOptimedia

Global advertising expenditure by medium

The internet is the only medium that has grown this year. The downturn has accelerated the structural shift of budgets from traditional media to the internet; in a time when marketing departments have to justify every dollar they spend, the rapid and clear returns offered by internet advertising are more attractive than the longer-term brand-building benefits offered by other media. We forecast internet advertising to grow 9.5% this year, followed by 12% to 13% annual growth over the next three years. In 2012 we expect the internet to attract 16.2% of all ad expenditure. The gap between the internet and newspapers has narrowed from 26 percentage points five years ago to 11 this year, and we forecast it will be just four percentage points in 2012. We expect the internet to overtake newspapers to become the world's second-largest advertising medium by the time we are half way through the next decade.

Paid search is the engine of internet growth: we expect it to grow 15% globally this year, and forecast consistent 14%-15% annual growth over our forecast period. Internet display, by contrast, is only growing by 6% this year, while classified is up just 2%. We do expect display and classified to accelerate in 2010 and 2011, but paid search is steadily increasing its market share. We forecast paid search to attract 53% of internet ad expenditure in 2012, up from 50% this year.

Internet advertising by type

US\$ million, current prices *Currency conversion at 2008 average rates.*

	2008	2009	2010	2011	2012
Display	16,296	17,290	19,044	21,570	24,385
Classified	9,477	9,661	10,197	11,216	12,279
Paid search	23,610	27,119	31,109	35,619	40,847
Total	49,383	54,070	60,350	68,405	77,511

Source: ZenithOptimedia

Television has suffered less than other media because television viewing rises in a recession (it's a cheap but absorbing form of entertainment), and because its brand-building power is a great complement to the internet's strength in generating response and sales. We still expect television advertising to be down 7.6% this year, but its market share has increased from 38.2% to 39.2%, and we expect it to continue to outperform the market over the next three years.

Newspapers and magazines have clearly suffered the most from the downturn, which has exacerbated their structural problems of falling consumer interest and substitution by new media. By 2012 newspapers and magazines will be 26% and 28% respectively below the peak levels they reached in 2007.

Advertising expenditure by medium

US\$ million, current prices Currency conversion at 2008 average rates.

	2008	2009	2010	2011	2012
Newspapers	123,110	101,994	97,854	96,710	95,847
Magazines	56,595	45,116	43,101	42,635	42,711
Television	185,728	171,546	174,942	182,981	192,925
Radio	37,640	33,615	33,101	33,856	35,503
Cinema	2,380	2,178	2,230	2,358	2,493
Outdoor	31,909	28,994	29,611	31,037	32,458
Internet	49,383	54,070	60,350	68,405	77,511
Total *	486,746	437,512	441,188	457,982	479,449

Source: ZenithOptimedia

* The totals here are lower than the totals in the 'Advertising expenditure by region' table above, since that table includes total adspend figures for a few countries for which spend is not itemised by medium.

Share of total adspend by medium (%)

	2008	2009	2010	2011	2012
Newspapers	25.3	23.3	22.2	21.1	20.0
Magazines	11.6	10.3	9.8	9.3	8.9
Television	38.2	39.2	39.7	40.0	40.2
Radio	7.7	7.7	7.5	7.4	7.4
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.6	6.6	6.7	6.8	6.8
Internet	10.1	12.4	13.7	14.9	16.2

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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