

TV Advertising: The Next 10 Years

An Agency Perspective

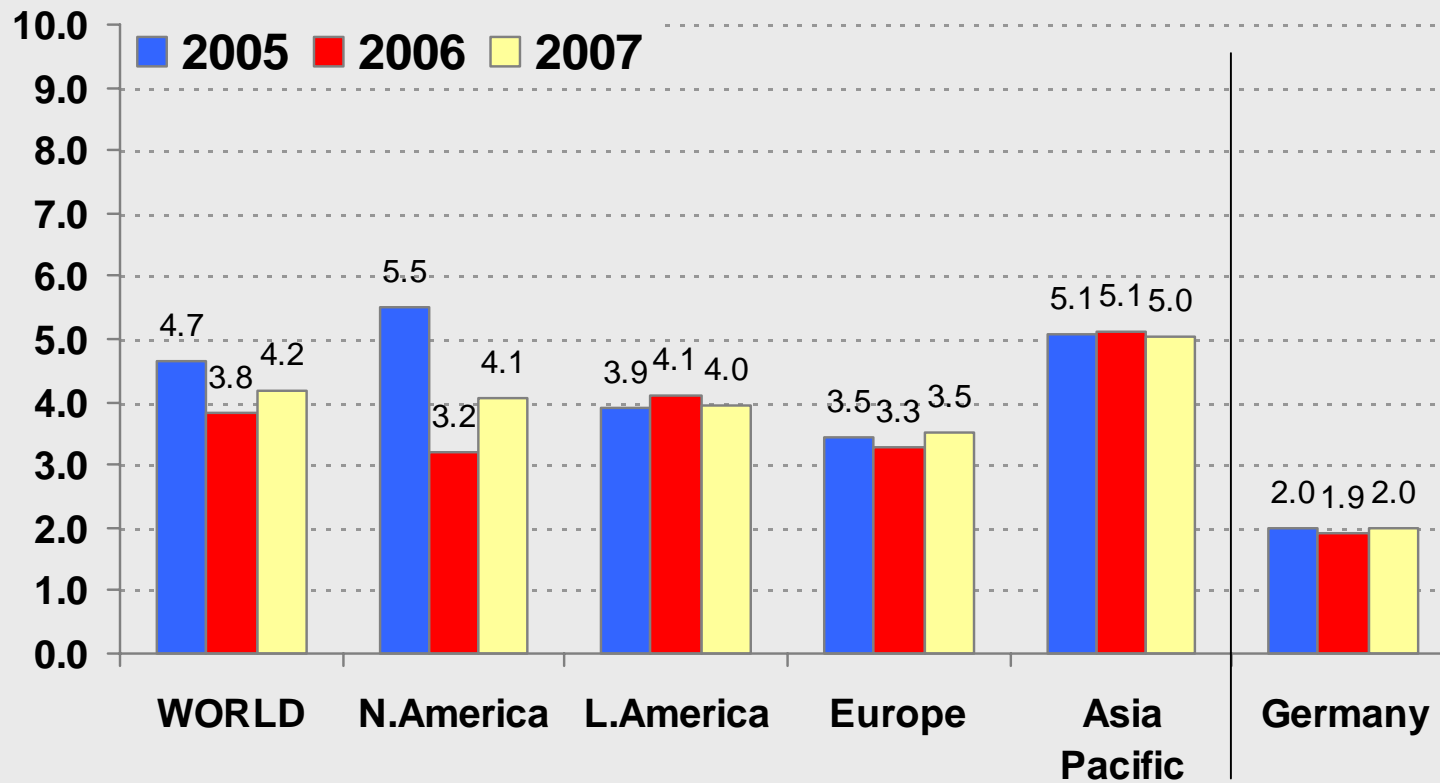
Steve King, Chief Executive - Worldwide, ZenithOptimedia

TV Advertising: The Next 10 Years

- Global advertising forecasts
- Media trends
- Television trends
- Responding to changing times

Stable world economy

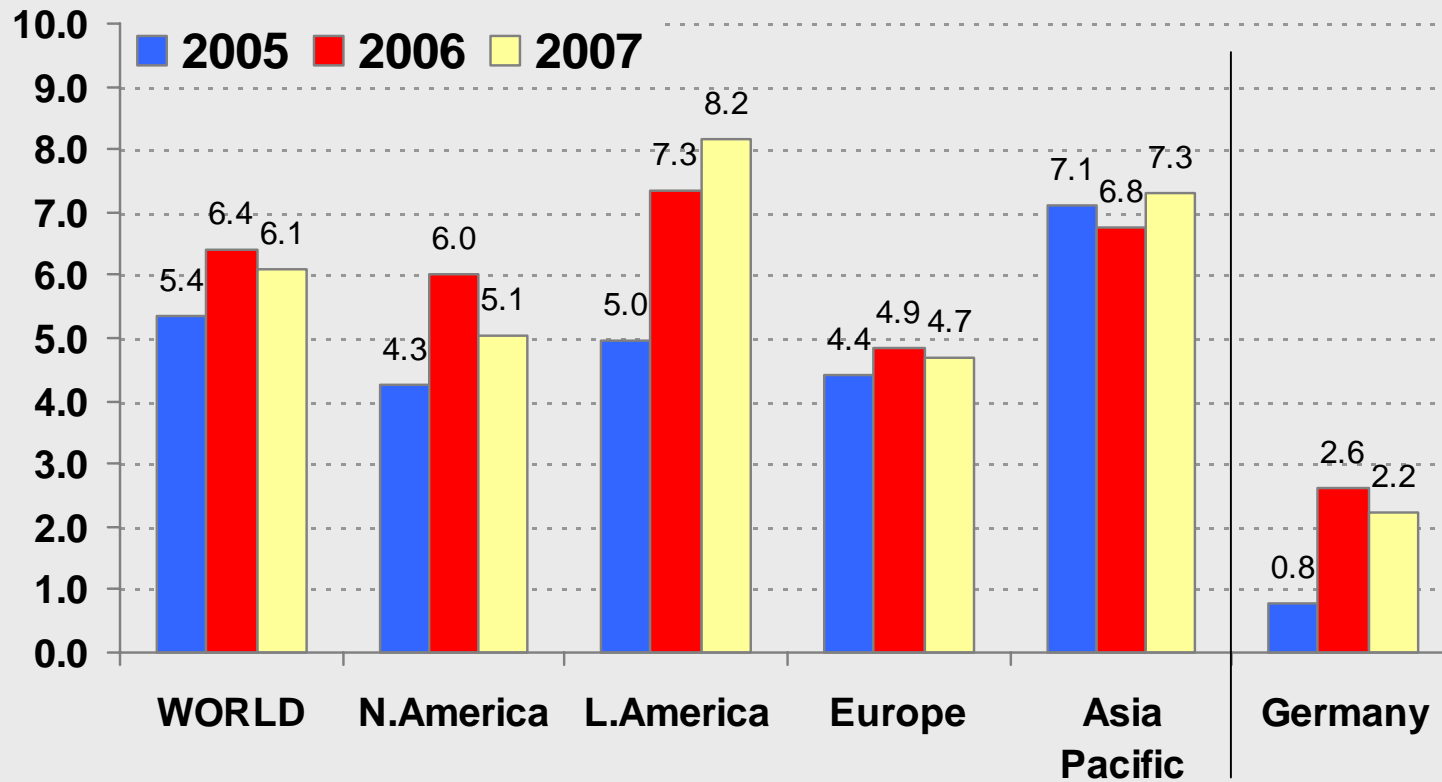
Gross Domestic Product: year-on-year % change



