



Europe's TV broadcasters trapped in a downward spiral as advertising revenues plummet

In the UK, ITV scrambles out of one 'tunnel' only to get stuck in another

London 4th September 2008: With TV broadcasters in the five biggest western European markets already struggling in a challenging advertising market this year, media analyst Screen Digest (www.screendigest.com) predicts that the worst is yet to come. Screen Digest's latest analysis reveals an industry in a downward spiral of economic slowdown, advertising recession, deflated prices and audience fragmentation.

Three of the big markets are suffering the most. In the UK despite outperforming a sluggish advertising market in the first six months of the year, ITV's full year guidance points to a 3% drop in ad revenues. The once untouchable French broadcaster TF1 has taken a double whammy of a 3.6% drop in revenues and a loss of its audience, in particular during the crucial prime-time slot. As a result the company is forecasting a 3% drop on full year revenues. Leading Spanish broadcasters Telecinco and Antena3, having enjoyed many years of strong growth, have been brought down to earth by a deep advertising recession, the rapid rise of new competitors and concerns over the imminent introduction of more stringent advertising regulations.

Two markets have bucked the trend so far: Germany and Italy. The German ad market has remained flat and RTL Group has claimed a record share of the advertising pie, in no small part as a result of the new sales model launched by competitor ProSiebenSat.1 which was subsequently rejected by the market. In Italy, Mediaset has outperformed a flat TV advertising market increasing ad revenues by 2.2 per cent year-on-year.

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In recent years ITV has been in a 'tunnel' of declining audience share and revenues but in 2007 the company appeared to have its turned fortunes around by halting the drop in both audience and ad revenues. However the credit crunch, with its challenging economic conditions, has meant that just as ITV managed to get out of this tunnel it has fallen into another one – this time not of its own making. ITV is already experiencing a major advertising downturn this quarter and has said that revenue may shrink by 20 per cent in September.

This month the full effects of the recession are expected to start to impact ad revenues, with financial and telecoms clients cutting budgets first. Retailers are still investing their budgets in TV advertising, but as the recession on the high street looks set to deepen, this strategy is likely to be short-lived.

Vincent Létang, Screen Digest Analyst for Advertising says "It may seem paradoxical that as TV audiences are still growing, TV advertising revenues are falling. The reason is that the demand for TV advertising is flat – and so broadcasters have been forced to drop their prices. It is cheaper to advertise now on TV than at any point in the past 20 years. The fact that commercial TV viewing has been growing this year to reach all-time highs adds to the pains of the British broadcasters. In a period of low demand, over-supply of audience simply fuels the downward price spiral."

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