



Online advertising not recession-proof

A 5% fall expected in the US by end of 2009

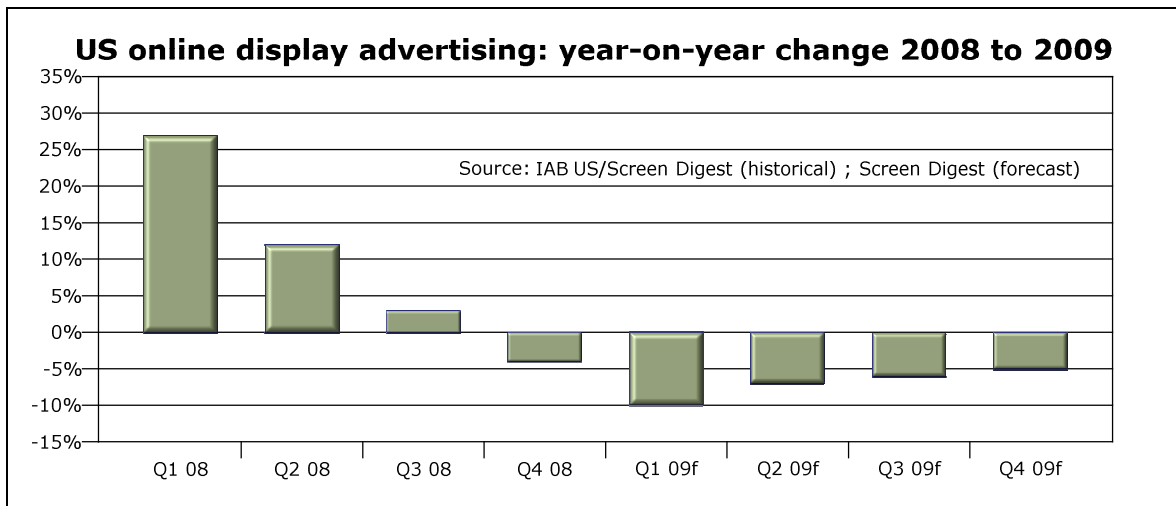
9th April 2009: Media analyst Screen Digest (www.screendigest.com) has just released its view on the current state of online advertising in the US. Whilst online advertising in the US grew by 10 per cent overall last year, fourth quarter trading suffered a dramatic slowdown which leads Screen Digest to anticipate a five per cent fall in 2009. Online advertising, it appears, is not immune from economic recession.

Screen Digest's view of the market for 2009 is based on the US IAB's recently released full year report for 2008. Whilst internet advertising grew by 10 per cent in 2008, the fourth quarter was almost flat at +2.6 per cent, a significant change from the first nine months of the year which were up approximately 15 per cent.

Online display advertising grew by 'only' eight per cent for the full year, i.e. much lower than its previous growth of 26 per cent in 2006 and 31 per cent in 2007. Screen Digest analysis has highlighted the very shocking four per cent year-on-year *decline* of Display advertising in the last quarter of 2008. The fall of the Display category would have been deeper had it not been for the growth of the online video format that nearly doubled in 2008. Screen Digest estimates that online video (pre-roll) ad sales reached \$1.2m, up 64 per cent over 2007.

Search has remained much more dynamic than online Display in 2008 and, at least up to the third quarter, it seemed to be recession-proof. The format is highly accountable and scalable, whilst Display internet advertising, now a mature medium, suffers the same cost-per-thousand deflation affecting all other branding media. However, following the acceleration of economic recession in the fourth quarter, both formats have

suffered: Search has seen growth rate halved whilst Display has experienced negative year-on-year quarterly growth for the first time since the dotcom crash of 2001-2002. Online Display, Search and Classifieds are also suffering from the particularly bad state of three critical client sectors: automotive, real estate and finance.



The sudden slowdown of Search reported by the IAB US is consistent with the plateauing of US quarterly revenues reported by Google throughout the year. Year-on-year quarterly growth went down from +31 per cent in the first quarter to only +13 per cent in the fourth quarter.

Following the fourth quarter 2008 tipping-point, Screen Digest has revised its 2009-2010 forecasts for online advertising in the US. We now predict that all categories and sub-categories except video will decline in 2009. Banner advertising (-8.8 per cent) will not be fully compensated by the double digit growth of online video, so that the Display category will be down 3.6 per cent. Search will shrink by two per cent and non-Display categories such as Classifieds will experience double digit falls. Overall, the total internet advertising market will shrink by five per cent (-4.8) in 2009 and only stabilize (+0.4 per cent) in 2010.

Vincent Letang, Senior Analyst at Screen Digest says “Looking at the US results from the fourth quarter last year, it’s very clear that online Display will fall this year despite the

growth of video. Search was still growing in Q4 but the growth rate has slowed down so much that we now believe the next quarter will be in the red too - and online Classifieds will continue to fall. Our full year forecast for total internet advertising is thus down around five per cent. Display and Search, being huge and mature media, cannot be immune from the ongoing ad slump even though they will continue to outperform most other media during the period. We indeed anticipate the total US ad market to go down two digits in 2009 while some media (press, local TV) could be down by up to 20 per cent.”

Ends

For more information please contact:

UK Media enquiries: Lucy Green, PR Consultant

Tel: +44 (0) 7817 698366 lgreen@greenfieldscommunications.com

US Media enquiries: Jana Watt, PR Consultant

Tel: + 1 (317) 709-3855 jwatt@greenfieldscommunications.com

Screen Digest: Fay Hamilton, PR and Promotions Manager

Tel: +44 (0) 20 7424 2847 fay.hamilton@screendigest.com

About this research

The research in this press release is taken from Screen Digest's Advertising Intelligence service.

About Screen Digest

Screen Digest is the pre-eminent firm of industry analysts covering global media markets. Headquartered in London, with offices in New York and Monterey, California, we employ a team of 40 specialist analysts covering film, television, broadband, mobile, cinema, home entertainment and gaming. Our online services and reports provide the information and analysis that hundreds of media companies worldwide base their decisions on. Most recently we have launched Global Media Intelligence (GMI), a new service which provides research and analysis specifically for media-focused institutional investors. www.screendigest.com.

To find out more, contact Screen Digest sales@screendigest.com Tel: +44 (0) 20 7424 2820