Source: ZenithOptimedia, April 2005

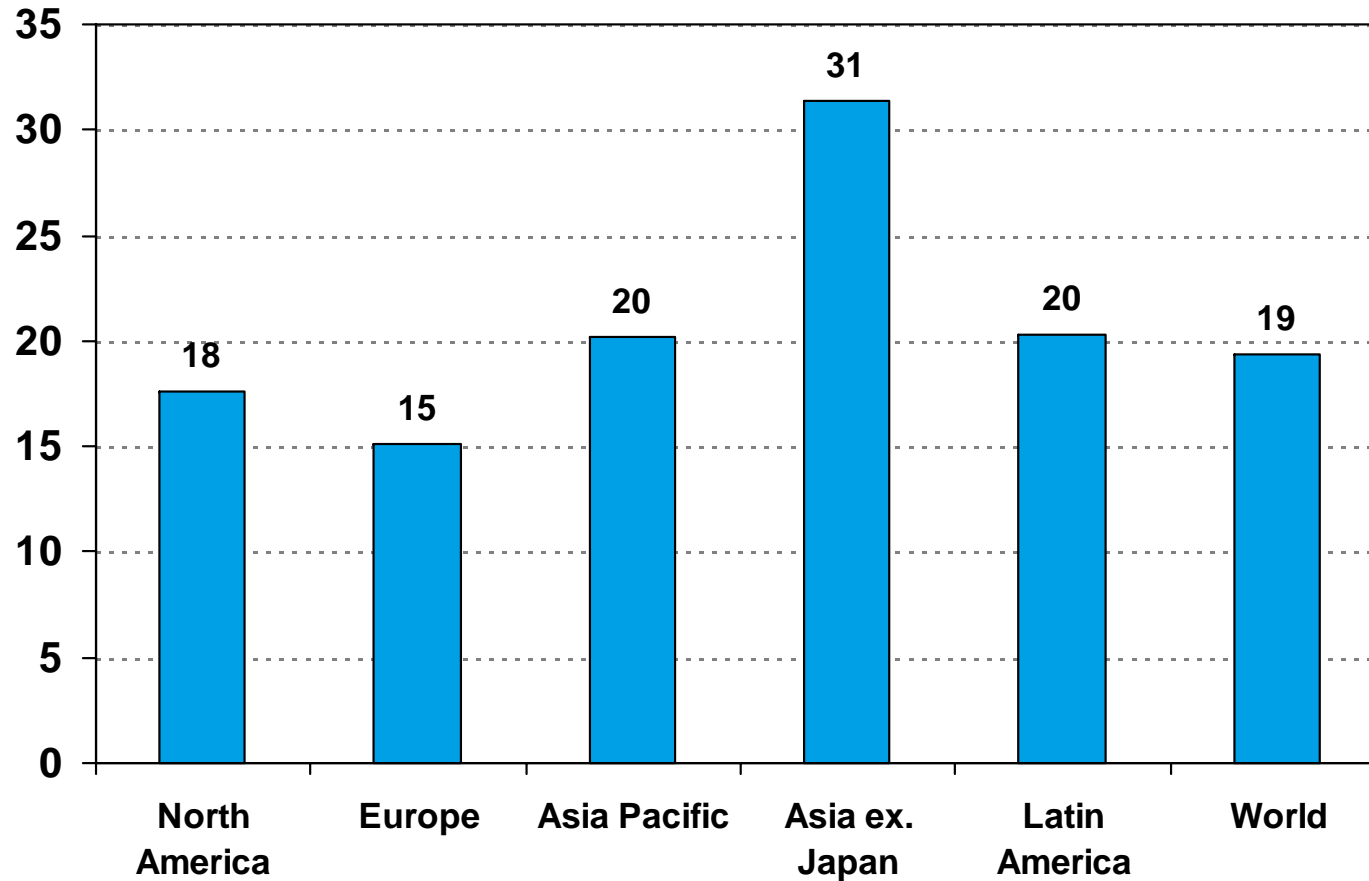
Adspend growing

Adspend: year-on-year % change



Source: ZenithOptimedia, April 2005

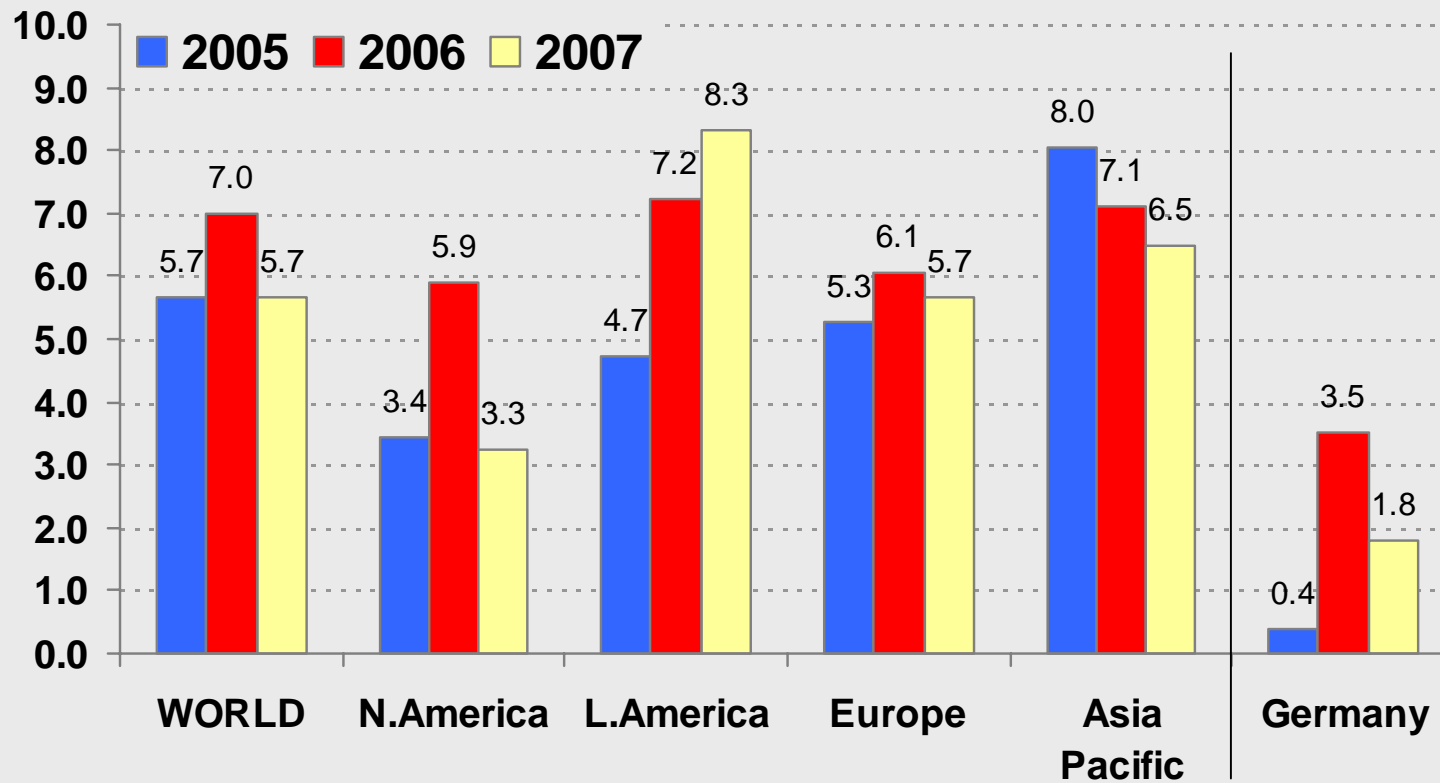
Ad expenditure growth by region (% change, 2008 v 2005)



