

Underlying adspend recovery despite turmoil in Japan, Middle East

TOKYO, JAPAN: Return on investment focused media agency ZenithOptimedia has released its 2011 *Advertising Expenditure Forecasts* revealing interesting shifts in global ad expenditure. Zenith reports that an estimated US\$2.4 billion* was knocked off adspend as a result of the turmoil in the Middle East and the earthquake in Japan.



According to the ZenithOptimedia's Advertising Expenditure Forecasts, Egypt was by far the largest ad market to be caught up in the Middle Eastern uprisings, with almost no advertising on television during the revolution, and in the aftermath advertisers have been very careful about the content and placement of their messages.

Jonathan Barnard, head of forecasting at ZenithOptimedia London explains, "In Japan broadcasters replaced almost all commercial ad slots with public-service announcements for weeks after the earthquake, and blackouts and distribution problems will hinder media consumption for months to come. We do not expect these shocks to derail the global recovery in the long term, however. We expect some of the missing advertising to reappear later in the year, followed by strong growth in these markets in 2012 thanks to the easy comparison with the first quarter of this year."

Growth predicted

Overall it is predicted that there will be a 5.6% growth in global ad expenditure in 2012, up from Zenith's prediction in December 2010 of 5.2% growth. This is partly the result of the rebound in Japan and the Middle East, and partly thanks to further strengthening in Western and Central and Eastern Europe, where advertisers are becoming more confident of the long-term economic prospects.

The large disparity in growth rates between developed and developing markets continue. North America is to grow by an average of 3.0% a year between 2010 and 2013 and Western Europe by 3.5%. "We expect Japan to grow just 0.7% a year, though this obscures the big drop in 2011 followed by the recovery of lost ground over the next two years," says Jonathan.

Internet expected to overtake newspapers as ad medium by 2013

Looking at global advertising expenditure by medium, ZenithOptimedia anticipate the internet to overtake newspapers to become the world's second-largest advertising medium by 2013. While it has long been expected to happen, this is the first time this event has fallen within the forecast period. Newspaper ad expenditure was still 51% larger than internet ad expenditure in 2010, but is shrinking by 1.1% a year, as circulations continue to fall in developed markets, and readers migrate to the internet.

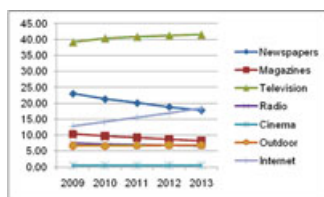
Margie Knap, Business Unit Head of ZenithOptimedia South Africa comments, "In the below data, looking at the US advertising expenditure on individual mediums as a percentage, versus the total annual adspend, the most significant trends are the increases in internet spend and the downward spiral of print."

In relation to annual adspend in the US, all other mediums are fairly consistent with TV still trusted as the best way to reach consumers.

Digital spend gaining ground

"It is forecast that in 2013, digital spend will be the second highest contributor to total adspend, relegating newspapers to

third," says Knap. "Due to the proliferation of international bandwidth and mobile connectivity, users can instantly be updated. Advertisers are taking cognisance of this fact and are moving more of the traditional print budget to online spheres."



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"Overall numbers are driven by USA as the biggest contributor to adspend where consumers prefer smaller snippets and headlines of information, rather than being faced with long drawn out articles in traditional press."

Meanwhile internet advertising continues to grow at breakneck pace, at a forecast average rate of 14.6% a year between 2010 and 2013. "We forecast newspaper ad expenditure to fall from US\$95.2 billion in 2010 to US\$92.1 billion in 2013, while internet ad expenditure rises from US\$63.0 billion to US\$95.0 billion over the same period, says Jonathan.

Display overtakes search

This year, display advertising has taken over from searching as the main driver of internet ad growth. Display, broadly defined here to include online video and social media, has been invigorated by these fast-growing segments. Affordable, do-it-yourself tools to create streaming video ads have opened online video to small and local advertisers. Social media sites now attract huge audiences, though click-through rates and therefore costs are often very low. ZenithOptimedia expect global display ad expenditure to grow at an average of 17.0% a year to 2013, while paid search grows by 14.6% and classified by 9.4%.

Television remains by far the largest medium and is continuing to increase its market share. Television attracted 40.4% of global ad expenditure in 2010, up from 37.3% five years earlier, and we expect it to attract 41.5% in 2013. Bigger and higher-quality displays, more channels delivered by digital television, and the convenience of PVRs mean people are watching more television than ever before. Globally, ZenithOptimedia forecast television ad expenditure to rise from US\$180.3 billion in 2010 to US\$214.4 billion in 2013.

Advertising Expenditure Forecasts may be ordered in hard or soft copy from www.zenithoptimedia.com - alternatively contact Margie Knap mknapp@zenithoptimedia.co.za.

**Exchange rate at time of posting: US\$1=R6.87.*

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