

PERSPECTIVES OF THE GLOBAL ADVERTISING MARKET

NICOLETA BUZILĂ

TIBISCUS UNIVERSITY, FACULTY OF ECONOMIC SCIENCES, Daliei Street, No. 1A, Timișoara,
e-mail: nicoleta_buzila@yahoo.com

Abstract:

The paper presents the evolution of the global advertising market during 2012 – 2016. Thus, in Romania the most growth will come from the internet access segment, both by fixed and mobile connections (the average annual growth rate being estimated at 9.3%, in nominal terms), while the advertising revenues will register a moderate growth of 4.8%, the average annual growth rate until 2016. Instead, the final consumers' expenditures on media products will register a negative evolution, the average annual nominal increase being 1.7%, below the estimated inflation rate.

Key words: *the media and entertainment market, the advertising expenditures, perspectives*

JEL classification: M37

After the decreases registered in the past three years, the media and entertainment industry from Romania will re-enter in a positive territory this year, the total nominal value of the market returning to the pre-crisis levels. The local media and entertainment market is estimated to increase from \$ 2.7 billion in 2012 to \$ 3.4 billion in 2016, with an average annual growth of 5.3%. However, in real terms, taking into account the inflation rate (estimated at an annual average of 3.3% over the period, 2012-2016), the media and entertainment sector in Romania will register a real and modest average annual growth of only 2%, is said in the statement.

Mostly the growth will come from the internet access segment, both by fixed and mobile connections (the average annual growth rate being estimated at 9.3%, in nominal terms), while the advertising revenues will register a moderate growth of 4.8%, the average annual growth rate until 2016. Instead, the final consumers' expenditures on media products will register a negative evolution, the average annual nominal increase being 1.7%, below the estimated inflation rate.

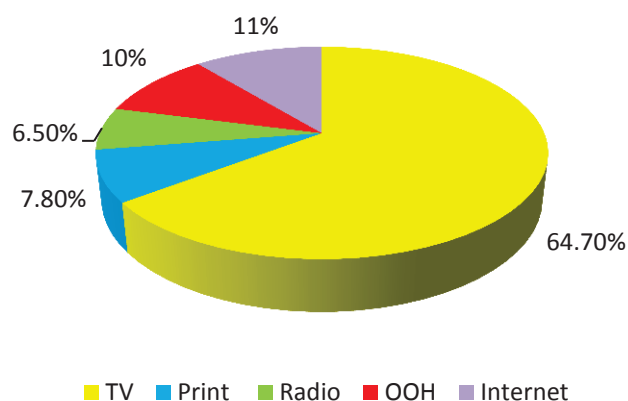


Figure 1. – Market share in 2011 (Romania)

Source: www.mediafactbook.ro

The local market remains the third most dynamic in Central and Eastern Europe after Russia (with an average annual growth of 10.1%) and Turkey (9.8%), however surpassing Hungary (5.1%), Poland (4.9%) and Czech Republic (4.8%).

Despite the uncertain economic climate, the last year marked a new record at global level in sales of tablets and smartphones, which shows once again the growth opportunities offered by digital channels for the media and entertainment industry, in terms of content distribution, as well as regarding advertising revenues.

Globally, the advertising expenditures in digital format have increased by 17.6% in 2011, compared with an increase of only 0.6% of advertising expenditures in conventional environments. The share of advertising costs in the digital environment will increase from 28% in 2011 to 37.5% in 2016, also contributing with two thirds of the revenue growth in the media and entertainment industry by the year 2016.

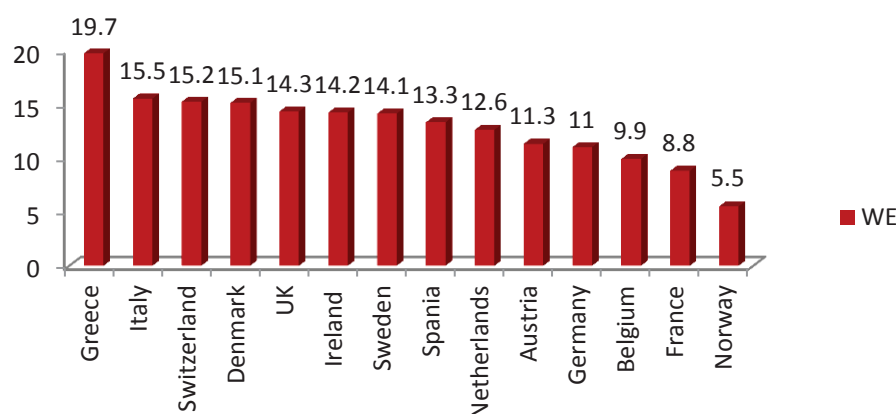


Figure 2. – The grow of advertising spend in Western European country (%)

Source: www.iabeurope.eu

Online market share of total advertising spend across Europe reached 21.7% in 2011. In other words more than 1 in 5 European advertising Euros was invested online. The UK is the most developed online market in Europe at 35.9% share in 2011, while Greece despite its strong growth of 19.7%, occupied the last position with a share of 6.8%.