Source: ZenithOptimedia

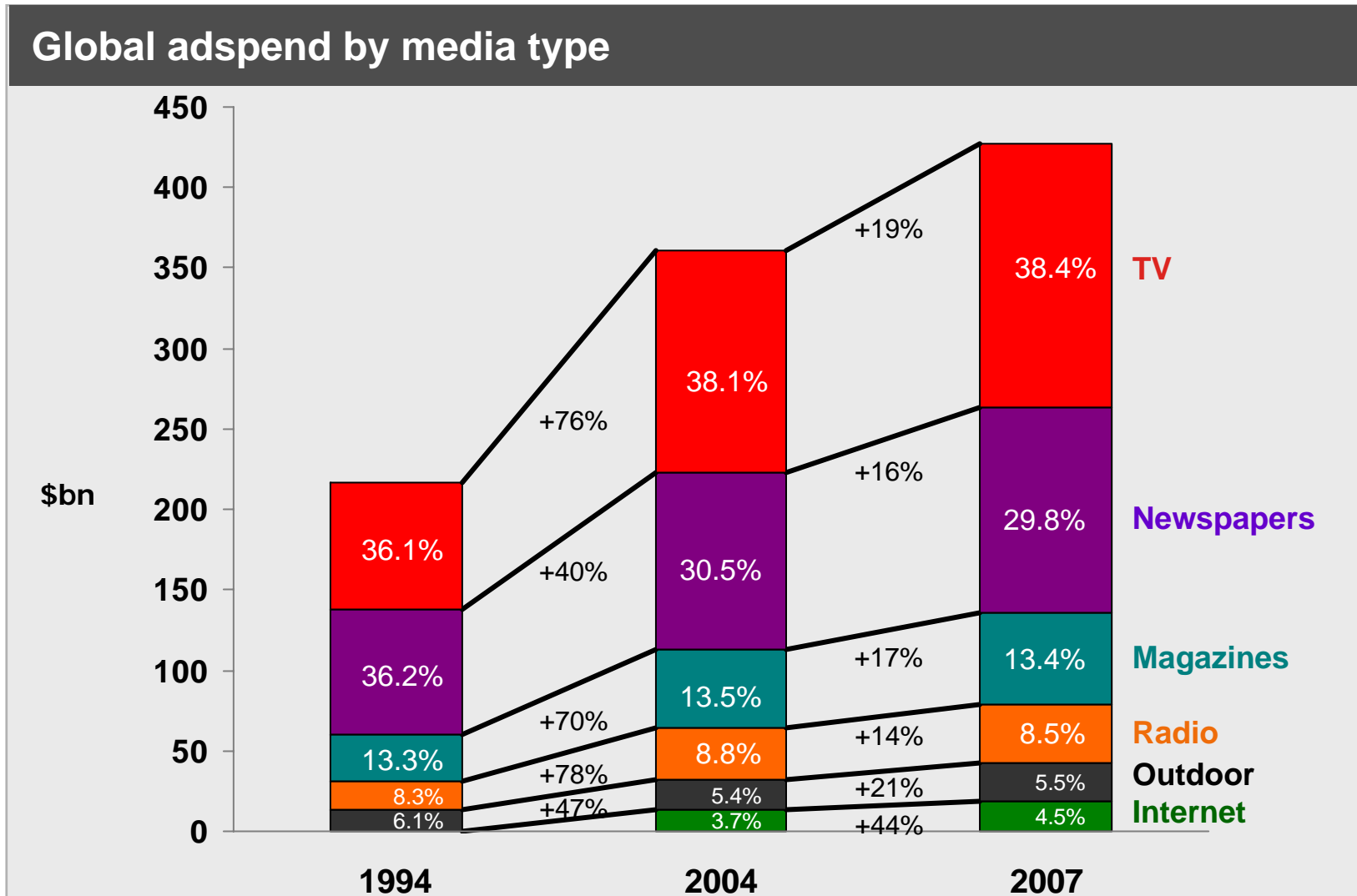
Higher growth in TV adspend

TV adspend: year-on-year % change



Source: ZenithOptimedia, April 2005

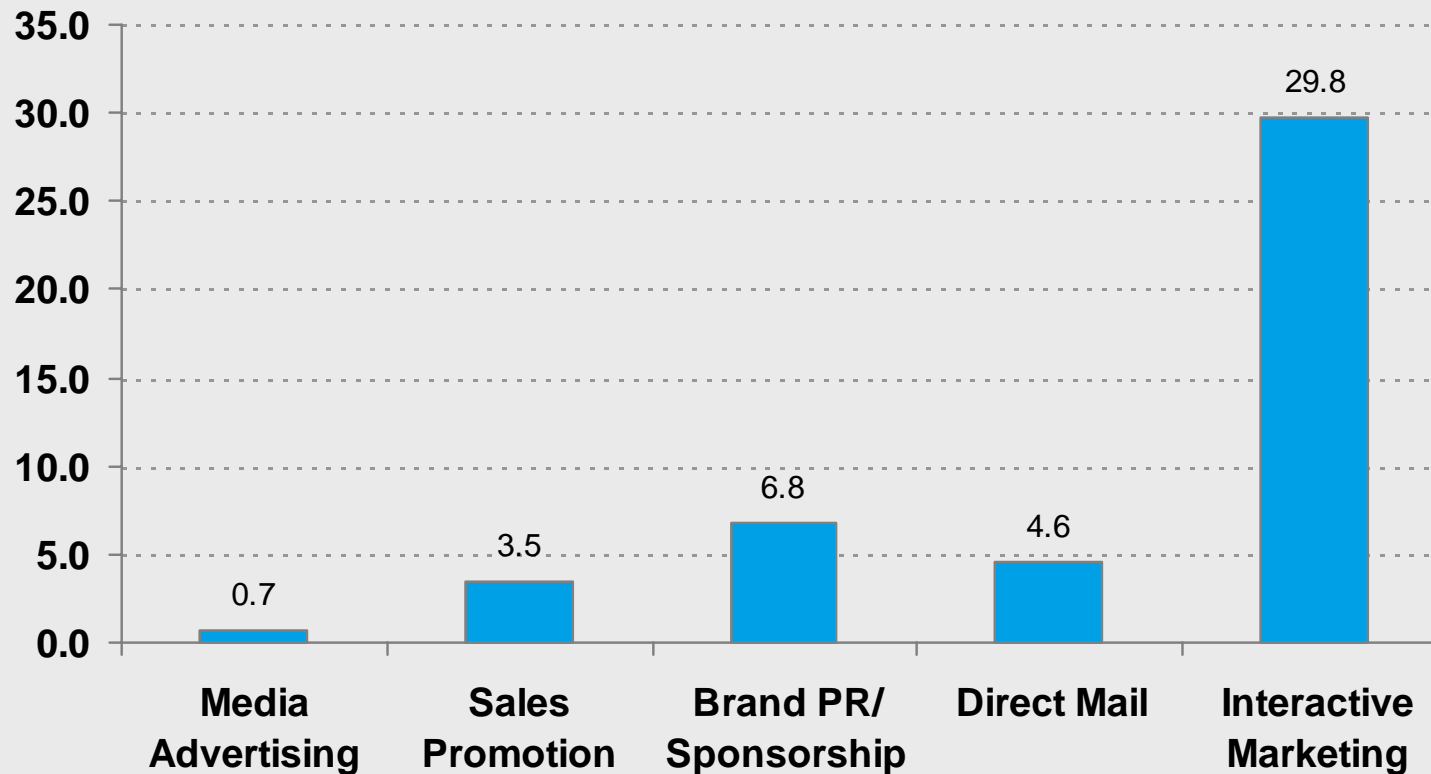
TV gaining share



Source: ZenithOptimedia, April 2005

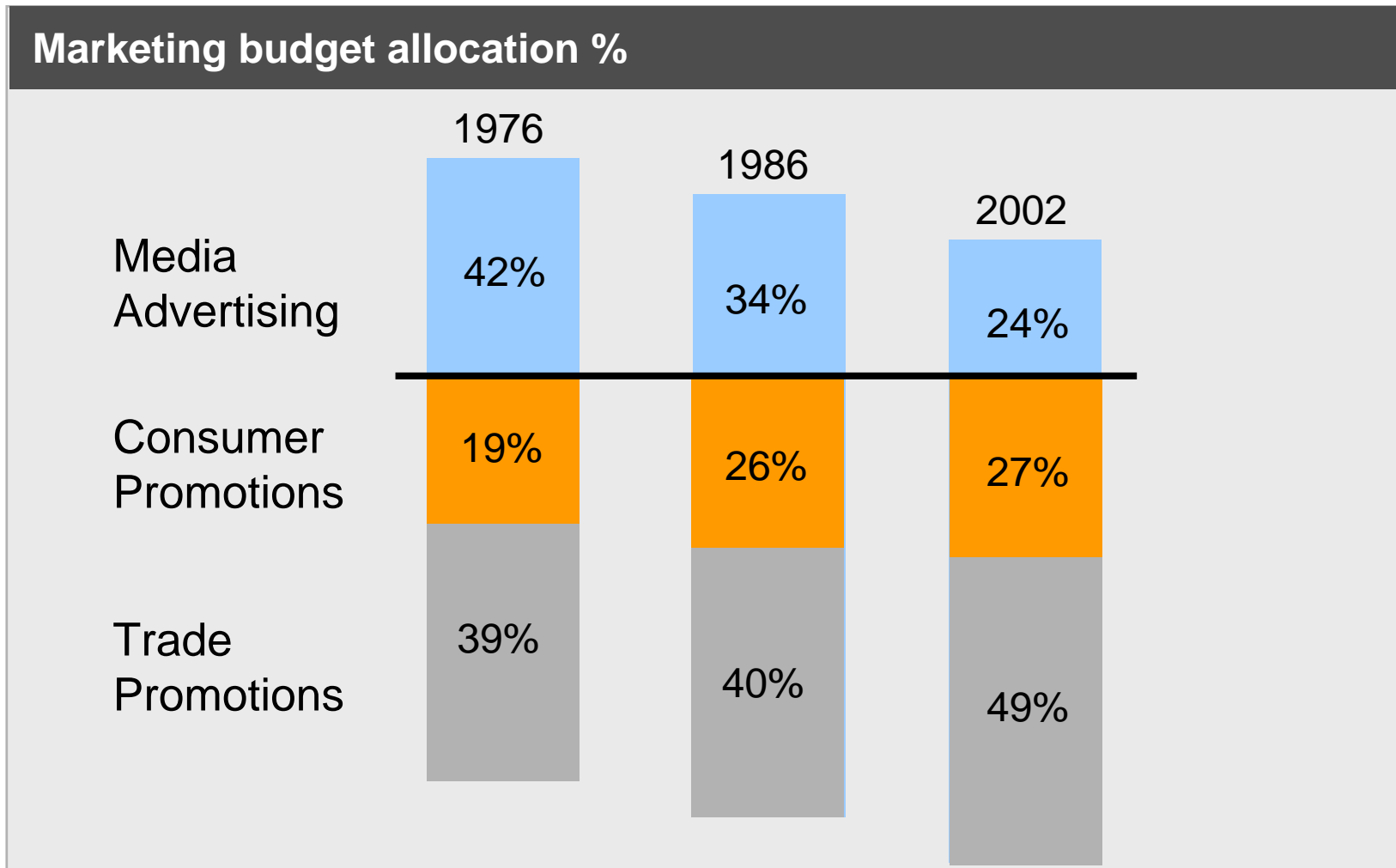
Media adspend – declining share of marketing

Spend 2004 v 2001 % change (US, Japan, Germany, UK, France)



Source: Marketing Expenditure Trends Report, London Business School

Media advertising and sales promotions (USA)



