

PRESS RELEASE

Embargoed until 00.01 GMT Monday 5 December 2011

Quadrennial events to help ad market grow in 2012 despite economic troubles

- Global ad expenditure forecast to grow 4.7% in 2012, up from 3.5% in 2011
- Quadrennial events and Japanese recovery to add US\$7 billion (1.6 percentage points) to global growth
- Advertisers in much stronger position to invest in marketing than at the start of the last downturn
- Advertisers to invest cash reserves to win market share and stimulate consumer demand
- Ten developing markets to deliver half of global adspend growth between 2011 and 2014
- Developing markets to increase their share of the global ad market from 32.3% to 35.9% over the next three years
- Internet's share of expenditure to rise from 15.9% in 2011 to 21.2% in 2014, exceeding 30% in four markets

ZenithOptimedia predicts global ad expenditure will end this year at US\$464 billion, 3.5% higher than in 2010, then accelerate to US\$486 billion – a 4.7% growth – despite the continuing slowdown in Europe and fears that its debt crisis will get much worse. We then expect ad expenditure to grow 5.2% in 2013 and 5.8% in 2014.

This acceleration in global expenditure is the result of the 'quadrennial' effect and Japan's recovery from the effects of the earthquake in March. Every four years the quadrennial events – the summer Olympics, the European Football Championship and the US Presidential and other elections – provide a reliable boost to the global ad market. This time we expect the combination of the quadrennial effect and the Japanese recovery to add US\$7 billion to ad expenditure in 2012. Without this extra stimulus, ad expenditure would grow 3.1% next year, slightly less than this year.

The global ad market is therefore remarkably strong at a time when the eurozone threatens to fall back into recession and drag down the growth of its trading partners. That's because advertisers are in a very different position now than they were at the start of the last downturn in 2008. In general, advertisers have built up large cash reserves and – thanks to exceptionally loose monetary policy in the developed world – are earning very little interest on this cash.

Marketers have the lessons of the last downturn fresh in their minds, in particular the fact that downturns are a great time to expand market share. During an economic downturn consumers fundamentally reassess their spending habits, partly to save money, and partly as a way of treating themselves to affordable luxuries in times of gloom. Brands that gain the loyalty of consumers in a downturn can reap the benefits for years to come. We therefore expect advertisers to invest their cash reserves in competition for market share, and as a way of stimulating extra consumption.

Western Europe is at the centre of the current economic turmoil, and we forecast it to grow by just 2.0% in 2012, even though the Olympics is being held in the UK (which means that the

coverage will be broadcast at ideal times for Western European audiences) and most of the big markets will be participating in the European Football Championship. Assuming the economy improves by the end of next year, we forecast 2.8% growth in 2013 and 3.3% in 2014.

Our forecast assumes that GDP continues to slow in the eurozone (and the rest of Western Europe) towards the end of 2011 and the beginning 2012. However, the economic situation is extremely uncertain and could get even worse, so we have considered the potential effects of a further deterioration of the debt crisis in Europe. This would clearly depress advertising in the eurozone and its main trading partners, but its impact on global growth should be limited. Looking at previous examples of countries defaulting on their debts (such as Russia in 1998 or Argentina in 2002), and the wider regional effects of this default, we estimate that a default in two eurozone countries, coupled with deeper recession in the eurozone and other Western European markets, would bring growth in Western Europe down to -4.0%, but global ad expenditure would still grow by 3.2%.

North America now looks decidedly healthier than Western Europe. In the US, industrial production and employment growth are on the rise, and foreclosures are down. Retail sales rose 7% in October, and sales on 'Black Friday' were up 6.6% to a record US\$11.4 billion. Canada has performed strongly throughout the downturn. We forecast 3.6% growth in North American ad expenditure in 2012, strengthening to 3.7% in 2013 and 4.4% in 2014.

We predict ad expenditure to grow 3.1% in Japan next year, as it recovers from the damage caused by the earthquake and tsunami in March, which severely disrupted media and advertising for several weeks this year. After this one-off stimulus we expect Japanese growth to fall back to 1.9% in 2013 and 2.5% in 2014.

