

## PRESS RELEASE

ZENITHOPTIMEDIA PUBLISHES *TELEVISION IN WESTERN EUROPE TO 2014*

### **Television advertising's long history of market out-performance is over for good**

### **Subscriptions now the main source of commercial television revenue**

- Television ad expenditure in Western Europe shrank 10.3% in real terms between 2000 and 2003
- Expenditure grew only 0.3% in real terms in 2005. The World Cup will stimulate some extra expenditure, but we forecast real growth will only rise to a below-trend 2.2% in 2006
- We do not expect the ad market to return to its 2000 level (in real terms) until 2008
- In the long run, we expect television advertising to grow 3% a year in real terms, or 6% in current prices – the same rate as the market as a whole
- Pay-TV subscription revenues continue to grow strongly – penetration is still rising and subscribers are paying more for better services
- Subscription revenues exceeded ad expenditure for the first time in 2005

For many years television steadily increased its share of Western European ad expenditure, as public broadcasters and commercial monopolies gave way to fierce competition among commercial channels, unlocking plenty of extra value for advertisers. Now, however, television's share of ad expenditure is levelling off as the internet takes over as the up-and-coming advertising medium. The migration of audiences from general television channels to cheap specialist channels is holding down costs per thousand, and in some markets PVRs are making it easy for early adopters to skip or speed through ad breaks. Television increased its share of total ad expenditure from 24% in 1991 to 32% in 2004; we think its share will still be 32% in 2014.

At the end of 2004 61% of households in Western Europe had cable, satellite or digital terrestrial television, up from 22% in 1991. Penetration has grown steadily since the 1980s (with the exception of a slight decline in 2003), and as services have improved and expanded over the years, subscribers have generally been persuaded to pay more for them. We estimate the average subscriber paid US\$29 a month for pay-TV in 2004, up from US\$25 in 2000 and US\$12 in 1991. We also estimate that pay-TV subscriptions overtook advertising as the main source of commercial television revenues in 2005, and will account for 57% of commercial revenues in 2014.

Satellite television has increased in penetration by over 13 percentage points from 9.1% in 1996 to 22.4% in 2004, but cable is still more popular – at 33% penetration in 2004 – and we expect it to remain so. Most satellite television in Western Europe is now digital, but only 13% of cable households receive digital services. The process of upgrading cable systems to digital is expensive, and there is often little demand for digital cable in markets where viewers are used to receiving cheap and generous analogue packages. By the end of 2004, however, almost 33 million households in Western Europe subscribed to a digital pay-TV service, including pay-DTT. Digital pay-TV penetration has grown from 0.4% in 1996 to 21.2% in 2004, and we forecast that this will increase to 43.0% of all households by 2014.

	<b>Ad expenditure US\$ million Constant 2004 prices</b>	<b>Subscription revenues US\$ million Constant 2004 prices</b>
1991	19,339	6,657
1992	20,397	8,286
1993	20,922	9,804
1994	22,693	11,481
1995	24,079	12,933
1996	24,391	14,850
1997	26,007	16,741
1998	27,965	18,443
1999	30,200	20,626
2000	32,536	22,464
2001	29,990	25,256
2002	29,301	26,794
2003	29,192	27,957
2004	30,727	29,374
2005	30,834	31,350
2006	31,526	34,065
2007	32,324	36,640
2008	33,020	39,185
2009	34,270	41,457
2010	35,214	43,490
2011	36,398	45,178
2012	37,622	47,746
2013	38,658	50,108
2014	39,908	52,250

	<b>Multichannel penetration * %</b>	<b>Digital pay-TV penetration %</b>
1991	21.6	0.0
1992	25.4	0.0
1993	29.2	0.0
1994	31.7	0.0
1995	34.9	0.0
1996	39.4	0.4
1997	42.3	1.6
1998	45.1	3.3
1999	49.5	7.7
2000	51.8	12.1
2001	54.4	15.4
2002	55.6	17.1
2003	55.5	18.7
2004	57.8	21.2
2005	60.0	24.8
2006	61.7	27.4
2007	63.7	30.3
2008	65.0	32.6
2009	66.4	34.9
2010	68.0	37.1
2011	69.3	39.0
2012	70.4	40.6
2013	71.1	41.8
2014	71.8	43.0

*\* excludes free-DTT to avoid double-counting homes with free-DTT and pay cable/satellite*

Television in Western Europe to 2014 costs £335. *It may be ordered in hard or soft copy from [www.zenithoptimedia.com](http://www.zenithoptimedia.com)*

For further information, please contact:

**Jonathan Barnard**

*Head of publications*

Tel: +44 20 7961 1192

Fax: +44 20 7961 1199

e-mail: [jonathan.barnard@zenithoptimedia.com](mailto:jonathan.barnard@zenithoptimedia.com)

**Nicky Hutcheon**

*Senior publications executive*

Tel: +44 20 7961 1195

Fax: +44 20 7291 1199

e-mail: [nicky.hutcheon@zenithoptimedia.com](mailto:nicky.hutcheon@zenithoptimedia.com)

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For further information on ZenithOptimedia, please contact:

**Steve King**

Chief Executive Officer

Tel: +44 20 7961 1046

Fax: +44 20 7961 1042

E-mail: [steve.king@zenithoptimedia.com](mailto:steve.king@zenithoptimedia.com)

**John Taylor**

Director of Client Service - Worldwide

Tel: +44 20 7961 1133

Fax: +44 20 7961 1113

E-mail: [john.taylor@zenithoptimedia.com](mailto:john.taylor@zenithoptimedia.com)

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