Source: John Philip Jones

Towards customer experience marketing

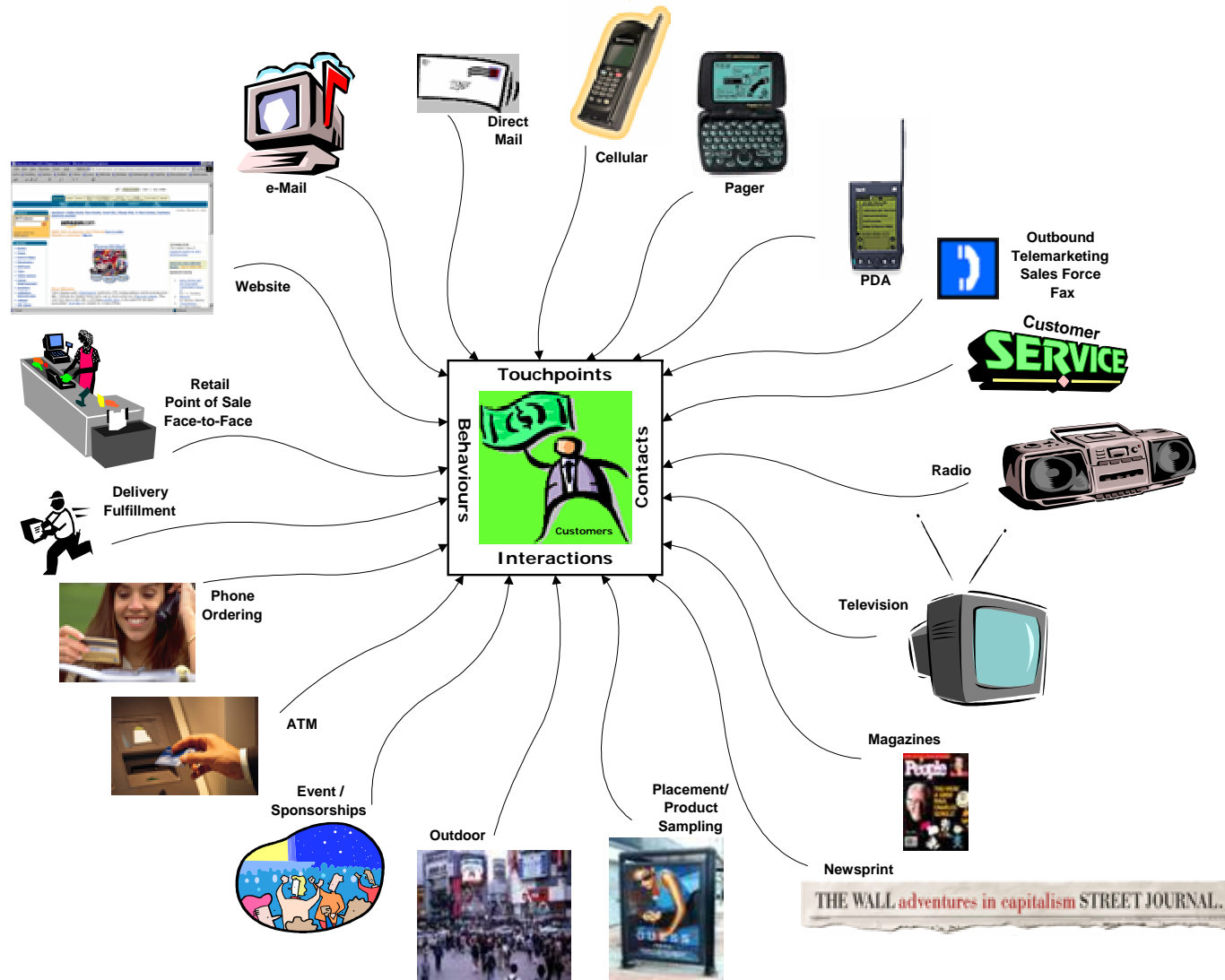
“Real brand marketing is not about fabricated slogans, it’s a total approach.

We are now looking at communicating through the line and at other ways the brand interfaces with the driver.

That’s why we now believe we are no longer selling cars - we are selling customer experiences.”

President, Mazda Motors, Europe

Towards integrated marketing communications



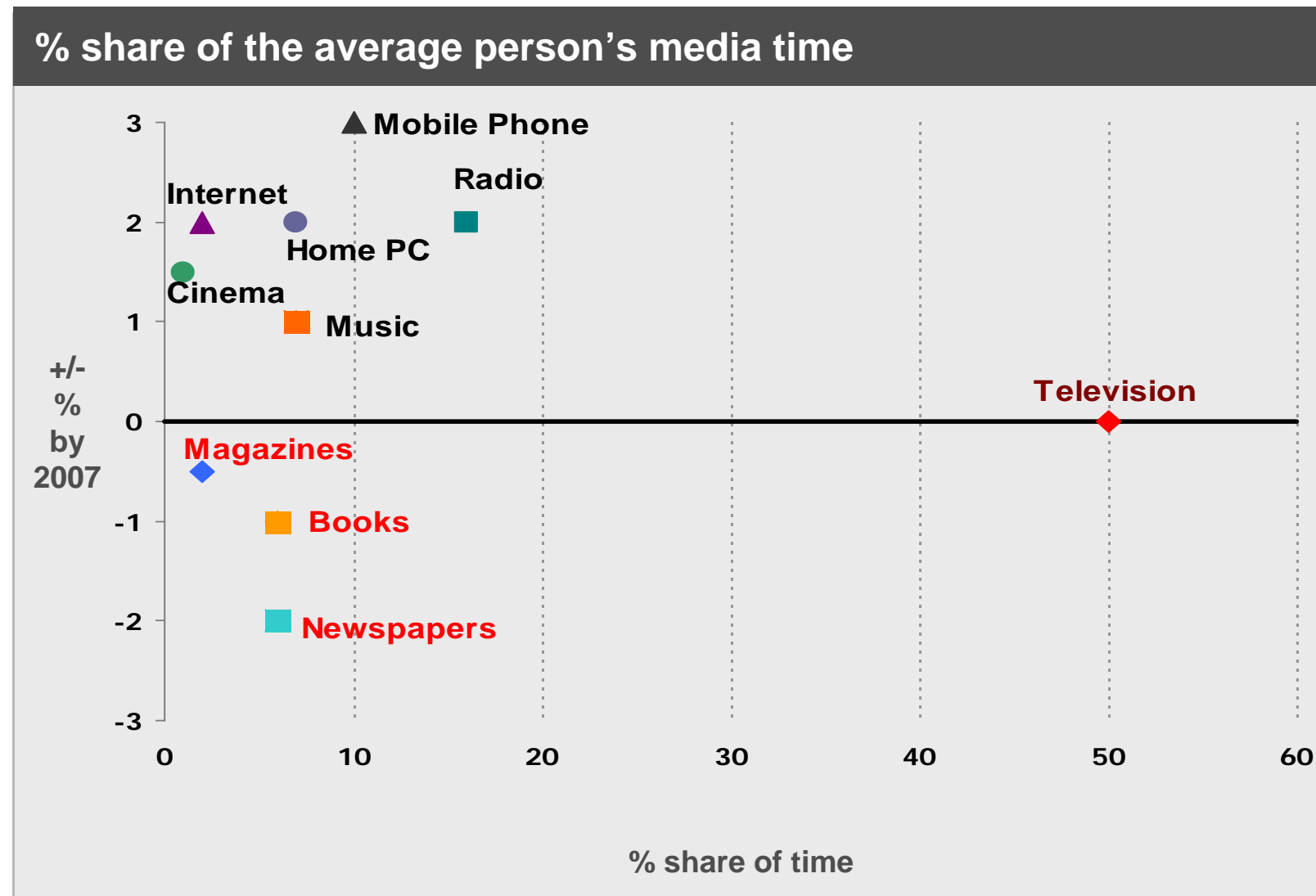
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Media trends (i) - overview

