



UK TV advertising: It's tough out there and worse is yet to come

London 26th February 2009: Media analyst Screen Digest (www.screendigest.com) has just updated its view of the advertising markets in the top five European markets. The research reveals a sorry picture of falling advertising revenues across the region, with the UK hit particularly hard as the performance of Europe's most mature online market is almost flat and unable to soften the blow of an overall advertising decline.

Screen Digest is forecasting UK advertising revenue to drop by 8.4 per cent in 2009 as marketer's confidence falls to its lowest point and several major client industries such as finance, retail and automotive retract budgets. As prices have hit an all-time low, TV advertising is set to decline by 7.7 per cent in 2009. Amplified by audience fragmentation, analogue terrestrial TV will be hit hardest and we forecast both ITV1 and Channel 4 to be down 10 per cent in 2009.

Q2 will be the lowest point, with prices hitting a 20 year low. However, there will be stabilisation for the second half of the year, as some advertisers and agencies take advantage low prices to increase their share of voice over competitors. In the long-term, for 2010 and beyond, a number of small factors such as the relaxation of the Contract Rights Renewal rules on ITV1 and more liberal EU regulation on product placement and ad-insertion rules should help TV to a modest recovery. Major sporting events like the Football World Championship in 2010 and the London Olympics will also help restore the fortunes of TV advertising.

Vincent Létang, head of advertising and author of the report, said:

"The UK TV advertising market is going to remain sluggish for a number of years and

it will take the 2012 London Olympics to provide a strong boost and only then will we see the growth rates we experienced at the beginning of this decade (+6 per cent in 2012). Even by the end of 2012, the market will merely be back to its 2003 size (£3.2bn)".

A quick view of the TV advertising market in the rest of Europe

The advertising recession is hitting all broadcasters in Europe. During the first part of 2008, in some markets, some categories of advertisers held their nerves and continued to advertise despite gathering storm. However, the tipping point came in Q3 and, in Q4, all broadcasters have reported high-single-number drops (double-digit numbers in Spain) with key categories (retail, food, automotive) cutting heavily. Full year TV ad revenues are down everywhere (- 7.1 per cent on average), with digital TV growth failing to offset the heavy losses of terrestrial channels.

In 2009, early market insights (January gross ad spend) show some ugly numbers: around -15 per cent in France, below -20 to -30 per cent in Spain and Germany. Screen Digest believes that the bottom of the crisis will be reached in Q2. The second half of 2009 should be slightly better, if only in terms of year-on-year comparatives, as some advertisers and agencies will want to take advantage of historically cheap prices to tactically increase their share of voice over other brands. Full year 2009 revenues will be down 7.8 per cent on average, in line with the overall ad market.

As for 2010, in line with economic forecasts, we do not expect a strong recovery but merely a stabilisation. Most European markets and broadcasters will experience a third year of flat or negative growth despite the classic football world cup driver (average 'Big Five' growth: +0.4 per cent). We only expect TV market to go back to decent long-term growth by 2011-2012, coinciding with the settlement of the digital migration and the Olympics coming back to Europe. But in the meantime, by end-2011, the European market will be worth 15 per cent less than in 2007.

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About this research

The research in this release is taken from Screen Digest's Advertising Intelligence service. It was presented during a webinar on Tuesday 24th February.

About Screen Digest

Screen Digest is the pre-eminent firm of industry analysts covering global media markets. Headquartered in London, with offices in New York and Monterey, California, we employ a team of 40 specialist analysts covering film, television, broadband, mobile, cinema, home entertainment and gaming. Our online services and reports provide the information and analysis that hundreds of media companies worldwide base their decisions on. Most recently we have launched Global Media Intelligence (GMI), a new service which provides research and analysis specifically for media-focused institutional investors. www.screendigest.com. To find out more, please contact Screen Digest sales sales@screendigest.com Tel: +44 (0) 20 7424 2820