THE ADVERTISING HANDBOOK

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3 Advertising fragmentation: the beginning of a new paradigm?

Francisco J. Pérez-Latre

Introduction: advertising-funded industries in transition

The media and entertainment industries are undergoing rapid transformation prompted by changes in technology, regulation, markets and audiences. One authoritative source, the VSS Communications Industry Forecast 2007–11, projects continuing growth in the communications industry over the next five years, with Internet advertising, including pure play websites and digital extensions of traditional media, replacing newspapers as the largest ad medium by 2011. And advertising follows audiences.

Audience usage patterns seem to be in a profound transformation: 'because of the high demand for quick updates and short news briefs readily available on the web, [US] consumers now rely less on 30-minute broadcast or cable TV news shows and spend less time reading the Sunday paper, dropping time with ad-supported media by 6.3 per cent' (Tan, 2007). Advertising finance has tended to move from mass to targeted media. Some clients are less inclined to pay for broadcast TV advertising based on interruption. That is why authors such as Briggs and Stuart (2006) have argued that targeted media appear to be more effective. The publishing, broadcasting and advertising industries are more affected than other media and entertainment industries. In this context:

> we must address the old saw that new media don't destroy old media. Radio didn't kill newspapers; television didn't kill radio, and so on. That is true . . . so far. But some new media are so disruptive that they force older media to change themselves radically in order to stay in business. Those that decide to circle the wagons and refuse to change, refuse to reinvent themselves, are almost certainly going to struggle to survive. (Cappo, 2003: 72)

A paradigm shift appears to be on the horizon.

This chapter concentrates on some of the market changes. However, traditional media still account for the greatest share of advertising expenditure. As we look into the transformations we must not forget that the Internet's share of advertising expenditure is below 10 per cent in most countries. Traditional media have an enduring attraction for advertisers and agencies. Marketers have increasingly pursued multimedia advertising campaigns across both 'old' and 'new' media. Media conglomerates have also sought to

offer cross-platform advertising packages across their media holdings, providing a source of income, leverage and market power, as they restructure their business operations, try to offset losses from some media holdings and take advantage of developing ones. For advertisers and media, much has been made of efforts to run multimedia campaigns, to try to migrate audiences/users from one platform to another (i.e. from broadcast TV to the Internet).

In the current market situation there is a rather complex interaction between the old and the new. Therefore, the market changes covered in this chapter should not be understood as a linear transition from old to new, but as a more complex situation in which 'old' and 'new' media are combined in various ways and where both are in a state of flux. Corporate, technological, market and cultural convergence gives us some clues to interpret the emergence of a new paradigm (Murdock, 2000; Jenkins, 2006). Digitalization and all the allied changes in markets, consumers and regulation bring profound challenges for certain media forms and the business models on which they have been based. Advertising-financed TV is threatened by declining viewing across most linear channels. But television is still the most consumed medium. It is being distributed and reshaped across a variety of modes of distribution and consumption (Grey, 2008; Palmer, 2006; Spigel and Olsson (eds), 2004). The effort to find viable new economic models is driving changes in media, advertising and in the relationship between media and advertising.

In this chapter, the transformation of advertising and media is examined as a process involving, and often mixing, old and new. First, the paradigm shift in advertising is explored, taking a special look at television spots and new forms of advertising. Second, we consider how advertising agencies, that used to have full control of the business, face fresh competition from Internet portals that have the capacity to skip the agencies' intermediary role. We continue with a section on social networks and online video, media that shape new ways to interact with audiences. Finally, we look at the changes in advertising media share in the last decade in some key Western markets.

The paradigm shift in advertising

In an era defined as the 'post-television age' (Cappo, 2003), the way advertising works is changing (Auletta, 2005). Traditional advertising is said to be losing ground to viral marketing, gaming, on-demand viewing, long-form content and other 'new marketing' (Jaffe, 2005). The idea itself of 'advertising's death' is present in several major titles. Ries and Ries (2002) argue that the future for brands is in public relations and not in advertising. Zyman (2002) warns about the end of advertising as we know it. Both books claim that advertising agencies are selling clients short. In these books, when death is mentioned, the authors are describing more a transformation than an end. But they want to underline what they see as unprecedented levels of change. Life after traditional advertising is the topic of another set of books. New marketing techniques, including Internet advertising, video gaming and product placement are the focus of works by Jaffe (2005) and Galician (2004). The synergies achieved between entertainment and advertising through product placement are also examined by Donaton (2004).

The strength of online advertising and its cost-effectiveness is discussed in a variety of works that explain how search engines such as Google are changing current advertising strategies, adding the Internet to the media mix. Marketing without the operational use of agencies has also become a frequent topic in both the academic and managerial debate. Nyren (2005) suggests that there is no longer any need to work with an advertising agency.