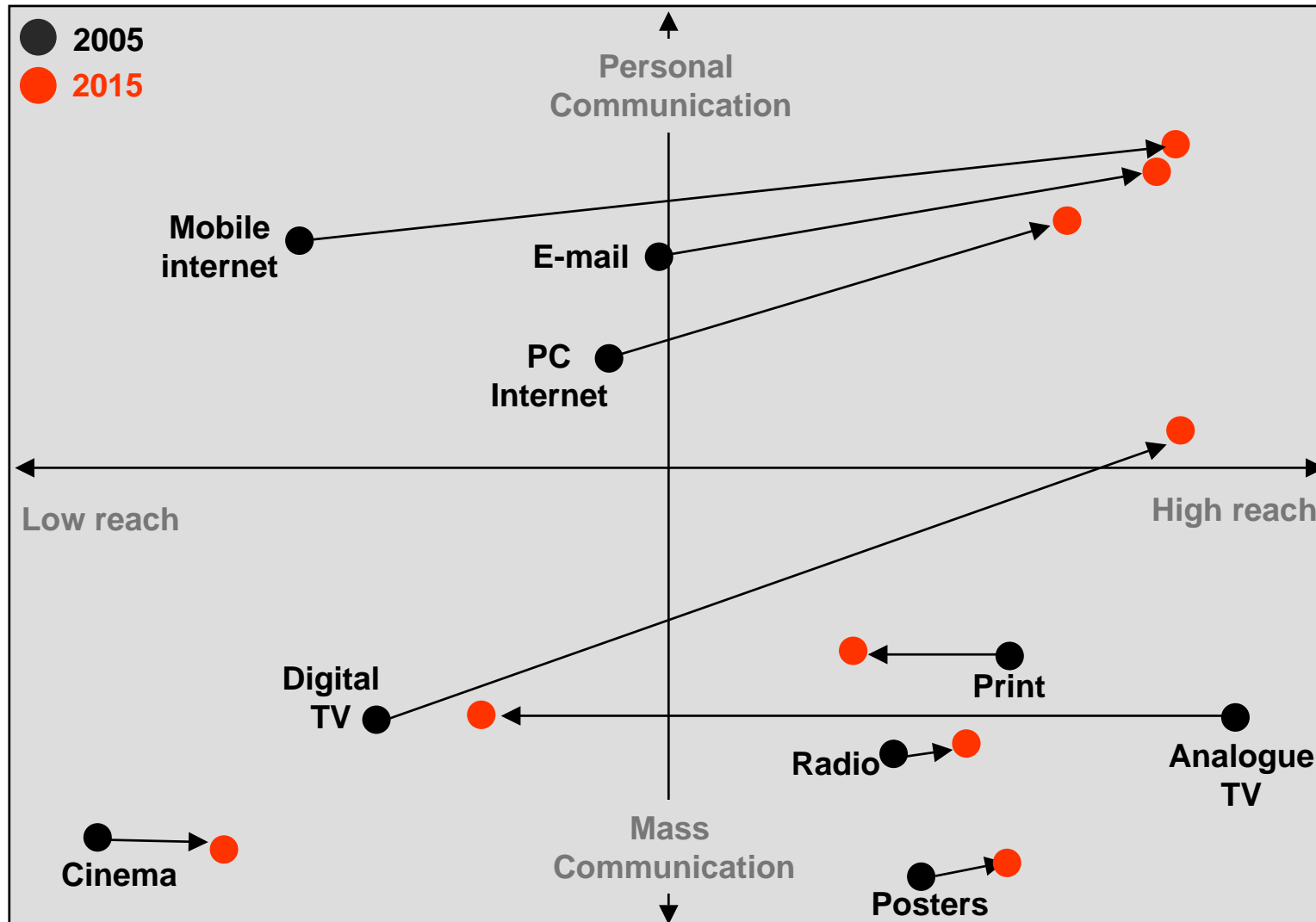
- Consumer appetite for media is rising (time and money)
- Advertising supported media are losing share to consumer supported media
- TV remains dominant
- Growth media include internet, direct mail, email, mobile, retail, PR
- Growing use of multiple traditional and non-traditional media

Media trends (ii) – media consumption



Source: ZenithOptimedia

Media trends (iii) – media reach



Source: ZenithOptimedia

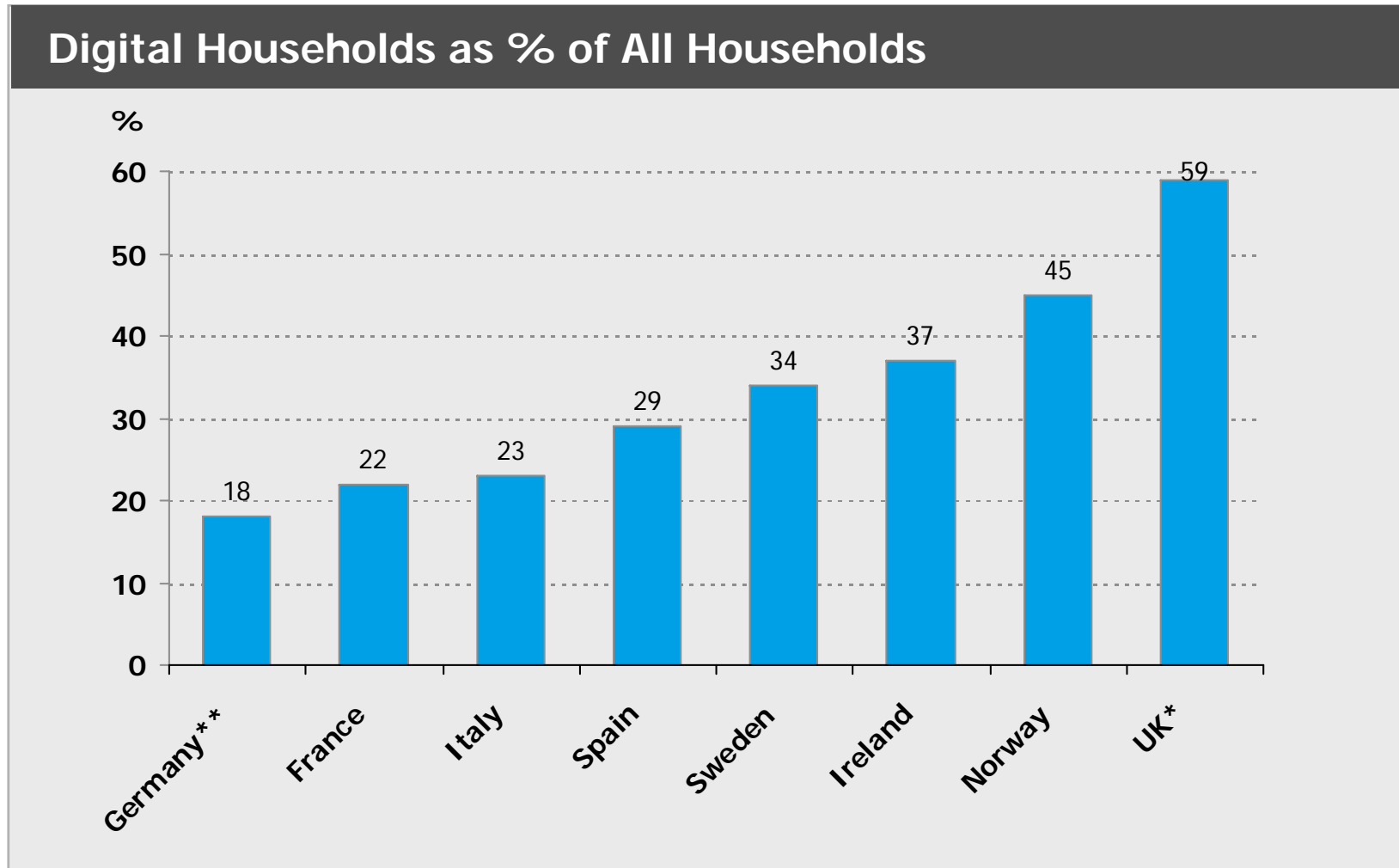
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TV - The Next 10 Years

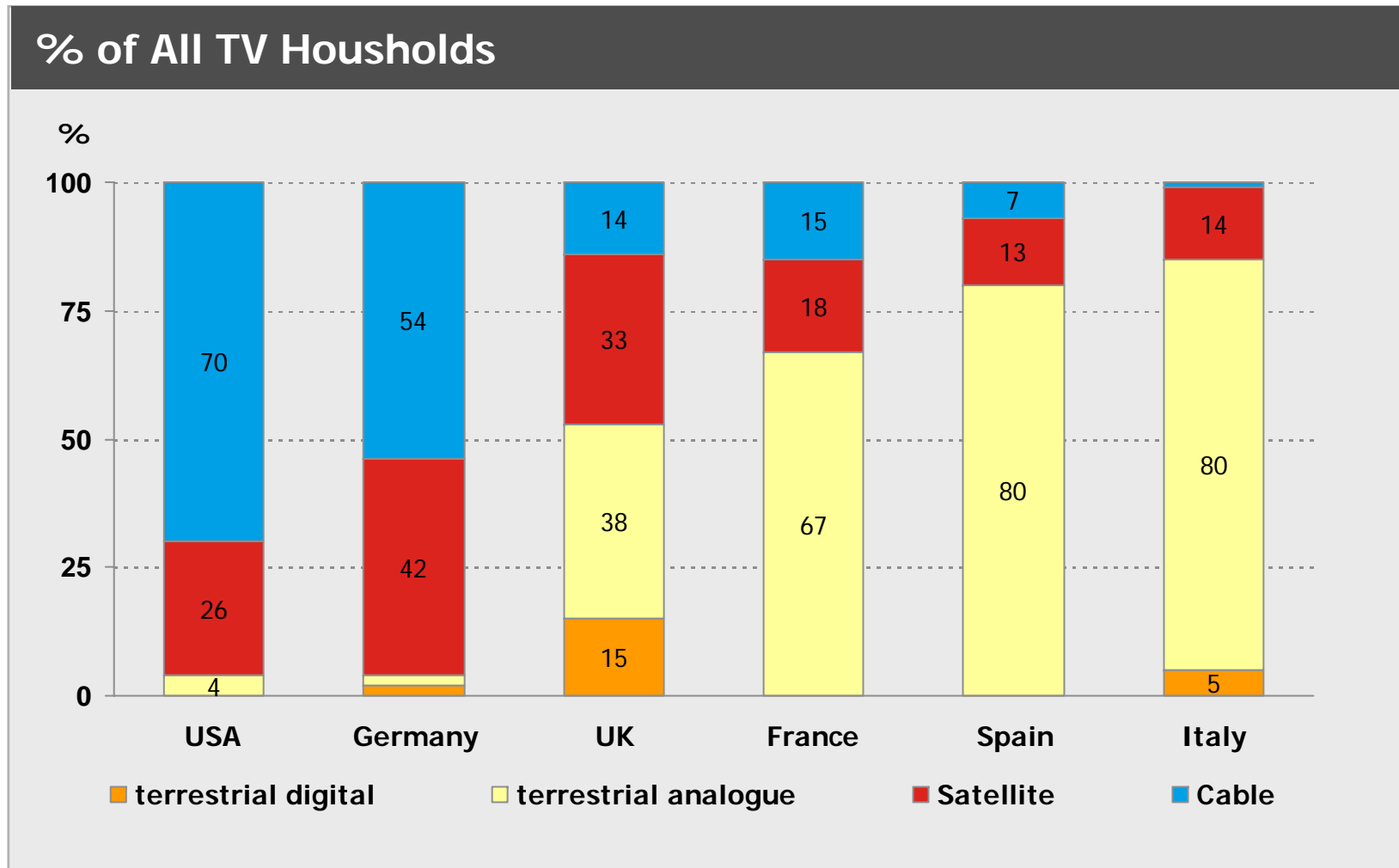
- Potential for a new golden era: more viewing, more enjoyment, more attention
- Rising penetration of multi-channel TV
- Digital TV replacing analogue TV
- Growing popularity of interactive TV
- Rapid growth in DVR penetration (replacing VCR)

