

PRESS RELEASE

Internet breaks double-digit ad share barrier

- Internet advertising will take a double-digit share of total ad expenditure in two countries this year, and in eight countries by 2008
- Internet will overtake outdoor this year and is set to overtake radio
- ZenithOptimedia predicts 84% growth in internet ad expenditure between 2005 and 2008
- Smaller advertisers in particular are embracing the affordability and targeting capabilities of the internet

Advertising expenditure by medium

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

	2005	2006	2007	2008
Television	149,910	158,982	167,140	177,650
Newspapers	118,989	123,053	126,844	131,115
Magazines	52,821	54,666	56,995	59,407
Radio	34,232	35,323	36,448	37,746
Internet	18,568	24,091	29,149	34,164
Outdoor	21,753	23,298	25,011	26,807
Cinema	1,690	1,798	1,931	2,099
Total	397,962	421,210	443,519	468,988

Share of total adspend by medium 2005-2008 (%)

	2005	2006	2007	2008
Television	37.7	37.7	37.7	37.9
Newspapers	29.9	29.2	28.6	28.0
Magazines	13.3	13.0	12.9	12.7
Radio	8.6	8.4	8.2	8.0
Internet	4.7	5.7	6.6	7.3
Outdoor	5.5	5.5	5.6	5.7
Cinema	0.4	0.4	0.4	0.4

ZenithOptimedia predicts that internet advertising will take more than 10% of all ad expenditure in two markets this year: the UK (where it will take 12.9% of total expenditure) and Sweden (where it will take 10.5%). This will be the first time internet advertising has a double-digit share anywhere in the world. Other markets will follow; by 2008 we expect there to be eight markets where the internet ad share exceeds 10%: Australia, Israel, Japan, Norway, South Korea and Taiwan, as well as the UK (where we think its share will be 17.2%) and Sweden (13.3%).

The internet's share of global ad expenditure was 4.7% in 2005. We predict it will be 5.7% in 2006 and 7.3% in 2008. At this rate the internet's ad share should reach double-digits worldwide by 2011.

The internet will overtake outdoor's share of total ad expenditure this year, and it is closing in on radio rapidly. ZenithOptimedia predicts the gap between the internet's share and radio's share to narrow from 3.9 percentage points in 2005 to 0.7 points in 2008.

We forecast internet ad expenditure to grow 84% between 2005 and 2008. This is an upgrade from our 76% prediction three months ago, after strong growth continued across the world.

Advertisers in the top-ten categories have been cautious about moving into internet advertising: between 2001 and 2005 the proportion of their budgets allocated to the internet increased from 2.2% to 3.2%. Over the same period the internet's share of total ad expenditure rose from 2.5% to 4.7%. This of course means that advertisers from smaller categories have been spending more than average on internet advertising, which is relatively cheap and can be targeted very effectively. This makes it suitable for smaller advertisers, for some of which mass-media campaigns would be too expensive and have too much wastage. The internet therefore encourages these advertisers to spend more than they would otherwise have done, and is not just cannibalising ad expenditure that would have gone elsewhere.

Advertising expenditure by region

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

	2004	2005	2006	2007	2008
North America	168,927	174,072	183,104	190,784	198,952
Europe	105,388	109,602	114,399	119,406	124,512
Asia/Pacific	80,788	85,173	90,962	97,409	105,747
Latin America	15,476	18,403	19,756	20,504	21,394
Africa/M. East/ROW	18,341	21,633	25,226	28,953	33,570
World *	388,920 *	408,882 *	433,447 *	457,056 *	484,174 *

Source: ZenithOptimedia

* The totals here are higher than the totals in the 'Adspend 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 (%)

	2004 v 03	2005 v 04	2006 v 05	2007 v 06	2008 v 07
North America	6.2	3.0	5.2	4.2	4.3
<i>of which USA</i>	6.0	2.9	5.2	4.2	4.3
Europe	6.2	4.0	4.4	4.4	4.3
Asia/Pacific	6.7	5.4	6.8	7.1	8.6
Latin America	12.7	18.9	7.4	3.8	4.3
Africa/M. East/ROW	27.7	17.9	16.6	14.8	15.9
World	7.4	5.1	6.0	5.4	5.9

Source: ZenithOptimedia

ZenithOptimedia predicts global adspend in major media will grow 6.0% this year, 5.4% next year and 5.9% in 2008. Growth will therefore remain faster than the average growth rate over the last ten years, which was 5.0%.

The mid-term elections in the US will contribute to this year's above-trend growth, but over our three-year forecast period both North America and Europe will actually grow slightly more slowly than they did over the last ten years. Between 2005 and 2008 we predict ad expenditure to grow at an average rate of 4.6% a year in North America and 4.3% in Europe; between 1995 and 2005 the growth rates were 5.4% and 4.7% respectively. This slowdown is partly the result of competition from the internet holding down rates in other media, and partly the result of the maturation of emerging markets in Central and Eastern Europe.

After 2006 the above-trend growth will be driven by Asia Pacific, especially China, India, Indonesia and Japan. Ad expenditure in China is accelerating in the run-up to the Beijing Olympics in 2008, when we expect China to overtake France and become the fifth-largest ad market in the world. We expect Asia Pacific to grow at an average of 7.5% a year between 2005 and 2008, compared with 4.0% a year between 1995 and 2005.

The ten fastest-growing markets between 2005 and 2008 are all from the Middle East, Central Europe and Asia Pacific: Egypt (which we expect to grow 123%), Russia (117%), Romania (101%), Indonesia (83%), Vietnam (77%), Philippines (76%), United Arab Emirates (72%), China (66%), Kuwait (65%) and India (53%).

Advertising expenditure by category

Top ten categories – total ad expenditure

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

	2001	2002	2003	2004	2005
Auto	27.1	33.0	34.4	37.9	40.3
Retail	25.1	26.4	29.0	32.2	33.4
Media	19.0	19.1	21.5	23.5	25.7
Food	18.2	20.7	21.4	22.5	23.8
Telecommunications	14.7	16.3	18.4	20.9	22.8
Finance	15.2	15.5	16.1	18.9	21.2
Cosmetics	11.4	13.2	14.6	15.6	16.6
Medicine	9.9	10.4	11.7	12.9	13.8
Drinks	9.7	10.6	10.5	10.9	11.5
Travel and leisure	8.0	8.6	8.9	9.8	10.3

Telecommunications has been the fastest-growing of the top-ten ad categories over the last five years, growing 55% between 2001 and 2005 as operators have offered new services and handset manufacturers have continually upgraded their range of models. Auto advertising has been the next-fastest growing; suffering from an oversupply of car manufacturing capacity, auto advertisers increased their expenditure by 49% as they have tried to shift their stock with special promotions. Drinks has been the slowest-growing category, increasing by only 18% amid tighter regulation of alcohol advertising.

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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ZenithOptimedia is committed to delivering to clients the best possible return on their advertising investment.

This approach is supported by a unique system for strategy development and implementation, The ROI Blueprint. At each stage, proprietary ZOOM (ZenithOptimedia Optimisation of Media) tools have been designed to add value and insight.

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