Advertising-funded media and entertainment industries seem to be in transition (Farrell, 2007). Today, consumers of media are more in control of how, where and when they receive their messages. A broadcaster's ability to dictate when certain shows are watched or heard is somewhat diminished. There will always be demand for live television and radio, to deliver breaking news, as well as sporting events, awards shows and so on, but the drive towards more consumer control will likely continue. An equally strong revolution is happening in content-creation. Blogs, cellphone movies and social networking sites are contributing to an explosion of user-generated content. Bradley and Bartlett (2007: 1) address some media strategy implications of the new landscape: 'with the establishment of the Internet in the late 1990s, marketers began to use the web to *supplement* their offline campaigns. Eventually the convergence of widespread broadband, mobile technology, portable devices and user-generated content created a world which propelled marketers to new outlets such as rich media, podcasts, online videos and blogs'.

Brands are no longer built *solely* around the 30-second commercial: consumers' alienation with cluttered media and 'wearout', an expression that describes consumers' feelings of being exposed too often to too many messages, have become important factors. For Cappo (2003: 151):

> That simple solution to advertising doesn't exist anymore. Television is not as dominant as it once was. A whole world of cable and satellite channels is now available to smart marketers. One must devote more time to media evaluation and selection, and it can produce more effective advertising. That is exactly what clients are looking for – more answers to their marketing problems. And aside from the proliferation of television, cable and satellite signals, there has been a substantial growth in all other forms of marketing – sales promotion, direct marketing, sponsorship, not to mention the Internet.

The '2005 Best Global Brands', a *Business Week* special report, described what was increasingly seen as an industry turnaround:

> the best brand builders are also intensely creative in getting their message out. Many of the biggest and most established brands, from Coke to Marlboro, achieved their global heft decades ago by helping to pioneer the 30-second TV commercial. But it is a different world now. The monolithic TV networks have splintered into scores of cable channels, and mass-market publications have given way to special-interest magazines aimed at smaller groups. Given that fragmentation, it's not surprising that there's a new generation of brands, including Amazon.com, eBay, and Starbucks that have amassed huge global value with little traditional advertising. They've discovered new ways to captivate and intrigue customers. Now the more mature brands are going to school on the achievements of the upstarts and adapting the new techniques for themselves. (*Business Week*, August 1, 2005).

This trend seems to be growing. According to Brand Channel's 2006 Reader's Choice survey, the top five brands in the world were Google, Apple, YouTube, Wikipedia and Starbucks, with Skype also in the top 10. Some of these salient contemporary brands have been built with little help from traditional advertising. In this context there is an increasing premium for innovation in advertising media. Thanks to the Internet, advertising might be going through what could be considered as its first true paradigm shift since the advent of television half a century ago. The Internet attracts an increasing amount of national advertisers, 'offline' media companies are redoubling their online efforts and advertising agencies and media buyers are scrambling to cope. Advertising remains a very powerful

economic force and advertisers spend more than ever. But much of the growth occurs in California, in the headquarters of companies such as Google and Yahoo.

Integration is considered a major driving force in the transformations, as advertisers explore new avenues. Outdoor advertising is being used in innovative ways. Out-of-home advertising – including poster sites, billboards, ambient and even some 'guerrilla' street actions – was long considered a backwater for the advertising industry, but it is getting tougher to ignore as it branches out beyond the old-fashioned billboard. New technologies tend to transform outdoor ads, a sector which includes ads on buses and trains and now even coasters in bars. As advertisers find it harder to reach certain customers through television and radio, such as AB social class who tend to be light consumers of ad-financed TV and radio, the increasing array of advertising vehicles is looking more attractive.

Another area of growth is 'branded entertainment', where advertisers and broadcasting executives thoroughly plan television shows and movies to achieve maximum brand impact. The stated goal is to avoid traditional advertising's pitfalls, tightly weaving a brand or product into media content, trying to counter consumers' growing habit of *zapping*, *zipping* or otherwise avoiding traditional commercial pitches. *Business Week* echoed similar developments in 2005:

> some marketers have worked to make their brand message so enjoyable that consumers might see them as entertainment instead of an intrusion. When leading brands are seen on TV they're apt to have their own co-starring roles (. . .) rather than just lending support during the commercial breaks. All are trying to create a stronger bond with the consumer (*Business Week*, August 1, 2005).

Word-of-mouth and viral marketing are also mainstreaming. They have become 'an increasingly potent force, capable of catapulting products from obscurity into runaway commercial successes' (Dye, 2000: 139). Dye has explained the dynamics of buzz: 'people like to share their experiences with one another [. . .] and when those experiences are favourable, the recommendations can snowball, resulting in runaway successes' (Dye, 2000: 139; Gladwell, 2002). Brands experiment with the brave new world of the Web 2.0 and user-generated content, using blogs and social networking sites such as MySpace, Facebook or Twitter. Virtual reality outlets such as Second Life and the video game industry have also proved increasingly attractive destinations for marketers.