Digital TV penetration in Europe



Sources: *Sky, **AGF/GfK Fernsehforschung,
Jupiter Research

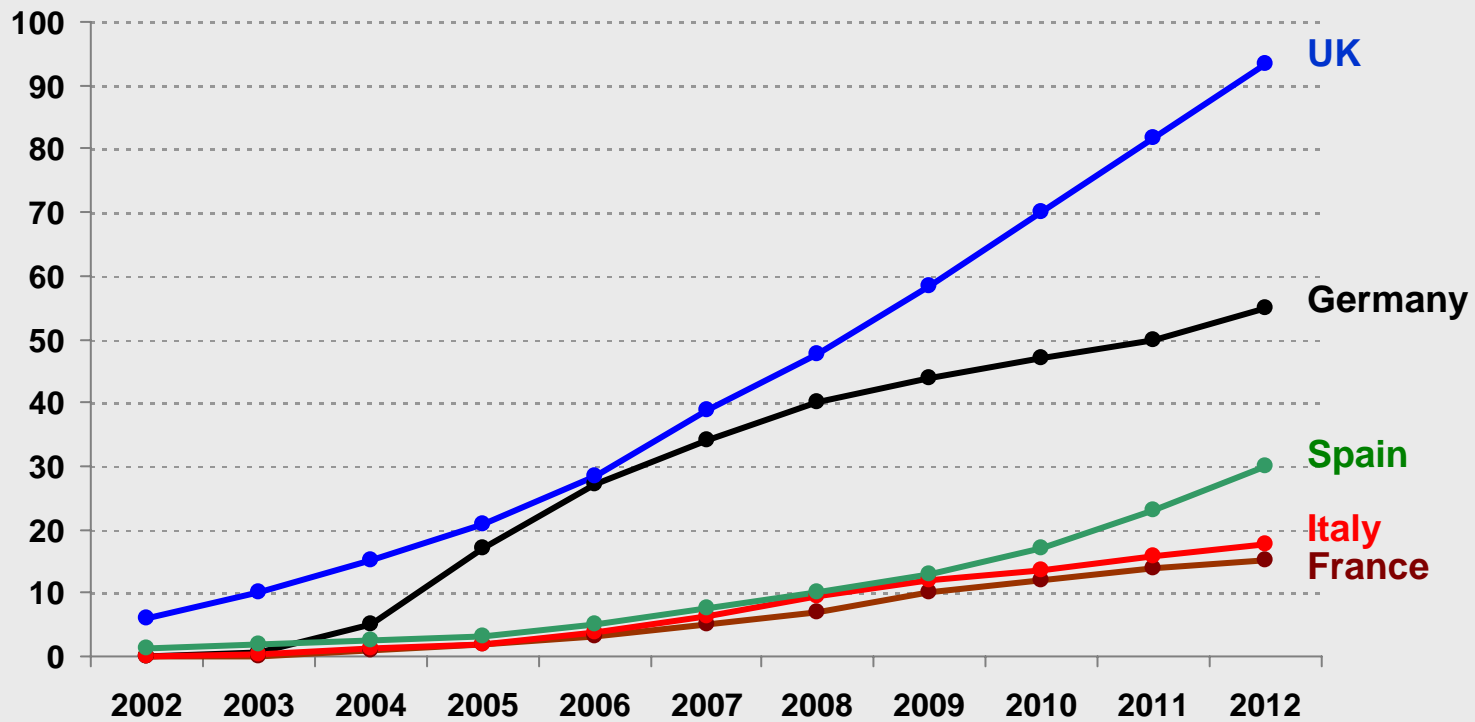
TV distribution platforms in Europe



Source: Booz Allen Hamilton 2005

Growth of free digital terrestrial TV

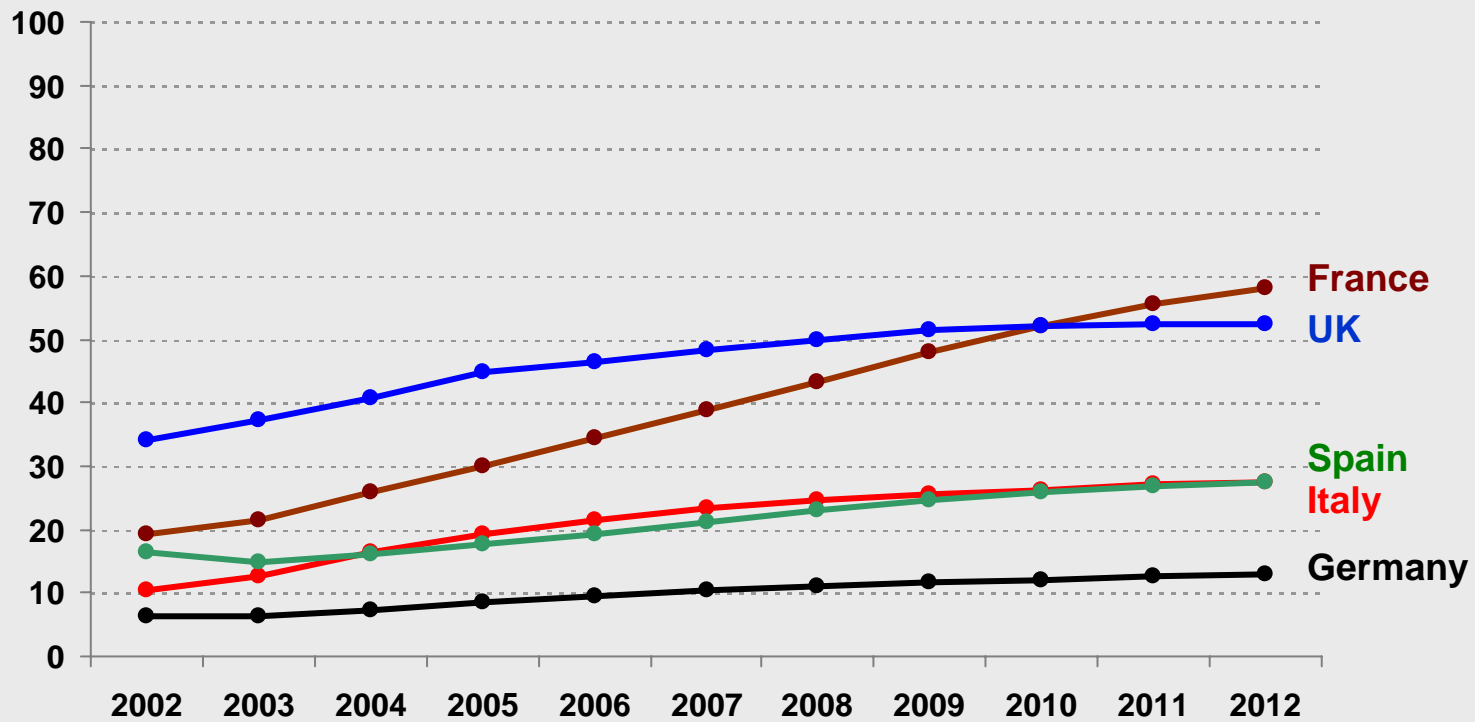
Homes % penetration



Source: ZenithOptimedia, Television in Western Europe to 2012,

Growth of pay digital TV

Homes % penetration



Source: ZenithOptimedia, Television in Western Europe to 2012,

The value of time

“Time management has become the most important driver of social change and innovation.

Nearly all technological and social innovations over the last 50 years can be attributed to a desire to maximise use of time.

They can do this in two ways: either by increasing the satisfaction gained from any given unit of time or by reducing the amount of time to achieve the same amount of satisfaction.”