Most of the growth in global ad expenditure is now coming from developing markets, which we forecast to contribute 58% of new ad dollars between 2011 and 2014. Asia Pacific, Central & Eastern Europe and Latin America are all expanding much faster than the developed world, driven by both their current economic performance and their future potential. Over the next three years we expect Asia Pacific (excluding Japan) to grow by an average of 10.4% a year, Central & Eastern Europe to grow 9.6% a year and Latin America to grow by 7.3% a year. The exception is the Middle East & North Africa, where political turmoil has disrupted media production and distribution, and made advertisers wary of attracting negative attention. We forecast the Middle East & North Africa to grow at an average of 1.3% between 2011 and 2014. Overall we expect developing markets – which we here define as everywhere outside North America, Western Europe and Japan – to increase their share of the global ad market from 32.3% in 2011 to 35.9% in 2014.

Beyond the BRICs: the next wave of emerging ad markets Adspend growth (2014 v 2011)

US\$ million, current prices. Currency conversion at 2010 average rates.

		Adspend growth
1	China	16,439
2	Russia	4,418
3	Indonesia	3,768
4	Brazil	2,972
5	South Africa	2,050
6	Argentina	1,812
7	India	1,571
8	Turkey	1,435
9	Mexico	1,092
10	South Korea	1,016

Source: ZenithOptimedia

Over the next three years nearly half (48%) of all the world's growth in ad expenditure will come from just ten developing markets. The four BRIC markets alone (Brazil, Russia, India and China) are forecast to account for 33% of global growth. Beyond the BRICs, there are six fast-growing markets we forecast to add between US\$1 billion and US\$4 billion each to the global ad market, and deliver another 15% of global growth: Indonesia, South Africa, Argentina, Turkey, Mexico and South Korea. In these ten markets ad expenditure occupies 0.32% of GDP, less than half of the world average of 0.70%, demonstrating their huge potential for further catch-up growth.

There are now two 'developing' markets in the world's top ten ad markets, and there will be three in 2014. China is now the third-largest ad market in the world, and is catching up quickly with second-placed Japan. In 2005 China's ad market was 23% of the size of Japan's, in 2011 it is 66% and by 2014 we predict it to be 95%. Brazil, in sixth place, is 84% of the size of the UK in 2011 and will be 91% in 2014. Russia, which was in eleventh place in 2011, will be tenth in 2013 and ninth in 2014.

Top ten ad markets

US\$ million, current prices. *Currency conversion at 2010 average rates.*

2011		Adspend	2014		Adspend
1	USA	154,935	1	USA	173,165
2	Japan	45,358	2	Japan	48,825
3	China	29,943	3	China	46,381
4	Germany	24,419	4	Germany	26,005
5	UK	18,355	5	UK	20,345
6	Brazil	15,470	6	Brazil	18,442
7	France	12,823	7	France	13,827
8	Australia	11,417	8	Australia	13,035
9	Canada	10,529	9	Russia	12,592
10	Italy	10,040	10	Canada	12,458

Source: ZenithOptimedia

Advertising expenditure by region

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

US\$ million, current prices. *Currency conversion at 2010 average rates.*

	2010	2011	2012	2013	2014
North America	161,707	165,464	171,455	177,742	185,623
Western Europe	101,862	103,722	105,785	108,795	112,427
Asia/Pacific	114,832	121,058	129,769	139,302	150,791
Central & Eastern Europe	23,373	25,355	27,387	30,147	33,340
Latin America	31,248	33,110	35,089	37,802	40,960
Middle East & North Africa	4,945	4,177	4,242	4,344	4,344
Rest of world	10,731	11,419	12,197	13,263	13,710
World	448,697	464,304	485,924	511,394	541,194

