COMMENT

ZenithOptimedia
The ROI Agency

The global advertising market as a whole is picking up speed. Adspend growth has averaged a disappointing 4% a year since 2010, as weak economic growth and fears of a collapse of the eurozone deterred advertisers from investing aggressively in their expansion. Now that the global economy is gradually accelerating and the risk of eurozone collapse has receded, though not disappeared, advertisers are more willing to spend. We expect global ad expenditure to grow 5.3% in 2014, up from 3.9% in 2013, followed by 5.6% growth in 2015 and 6.0% growth in 2016.

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The news has not so been good for publishers. Printed magazines' share of global ad expenditure has been falling steadily since 2005, as readers' attention has shifted from print to the internet, and this has now been exacerbated by the rapid rise in the use of smartphones and tablets, which have created new opportunities for media consumption as well as cannibalising time spent on older media. Magazines attracted 8.0% of global ad expenditure in 2013, down from 13.3% in 2005, and we expect them to attract 7.4% in 2014, falling to 6.5% by 2016.

This combination of a rising market but falling market share means that ad expenditure in printed magazines is shrinking, but at a lower rate than in recent years. Magazine ad expenditure shrank 3.6% in 2013, down from 5.1% in 2012, and we expect this rate of decline to moderate further, to 2.3% in 2014, 1.4% in 2015 and 1.0% in 2016. We forecast the global magazine ad market will be worth US$37 billion in 2016, down from US$39 billion in 2013 and 36% below its peak level of US$57 billion, which it reached in 2007.

Magazine advertising isn't shrinking everywhere. We forecast expenditure in printed magazines to rise between 2013 and 2016 in most of Latin America, key markets in Asia Pacific like India and Indonesia, parts of Central Europe, and South Africa. However, it's clear that for most publishers the source of their future growth will lie outside the printed magazine.

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The main engine of global adspend growth is internet advertising, which grew 17% in 2013 and which we forecast to grow at an average of 16% a year to 2016. Internet advertising expenditure overtook newspaper expenditure in 2012, and in 2014 will overtake newspaper and magazine expenditure combined, to total US$122 billion. Paid search is the largest segment (most of the money going to Google), but since 2011 traditional display, online video and social media have been gaining market share, directing more internet adspend to content producers instead of intermediaries. In 2013 traditional display, online video and social media accounted for 41.6% of internet adspend, up from 36.0% in 2010, and by 2016 we expect this proportion to rise to 46.9%.

These segments are benefiting from better advertising technology and changing consumer behaviour. Improved advertising formats are making display more interactive and attention-grabbing. Programmatic buying is evolving to allow more sophisticated and efficient targeting of display audiences, and is becoming better at delivering premium, brand-building experiences. ZenithOptimedia forecasts traditional display advertising to grow at an average of 15.8% a year between 2013 and 2016, up from 12.3% a year between 2010 and 2013. Social media display is growing much faster – at an average of 29.9% a year between 2013 and 2016 – as advertisers exploit the explosion of mobile social media use and the ability to target across desktop and mobile. As online video extends to smartphones, tablets, gaming consoles and connected TV sets, it is providing advertisers with a wealth of new opportunities to connect with consumers: we forecast online video advertising to grow by 24.2% a year between 2013 and 2016.

The most dramatic transformation in the global ad market, however, is the rapid transition from desktop to mobile internet. The smartphone is swiftly establishing itself as central to our lives, where we connect with friends and family, order goods and services, and browse and consume media. ZenithOptimedia forecasts mobile internet advertising (including mobile display, social media, online video, paid search and classified) to contribute 38% of all the extra adspend between 2013 and 2016, and to increase its share of the ad market from 2.9% to 8.2% over this period. This means mobile will leapfrog radio, magazines and outdoor to become the world's fourth-largest medium in just three years.

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These new forms of communication and media offer fast-growing revenue streams ready to be tapped by companies with content and the ability to attract consumers' attention. Publishers will need to develop new skills and invest in new technology, but their existing brands, with established relationships with consumers, will give them a head start.

ZenithOptimedia is a media agency; our primary role is to help our clients maximise the return on investment of their marketing spend. We have a global network of offices, and part of their job is to track and forecast advertising expenditure by medium in 80 countries. We use their local market knowledge to produce our advertising expenditure forecasts report, which has been published continually since 1987 and is released four times a year.