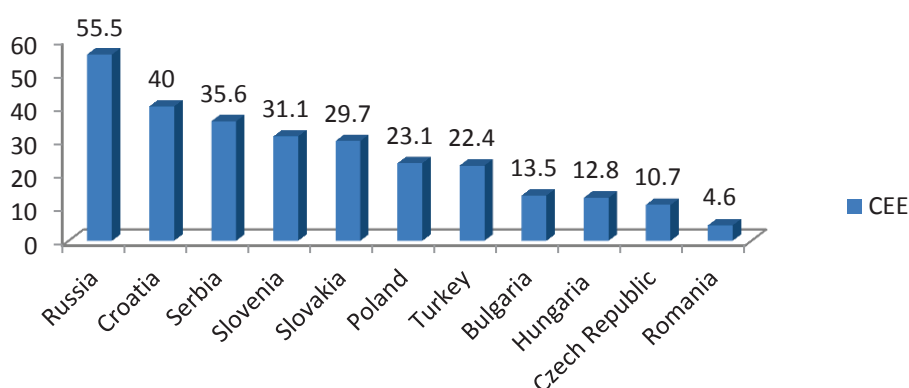


Figure 3. – The grow of advertising spend in Central and East European country (%)

Source: www.iabeurope.eu

Western European markets had a higher market share at 22.7% compared to the CEE equivalent of 16.9%. However, looking at national markets individually reveals that market shares within Western Europe on the one hand, and Central and Eastern Europe on the other are not homogeneous. For instance, Austria and Switzerland exhibit a low online share of their total media advertising spend at 13.0% and 13.9%, lower than most CEE countries.

In 2011 Central and Easter European countries online advertising market demonstrated the highest growth rate in the European continent. As IAB Adex 2011

report documents, Russia led the group with a growth of 55.5%, driven mostly by a surging search market and expanding internet population.

Display-driven markets such as Croatia, Serbia, and Slovenia grew by 40.0%, 35.6%, and 31.1% respectively. Slovakian and Polish online ad markets increased 29.7% and 23.1%, with strong growth across formats. Even though Turkey exhibited a robust growth rate at 22.4% still the online advertising spending makes up only 13.8% of general advertising expenditure.

The opportunities offered by the digital environment are now well understood by media companies, advertising agencies and even major advertising clients and the industry comes out of the pioneering phase in the digital sphere, the digital offer already becoming "business as usual", as the users get used with new technologies. However, the challenge for the industry remains the implementation of development strategies in the digital environment.

"The media and entertainment industry segments are on different stages as regards the adoption of digital technologies, but all are moving in this direction in order to meet the changes in consumer preferences and remain profitable. Companies from the media and entertainment industry have already exceeded the pioneering period of digital technologies and have committed to a digital future, trying to adjust products, distribution and organizations for the new digital era", declared Florin Deaconescu, partner and leader of the Audit Service Group for Telecommunications, Media and Entertainment Industry, PwC Romania.

The maturity of digital supply varies significantly depending on the market segment. Thus, regarding the music industry, it is estimated that the digital format will exceed the traditional formats starting with 2015, generating 55% of the total revenues of this industry in 2016. Also, the expenditures on online and wireless games will surpass the sales of PC and console games starting with 2013.

Instead, in the magazine segment, the revenues from the digital environment will represent only 10.4% of the entire segment in 2016, however, a remarkable increase from just 3.1% in 2011.

Global expenditures for the music industry products increased by 1.3% in 2011, the first increase registered after years of decline in this segment. The increase is due to developments in the concerts and festivals segment, while the sales from musical recordings decreased further but at a slower pace than in previous years. However, the sales of musical recordings in digital format will increase starting with 2013.

Mobile internet connections, a key indicator of expenditures in the digital sector, will double in the next five years, up to 2.9 billion in 2016, of which about 1 billion will be in China. In India, the number of subscriptions of mobile internet connections will increase from a reduced base, with an average annual rate of 50.8% by the year 2016, making the Indian market have fastest growth in the segment of mobile connections.

By 2016, the revenues from online advertising on mobile devices will increase with an annual average rate of 36.5% to reach U.S. \$ 24.5 billion, a similar level to that of the online advertising on fixed connections. However, the major share of online advertising revenues will continue to be detained by search engines and SEO services (78.1 billion dollars) and online display banners (46.6 billion dollars). The Chinese advertising market revenues on the segment of mobile connections will grow by an annual average rate of 68.4% to reach U.S. \$ 6.2 billion in 2016, the Chinese advertising market on mobile devices becoming the second largest in the world after the United States, which will register revenues of \$ 9.4 billion in this segment.

Regarding the media publishing segment we observe different trends on mature markets compared to the emerging markets. The U.S. market will continue to register an average annual decrease of 1.4% by 2016, estimating that in four years this market

segment's revenues will be 43.8% lower than they were in 2007. Instead, it will register strong growths in markets where the media digital supply is still not very developed. Argentina will report an average annual growth rate of 11.9% in this segment, Indonesia - 11.2% and India - 9.6%.

France surpassed Germany and Great Britain in 2011, becoming the second largest market in the world for TV subscriptions, behind the United States, reporting a growth rate of 76% on the IPTV segment. Regarding the TV advertising expenditures, Russia increased by 20.2% in 2011, and by 2016 the Russian market will exceed the revenues recorded in this sector in countries such as Great Britain, Germany, Italy and France, becoming the largest market for TV advertising in the EMEA region (Europe, Middle East and Africa).

In the film industry segment, streaming services will grow by an annual average rate of 21% to a level of \$ 11 billion by the year 2016, and will exceed the revenues from TV subscriptions.

BIBLIOGRAPHY

1. **Haymi Behar** (2012) - *One in Five European Advertising Euros Invested Online*, DigiBuzz.com;
2. **Waterson M. J.** (2011) - *Forecasting The European Advertising Market*, warc.com;
3. European Association of Communications Agencies (EACA) (2002) - *Industry as a partner for sustainable development – Advertising*;
4. ***www.mediafactbook.ro;
5. ***www.iabeurope.eu.