Throughout advertising history, commercial communication has often been a one-way street. Marketers advertised and disseminated messages, and customers were a passive target. Lack of audience interest turned into widespread consumer scepticism: we watch many advertisements but we totally ignore the majority of them. Major brands still spend billions telling customers what they don't want to hear. Among other authors, Jaffe (2007) argues that marketers must adapt to the world of the Internet, social networks, user-generated content, blogs and podcasts. It is a world of powerful conversations, where dialogue, participation and community are paramount (Tapscott and Williams, 2006). Such accounts urge marketers to get to know users as persons, not just as faceless and silent members of a demographic segment. The goal is promoting conversations, to talk with consumers, not at them, and get them talking about products, services and issues.

Mass media advertising has also suffered from accountability problems. Many clients, advertising practitioners and researchers complain about the inability to determine the return on investment from advertising spending. More than two centuries of advertising in media has not brought a significant improvement in that regard. Although the problem is already well known, advertising's lack of effectiveness has been the subject of considerable research in recent times. From the classic work by Franzen *et al.* (1999),

there have been some interesting works on the topic, such as Fletcher (2008), Shaw and Merrick (2005), Kotler and Calder (2008) and Vollmer (2008). The conclusion could be summed up by saying that a significant proportion of advertising messages are not contributing to sales as expected. According to Briggs and Stuart (2006), as much as 37 per cent of overall advertising expenditures are a complete waste. Marketers don't seem ready to lose that much and increasingly turn to more direct ways of communicating with consumers. However, the appeal of mass media advertising remains strong as a cost-efficient means to reach target consumers. As TV audiences fragment and decrease, the value increases for the diminishing proportion of programmes with high ratings and audience profiles attractive to advertisers, such as big, live TV events. NBC advertising slots for the Super Bowl 2009, for instance, are selling for as much as $3 million for 30 seconds. Vranica (2007) discussed some implications of Super Bowl advertising, broadcast by Fox in 2008:

> [Fox] has only two spots left for Super Bowl XLII to be played February 3, which is giving Fox the upper hand in negotiations. Demand for Super Bowl spots is being driven, in part, by renewed interest among movie studios this year as well as the lack of TV programs that get big ratings nowadays, according to media buyers. Rates for 30-second spots have topped $2.7 million for this season's final game, according to media buyers, up from as high as $2.6 million last year. Before it is all over, some of the final slots for the championship game could sell for as much as $3 million.

Bradley and Bartlett (2007) have studied the implications of the new landscape for media strategies and explain that with the Internet's continued strength during the 1990s, advertisers started to use it to complement their offline campaigns. Later on, broadband improvements, mobile phone technologies, portable devices and user-generated content have created a world that leads advertisers to use such new vehicles as podcasts, online videos and blogs.

New competitors: the advertising industry meets Silicon Valley

Advertising media are changing. And advertising agencies also face new competition. The purchases of MySpace by News Corporation in 2005 and YouTube by Google in 2006 extended to new arenas the battle for audiences and their time, with increasing use of word-of mouth, 'buzz' and viral marketing, all Internet-based communication strategies. In April and May 2007, a new battle erupted between the Internet giants headquartered in the US West Coast (Microsoft, Google and Yahoo) and some of the largest advertising companies (WPP, Publicis, Interpublic) that do not want to lose their share of the creative revolution taking place on the web (Steel, 2007b). Google's search engine has become the vehicle for generating vast profits from advertising, as well as from charging for sponsored links in search results. Google's market share and the increasing sophistication of ad placement, poses a major threat to advertising and media agencies: it skips the classic intermediary role agencies have played. Google's recent deal to let Yahoo adopt its contextual advertising capability means Google could command as much as 90 per cent of the web's contextual advertising.

As the use of online strategies by advertising grows, the struggle to control the income generated is intensifying. The wave of acquisitions in online advertising was inaugurated in April 2007, when Google bought online advertising agency DoubleClick for $3.1 billion.

In May 2007, Microsoft acquired aQuantive, a company specialized in online advertising. At $6 billion this was the most expensive purchase in Microsoft's history, and it follows the pattern of similar acquisitions by Google, Yahoo and several advertising agencies. The online ad market has rapidly consolidated to become an oligopoly, with a handful of global companies dominating sales of the ads users watch on their Internet searches. There is a business model here based on search, online video downloads or banners in news and entertainment sites. But there is also a more novel form pioneered by Google using automated methods of advertising location that is playing a determinant role in the way advertising is planned in media such as television, radio and newspapers.

