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Magna: Traditional TV Ad Revenue To Dwarf Online Video For Years

BY DEBORAH YAO

NEW YORK (AP) – An advertising forecaster said Monday that the worst is over for the U.S. ad slump, but that across-the-board revenue growth won't resume until well into 2011.

Magna, a unit of the Interpublic Group of Cos., estimated second-quarter ad revenue fell by 18 percent and said revenue will fall 14.5 percent for the year – the worst showing since the Great Depression.

"The economy accounts for the bulk of that decline," said Brian Wieser, Magna's global director of forecasting. "Every sector is being pulled down by this decline, every media that takes ad support."

The slump in ad revenue should moderate to a decline of 2 percent next year, with some media outlets showing growth such as local broadcast, national cable TV ads, online and outdoor, Magna said. Overall growth is not expected until the second half of 2011, and the average annual growth from 2009 to 2014 is expected to be an anemic 1 percent.

Magna's report, which is widely followed in the ad industry, this year began tracking ad revenue received by media outlets instead of ad spending by advertisers. Magna said the data is more accurate because of better sources.

The shift is a sea change since veteran forecaster Bob Coen began making ad predictions for Magna more than half a century ago. Coen stepped down in March and remains a Magna adviser.

Magna said search advertising, ads that surround search results like ones offered by Google Inc., is the only category not expected to show a decline in 2009.

While online media continues to fare better than other ad-supported outlets, Magna said television still has the widest reach and use. It said TV consumption is up for all audiences, including the youth from ages 2 to 18. Moreover, ad revenue for traditional TV is expected to dwarf online video for years to come.

Still, TV, like most major media, faces ad weakness. TV ad revenue is expected to total \$47.7 billion, down 14 percent for the year. Its five-year growth rate is forecast at 3.2 percent on average per year.

Local TV ads are expected to fare much worse than national TV, mainly as a result of the downturn in local automotive advertising.

Wieser is bearish on newspapers, with 2009 ad revenue expected to fall by 24.8 percent to \$28.5 billion. Its five-year forecast is a decline of 3.7 percent per year.

"Newspapers don't have a likelihood of recovery for the foreseeable future" as print readers age, he said, describing the industry as one in "terminal decline."

But he said magazines shouldn't be lumped together with newspapers. Even though magazines have seen advertising revenue erode, as well, they let companies craft brand images such as glossy pictorials that are not easily replicated online.

Still, the forecast is weak. Magazines' ad revenue is expected to fall 18 percent to \$15.7 billion this year. From 2009 to 2014, the average yearly drop is projected at 3.3 percent.

Online ad revenue is closing in on newspapers at \$23 billion this year. The forecast is for a drop of 2.2 percent in 2009, but up 8.4 percent yearly over the next five years.

One of the fastest growing areas in digital media is ad revenue for online video, such as commercial spots on Hulu. Online video ad revenue is forecast to hit \$1 billion in 2011, up 43 percent from this year.

Radio advertising is expected to fall 21 percent this year to \$14 billion, with network and satellite radio declining less. Wieser said marquee talk show names such as celebrities should help drive network radio growth.

Outdoor advertising is seen falling by 13 percent to \$6.1 billion in 2009, while direct mail drops by 11 percent to \$19.2 billion this year, with a five-year trend up 2 percent.

Ads in directories, including online, is seen down 10.5 percent to \$12.