Source: ZenithOptimedia

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

	2010 v 09	2011 v 10	2012 v 11	2013 v 12	2014 v 13
North America	2.7	2.3	3.6	3.7	4.4
of which USA	2.3	2.2	3.5	3.5	4.3
Western Europe	4.9	1.8	2.0	2.8	3.3
Asia Pacific	9.7	5.4	7.2	7.3	8.2
excluding Japan	17.5	10.2	9.7	10.4	11.2
Central & Eastern Europe	7.2	8.5	8.0	10.1	10.6
Latin America	15.5	6.0	6.0	7.7	8.4
Middle East & North Africa	7.7	-15.5	1.5	2.4	0.0
Rest of world	14.5	6.4	6.8	8.7	3.4
World	6.3	3.5	4.7	5.2	5.8

Source: ZenithOptimedia

Global advertising expenditure by medium

The internet continues to grow much faster than any other medium, at an average of 15.9% a year between 2011 and 2014. Display is the fastest-growing segment, growing by 18.9% a year, driven mainly by online video and social media. Streaming video ads are burgeoning extremely quickly, thanks to the emergence of do-it-yourself tools that have allowed local advertisers to enter the market. In most developed markets, social media sites are near the top of the list of most-popular websites, and they are often way ahead of their rivals in time spent by users. Other display publishers are developing new tools and formats to compete with social media sites. Paid search is growing by 15.7% a year, but its growth is being slightly restrained by the shift in search behaviour from desktop to mobile devices, where costs are currently lower. Online classified is growing relatively slowly, by 9.2% a year, while employment and property markets remain weak in the biggest countries.

Internet advertising by type

US\$ million, current prices Currency conversion at 2010 average rates.

	2010	2011	2012	2013	2014
Display	21,845	25,362	29,965	35,597	42,648
Classified	10,951	11,989	13,068	14,236	15,594
Paid search	31,183	35,491	41,234	47,931	55,039
Total	63,979	72,842	84,267	97,764	113,281

Source: ZenithOptimedia

The internet is also the biggest contributor of new ad dollars to the global market. Between 2011 and 2014 we expect internet advertising to account for 52.9% of the growth in total expenditure. As the largest segment, paid search will contribute 25.6%, followed by display at 22.6%, with classified at a much lower 4.7%.

Overall, we predict internet advertising will increase its share of the ad market from 15.9% in 2011 to 21.2% in 2014. Internet advertising already accounts for more than 25% of total ad expenditure in four markets (Denmark, Norway, Sweden and the UK), and by 2014 we expect it to account for more than 30% in four markets (Canada, Norway, Sweden and the UK), so there

is plenty of potential for further growth in internet advertising's market share.

Internet advertising is now clearly dominated by Google, which has increased its share of the internet ad market from 34.9% in 2006 to 44.1% in 2010. Over this time Google has tightened its grip on global search (raising its share of searches from 72% in 2006 to 85% now) and established a lead in traditional display and online video with the help of the acquisition and development of companies like DoubleClick and YouTube. Over this time its three main early competitors (Microsoft, Yahoo! and AOL) have failed to match this pace of development and lost a lot of ground; their combined market share fell from 33.1% in 2006 to 13.8% in 2010. Since 2006 Facebook has established itself as a major supplier, increasing its market share from just 0.2% to 3.1% in 2010. Last year Facebook doubled its share and overtook AOL; at its current pace of growth it is likely to overtake Microsoft by the end of 2011.

Market share of the main internet portals

Share of global internet ad expenditure (%)

	2006	2007	2008	2009	2010
Google	34.9	40.3	42.5	41.9	44.1
Microsoft	8.1	7.9	4.2	4.0	4.0
Yahoo!	18.7	14.9	11.7	9.6	8.3
AOL	6.3	5.5	4.2	2.2	1.5
Facebook	0.2	0.4	0.6	1.4	3.1
Total	68.1	68.9	63.2	59.2	61.0

After the internet, the main contributor to global ad growth is television, which we forecast to supply 41.1% of new ad dollars between 2011 and 2014. Television's share of the global ad market has risen steadily over the last few years: we expect it to end this year with 40.2% of all ad expenditure, up from 37.0% in 2005. The amount of time viewers spend watching television has increased, and even though viewers are presented with a wider choice of channels than ever, the biggest television events are attracting record audiences. We expect the popular televised quadrennial events to lift television's share to 40.4% in 2012, but beyond that we forecast a very slight decline to 40.3% in 2013 and 2014, as often happens after a quadrennial year.

