

PRESS RELEASE

Traditional advertising in excellent health: internet even better

- Ad market to slow in 2005 after the sport and election year of 2004
- But underlying growth remains solid
- Forecasts for adspend growth in 2005, 2006 and 2007 upgraded

We have upgraded our predictions for adspend growth in each of our forecast years, reflecting growing confidence that this growth will be sustained. We now forecast 5.4% growth in 2005 (up from 5.0%), 6.5% growth in 2006 (up from 5.8%) and 6.1% in 2007 (up from 5.8%). Europe is the only region we have downgraded slightly (by 0.1 of a percentage point in 2005 and 0.2 of a point in 2006), principally because of continuing weakness in Germany.

Advertising is now growing as a proportion of world GDP for the first time since 2000 – it contributed 0.99% of the world's economic output in 2004, up from a trough of 0.98% in 2003. We expect advertising's contribution to world GDP to continue to grow throughout our forecast period, as it normally does in times of economic confidence. We do forecast adspend to decelerate slightly in 2005, but this is because of the absence of the Euro 2004 football competition, the Olympic Games and the US elections.

Television's share of the ad market has been rising for many years – at least since 1980, when our records began – but we expect it to peak in 2006. Television attracted 37.6% in 2004, up from 30.3% in 1980. Its growth has been driven by deregulation of television markets, particularly in Europe; better audience measurement using peplemeters, and the use of detailed demographics to segment audiences; the slow decline of newspaper and magazine circulation in developed countries; and the rise of the developing markets, which are characterised by heavy FMCG advertising on television. However, we predict television's share to fall slightly from 37.9% in 2006 to 37.8% in 2007 as advertisers divert more and more of their budgets to the internet. We record only one previous instance (that was not a statistical artefact) in which television's share of world adspend declined, and that was when the dotcom bubble burst in 2001.

The internet attracted 3.6% of total adspend in 2004, up from 3.2% in 2003. It has a 5.4% share in the United States and a 7.7% share in Sweden (the country with the highest internet penetration in the world), and its share is still growing in both countries. The internet's share of world adspend could easily double in the longer term; we expect it to rise to 4.4% by 2007.

The internet is easily the fastest-growing medium – internet adspend grew 21% in 2004 and we expect it to grow in double digits in each of years we forecast. However, the internet is by no means the sole driving force of growth: the traditional media are pulling their weight as well. Adspend in the traditional media – excluding the internet – grew 7.0% in 2004. We forecast it to grow 5.1% in 2005, 6.2% in 2006 and 5.7% in 2007.

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

US\$ million, current prices. Currency conversion at 2003 average rates.

	2003	2004	2005	2006	2007
North America	158,383	167,869	175,014	185,558	194,931
Europe	89,544	94,971	99,122	103,917	108,746
Asia/Pacific	69,651	75,052	80,392	85,834	92,109
Latin America	13,748	16,065	16,875	18,107	19,554
Africa/M. East/ROW	14,182	17,395	20,014	23,276	26,782
World	345,509	371,351	391,417	416,692	442,121

Source: ZenithOptimedia

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

	2003 v 02	2004 v 03	2005 v 04	2006 v 05	2007 v 06
North America	1.9	6.0	4.3	6.0	5.1
<i>of which USA</i>	1.7	6.0	4.3	6.1	5.0
Europe	1.4	6.1	4.4	4.8	4.6
Asia/Pacific	5.0	7.8	7.1	6.8	7.3
Latin America	0.9	16.9	5.0	7.3	8.0
Africa/M. East/ROW	19.3	22.6	15.1	16.3	15.1
World	2.9	7.5	5.4	6.5	6.1

Source: ZenithOptimedia

Regional shares of display advertising revenue (%)

	2003	2004	2005	2006	2007
North America	45.8	45.2	44.7	44.5	44.1
Europe	25.9	25.6	25.3	24.9	24.6
Asia/Pacific	20.2	20.2	20.5	20.6	20.8
Latin America	4.0	4.3	4.3	4.3	4.4
Africa/M. East/ROW	4.1	4.7	5.1	5.6	6.1

Source: ZenithOptimedia

Global shares of display advertising revenue by medium (%)

These shares sum to 99% because a few countries (Denmark, China and the Philippines) group have a category for 'other' advertising

	2003	2004	2005	2006	2007
Newspapers	30.5	30.1	29.8	29.6	29.3
Magazines	13.8	13.4	13.3	13.2	13.2
TV	37.0	37.6	37.7	37.9	37.8
Radio	8.9	8.7	8.6	8.4	8.3
Cinema	0.4	0.4	0.4	0.4	0.4
Out-of-home	5.4	5.3	5.3	5.3	5.4
Internet	3.2	3.6	3.8	4.1	4.4

Source: ZenithOptimedia

Advertising Expenditure Forecasts is published quarterly priced £385. It may be ordered in hard or soft copy from www.zenithoptimedia.com

For further information, please contact:

Adam Smith

Head of Knowledge Management

Tel: +44 20 7291 9401

Fax: +44 20 7291 9406

e-mail: adam.smith@zenithoptimedia.com

Jonathan Barnard

Knowledge Management Manager

Tel: +44 20 7291 9402

Fax: +44 20 7291 9406

e-mail: jonathan.barnard@zenithoptimedia.com

ZenithOptimedia

ZenithOptimedia is one of the world's leading global media services agencies with 169 offices in 59 countries.

Key clients include Alcatel, Allied Domecq, British Airways, Darden Restaurants, Electrolux, General Mills, Giorgio Armani Parfums, Hewlett-Packard, Iberia, Kingfisher, Mars, MBNA Europe, Nestlé, L'Oréal, Procter & Gamble, Puma, MG Rover, Polo Ralph Lauren, Qantas, Sanofi-Synthélabo, Siemens, Thomson Multimedia, Toyota/Lexus, Verizon, Whirlpool, Wyeth and Zurich.

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.

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

Director of Client Service - Worldwide

Tel: +44 20 7961 1016
Fax: +44 20 7961 1113
E-mail: john.taylor@zenithoptimedia.com

Rich Hamilton

Chief Executive Officer – The Americas

Tel: +1 212 859 5100
Fax: +1 212 727 9495
E-mail: rich.hamilton@zenithoptimedia-na.com

Philip Talbot

Chief Executive Officer – Asia Pacific

Tel: +852 2236 9080
Fax: +852 2250 9388
E-mail: philip.talbot@zenithoptimedialogroup.com.hk

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