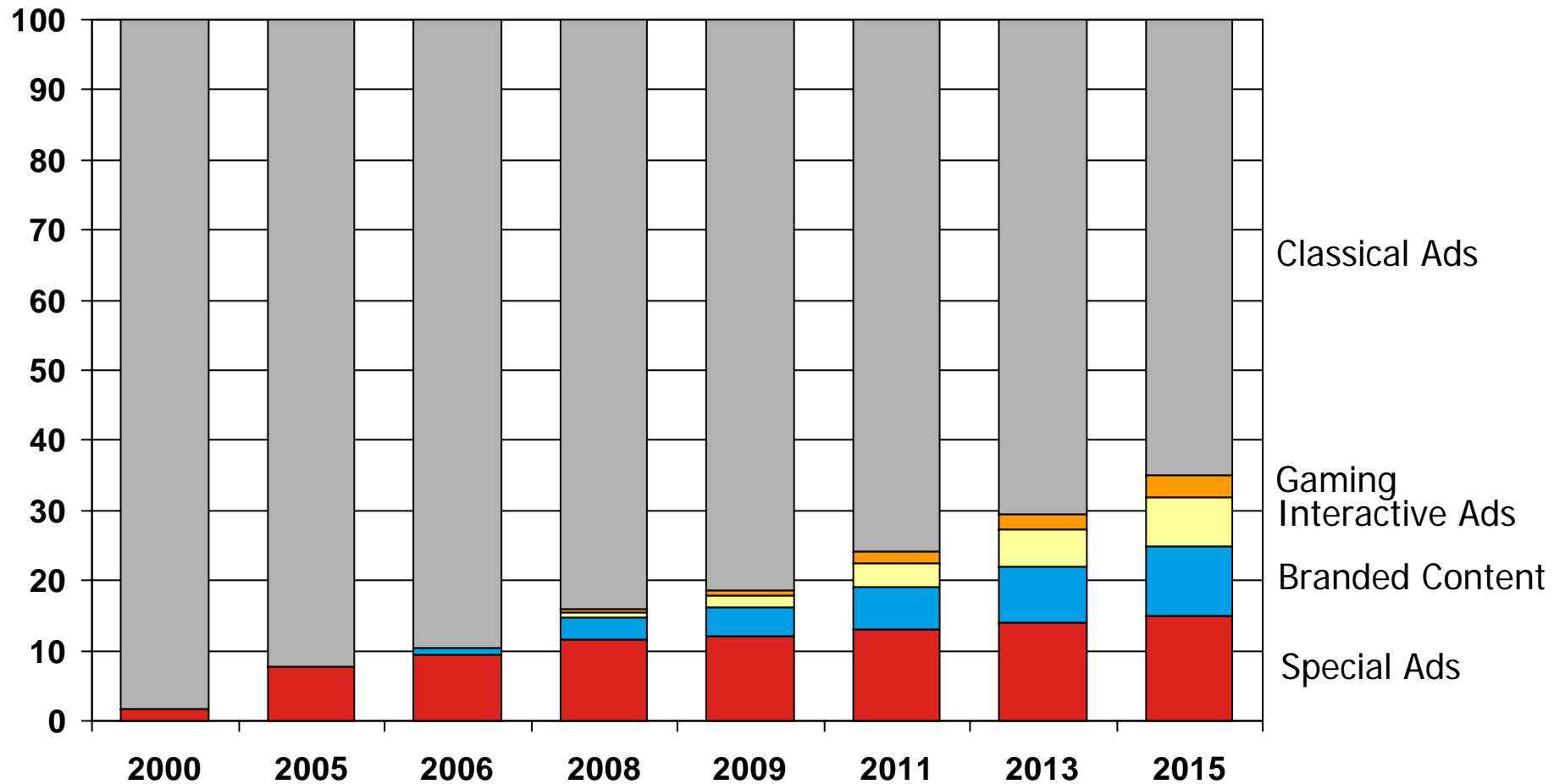
The Future Foundation, April 2004

Digital Video Recorders

- A vital TV innovation
- 50% penetration in US/UK by 2012
 - US: 8m homes currently
 - UK: 770,000 DVR homes watching 16% more TV
- Significant change to viewing behaviour
 - 40% of viewing to recorded programming. 73% of ads fast forwarded
 - More attentive, enjoyable, selective viewing
 - Despite fewer ads viewed, no fall in ad recall (source: Sky)
- Challenges and opportunities for advertisers



The Changing Face of 'Advertising' on TV



Source: ZenithOptimedia



exposure \neq engagement

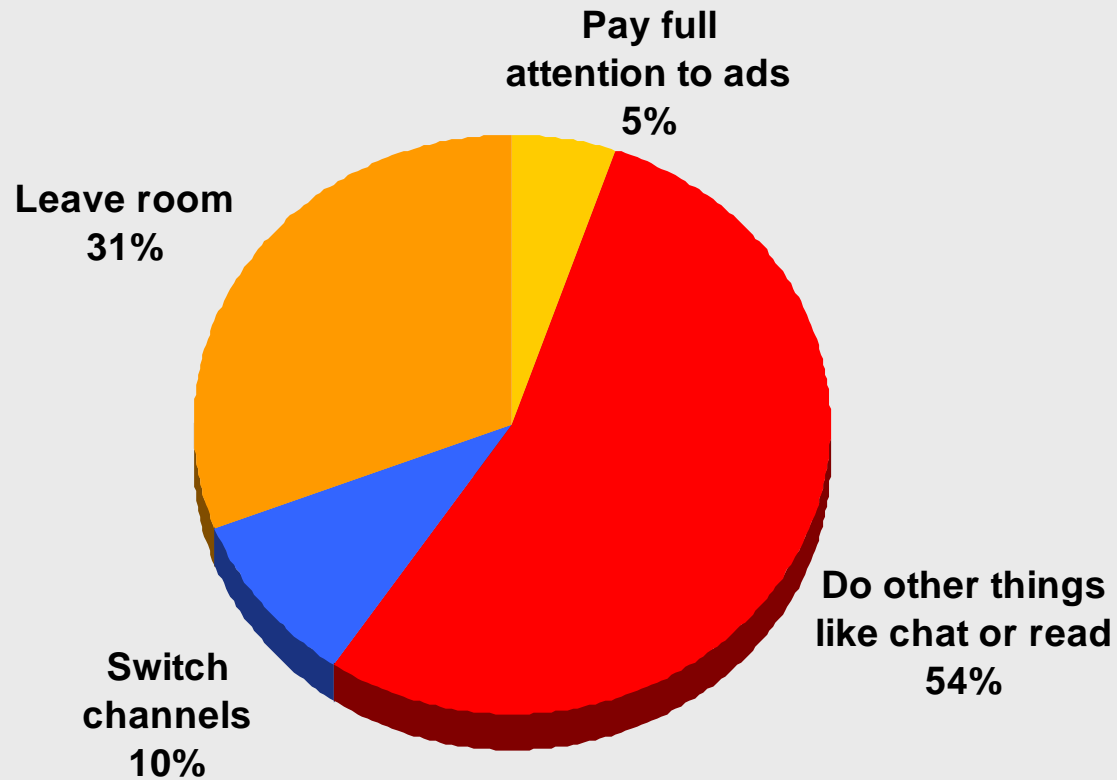
The value of attention



- People are more likely to watch if they choose the programme, and are interested in it and enjoy it
- People recall more ads in programmes they are attentive to
- GRPs are not a good surrogate for attention or recall