Newspapers and magazines have been declining since 2007, with a brief pause for magazines in 2010. We expect this decline to continue throughout our forecast period. Magazines are suffering less than newspapers, because the experience of reading a magazine is less easy to replicate online, and because they do not rely so much on the timely delivery of information, where the internet has a big advantage over newspapers. We predict magazine ad expenditure will shrink by 0.7% a year over our forecast period, while newspaper ad expenditure shrinks by 1.1%.

Advertising expenditure by medium

US\$ million, current prices *Currency conversion at 2010 average rates.*

	2010	2011	2012	2013	2014
Newspapers	94,600	91,495	89,868	88,785	88,446
Magazines	43,741	43,122	42,681	42,464	42,186
Television	176,627	184,290	193,735	203,608	215,737
Radio	32,017	32,903	33,667	34,827	35,923
Cinema	2,313	2,442	2,564	2,732	2,916
Outdoor	29,824	31,291	32,928	34,559	36,350
Internet	63,979	72,842	84,267	97,764	113,281
Total *	443,100	458,385	479,710	504,738	534,839

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 (%)

	2010	2011	2012	2013	2014
Newspapers	21.3	20.0	18.7	17.6	16.5
Magazines	9.9	9.4	8.9	8.4	7.9
Television	39.9	40.2	40.4	40.3	40.3
Radio	7.2	7.2	7.0	6.9	6.7
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.7	6.8	6.9	6.8	6.8
Internet	14.4	15.9	17.6	19.4	21.2

Advertising Expenditure Forecasts is published quarterly priced £435. It may be ordered in hard or soft copy from www.zenithoptimedia.com

For further information, please contact:

Jonathan Barnard

Head of Forecasting

Tel: +44 20 7961 1192

Fax: +44 20 7291 1199

E-mail: jonathan.barnard@zenithoptimedia.com

ZenithOptimedia is one of the world's leading global media services agencies with 247 offices in 74 countries.

Key clients include AlcatelLucent, Aviva, BBC Worldwide, British Airways, Electrolux, General Mills, Giorgio Armani Parfums, Kingfisher, Lactalis, Mars-Wrigley, Nestlé, L'Oréal, Oracle, Puma, Polo Ralph Lauren, Qantas, Reckitt Benckiser, Richemont Group, Sanofi-Aventis, Siemens, Telefónica O2, Thomson Multimedia, Toyota/Lexus, Verizon and Whirlpool.

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.

The ZenithOptimedia Village enables the widest range of communications opportunities and skills to be brought together to ensure the most powerful connections are made with consumers.

ZenithOptimedia is part of Publicis Groupe (Euronext Paris: FR0000130577), the world's third largest communications group, the world's second largest media counsel and buying group, and a global leader in digital and healthcare communications. With around-the-world activities spanning more than 104 countries on five continents, the Groupe employs approximately 48,000 professionals.

With sister agencies Starcom MediaVest, Denuo, Digitas and Razorfish, ZenithOptimedia is a member of Publicis Groupe's VivaKi, a global digital knowledge and resource centre that leverages the combined scale of the autonomous operations of its members to develop new services, new tools, and new partnerships.

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

John Taylor

Chairman

Tel: +44 20 7961 1133

Fax: +44 20 7961 1002

E-mail: john.taylor@zenithoptimedia.com

Tim Jones

Chief Executive Officer – Americas

Tel: +1 212 859 5100

Fax: +1 212 727 9495

E-mail: tim.jones@zenithoptimedia-na.com

Philip Talbot

Chief Executive Officer – Asia Pacific

Tel: +852 2236 9080

Mob: +61 4 6600 6443

Fax: +852 2250 9388

E-mail: philip.talbot@zenithoptimedigroup.com.hk

All our publications are available online at www.zenithoptimedia.com