What people do during ad breaks

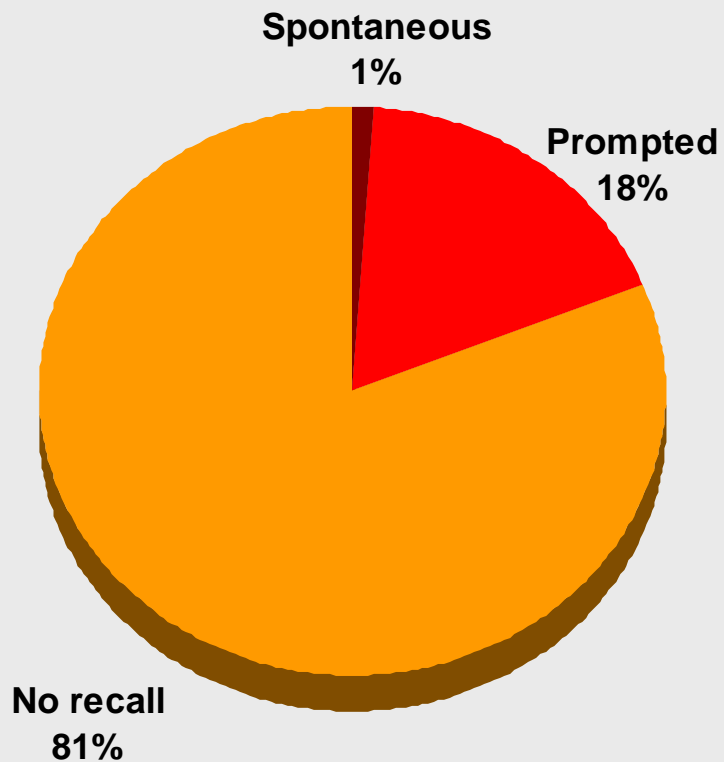
Activities during ad breaks



Source: ZenithOptimedia, TV Persistence Study, UK

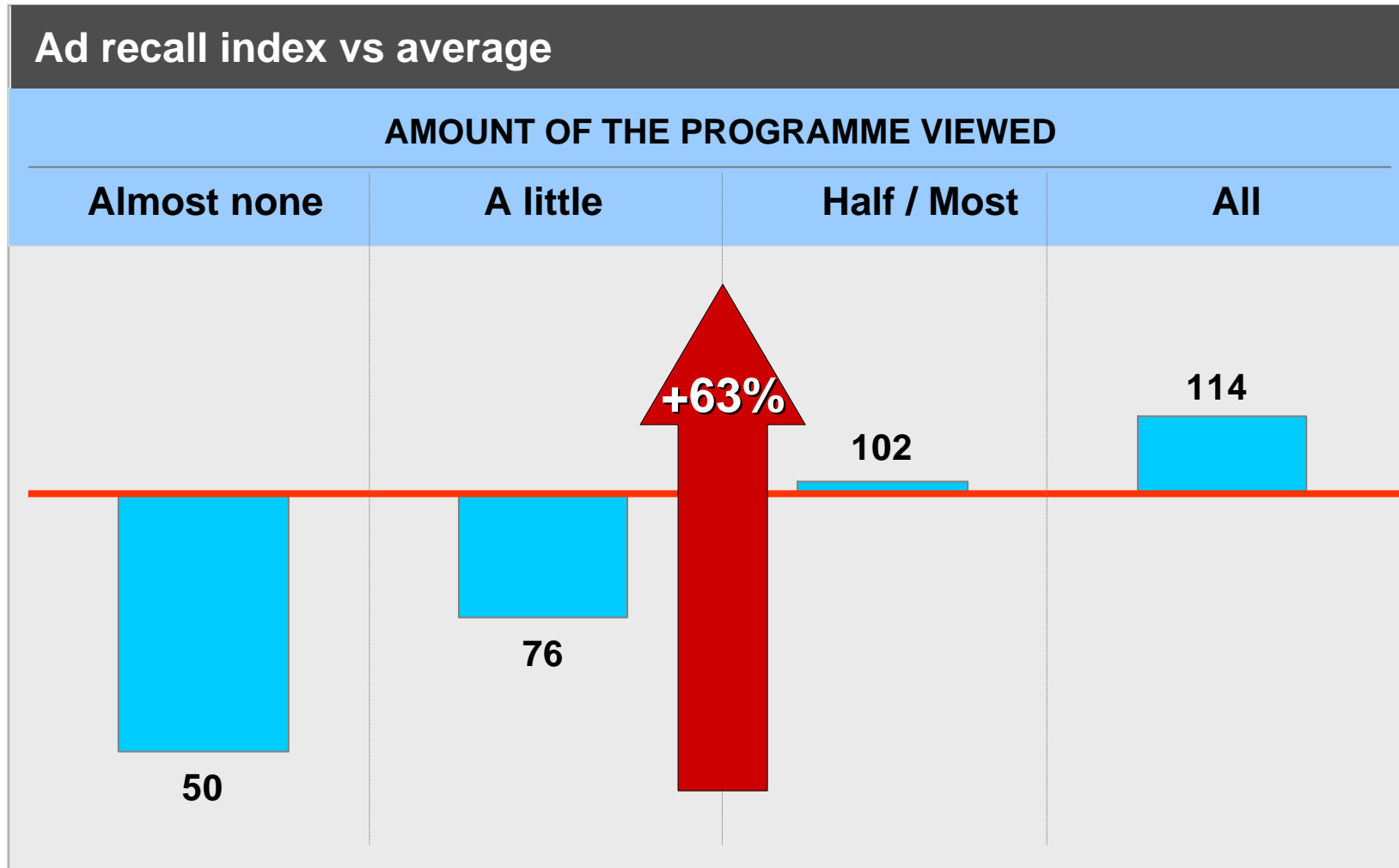
What people remember from ad breaks

Break advertising recall (15 minutes after the programme)



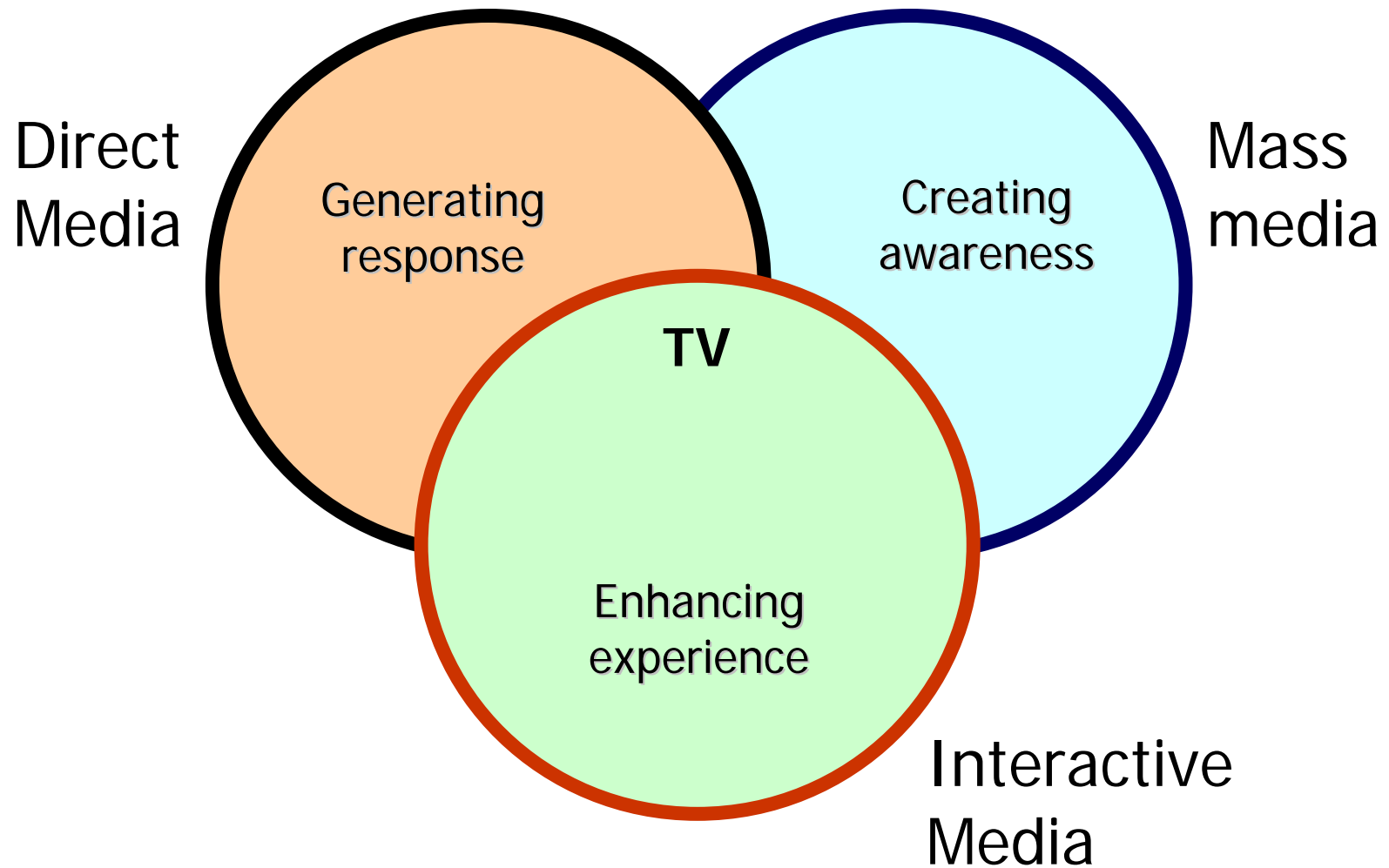
Source: ZenithOptimedia, TV Persistence Study, UK

Viewing persistence effect on ad recall



Source: ZenithOptimedia, TV Persistence Study, UK

Integrating marketing communications



TV sales – the next 10 years

1. Helping clients to build awareness, generate response, enhance experience
2. Proving ROI from TV advertising – value versus alternatives
3. Programming that is viewed live
4. Improving the trading currency – passive measurement
5. Beyond the GRP – attention, engagement, response

The next 10 years

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Responding to changing times

The Future Structure of the Media Services Sector

- Media unbundling almost complete - scale in media even more important
- 5 or 6 multiple brand media services groups accounting for 60% - 70% of world adspend
- Human endeavour - servicing and ideas will be key discriminators
- Developing communications planners at the heart of our integrated media communications service

Summary

- Advertising expenditure continues to grow as % of GDP and TV spend is growing share of adspend
- Media advertising losing share of marketing spend
- The potential of a golden era for television – more choice, enjoyment, attention, and involvement
- New forms of advertising on TV
- Media agencies are moving to become communications advisors