The day before Microsoft's announcement, advertising 'megagroup' WPP had announced a new acquisition: 24/7 Real Media was bought for $649 million. This company places ads near online searches by users. Industry experts consider that WPP was trying to counter DoubleClick's purchase. It has been the most aggressive move by the advertising industry to get close to the technological side of the business. For some executives, the ad business cannot afford to limit itself to creativity and media planning. Meanwhile, Yahoo bought Right Media for $680 million. In a similar operation, Digitas, a digital marketing agency, was acquired by the giant advertising group Publicis for $1,300 million in January 2007. In April, Interpublic bought Reprise Media, a company specialized in search tools. Yahoo made another move acquiring closely held online advertising company Blue Lithium for about $300 million in September 2007. Blue Lithium was founded in January 2004 and operates an online advertising network that buys graphical-display ad slots, such as banners, on about 1,000 sites owned by other web publishers and resells the slots to advertisers (Delaney, 2007).

Advertisers have traditionally trusted agencies for their media placement and accepted their role as intermediaries. The advertising industry is concerned with the fact that companies such as Google, Microsoft and Yahoo are positioning themselves in the advertising market and consider it a 'Silicon Valley invasion'. The largest advertising agencies have increased their interest in the online world. Some advertising budgets have migrated from traditional media to the Internet. According to TNS, a leading advertiser such as General Motors has increased its Internet expenditure by 16 per cent, but has decreased 60 per cent in newspapers and 15 per cent in television. The industry is reluctant to lose the opportunities that come with the online world and it is determined to avoid giants such as Google, Yahoo or Microsoft taking control of the Internet advertising business. But Google has started to challenge those rules, placing ads next to online searches presenting an alternative model to advertising agencies. aQuantive, the company recently acquired by Microsoft, was established in 1997 and includes several online advertising businesses, including Avenue A/Razorfish, considered one of the largest Internet advertising agencies. The expected income for aQuantive in 2007 is as high as $615 million. Microsoft traditionally did not want to play a role in the advertising business. Its technological culture resisted some previous initiatives in the online advertising space. However, since 2005, Microsoft has increased its number of employees in this field and has turned online advertising into a priority. Top executives believed that in spite of some remarkable investments the company was losing market share to its more direct rivals, Google and Yahoo. Besides, Google beat Microsoft in the fight to purchase DoubleClick (Steel, 2007a).

The acquisition spree might be an indication of growth in the online advertising market. Search-related advertising already accounts for 40 per cent of total Internet advertising expenditures, which account for 7.4 per cent of the overall advertising expenditures in the US in 2006 (Table 3.1). There are only seven countries in the world where Internet advertising was above 7 per cent of total advertising expenditure in 2006, in spite of the medium's impressive growth. However, it is significant that three of those seven are among

the four top advertising markets worldwide (US, Japan and the UK; the others being Denmark, Sweden, Norway and Canada). Internet advertising's share is already similar to such established media as radio and outdoor. But experts and industry insiders are impressed with its rate of growth.

Figures show US online advertising spending is poised to overtake radio advertising for the first time in 2009, but online is also an opportunity for radio:

> US radio ad spending is expected to inch up 1.5 per cent in 2007, to $20.4 billion, short of online ad expenditures of $21.7 billion, which will be up 22 per cent from last year (. . .). Over the next several years, radio station websites and online audio advertising will be the principal drivers for radio advertising growth (Hau, 2007b).

Radio companies such as Clear Channel, CBS and Cox Radio continue to have massive audiences, but consumers are spending less time listening to radio than they do surfing the Internet or watching TV. Besides, only 17 per cent of US consumers consider radio the 'most' essential medium, down from 26 per cent five years ago, according to a study released by Arbitron and Edison Media Research (Hau, 2007b).

The rise of online video

Online video advertising is turning into an alternative for the 30-second spot. Some industry insiders believe it gives more depth and visibility to some campaigns, for half the price. According to them, the website is replacing the 30-second spot as the central expression of a brand. Marketers are showing increasing sophistication in their use of online video to create not just linear presentations that look like TV commercials, but interactive, virtual experiences. But many are also careful not to overstate the transition. The 30-second spot is weakened and threatened, but remains a successful and attractive mode of advertising. It is the enduring features of TV that makes the TV spot still so important: most audience segments are still engaged with TV. Online allows for a richer relationship for some key target audiences but this must be seen in the context of who is online and active. There is a debate between those who think that the web 'will never be a replacement for TV's reach and ability to create interest' and those who underline 'the depth of experience a website allows' (Klaassen and Mcilroy, 2007). At the same time, the significance of multimedia campaigns running across old and new media cannot be underestimated.

Google's acquisition of YouTube also highlighted online video. Nearly 10 months after the purchase, 'the video sharing website is rolling out its first approach for selling ads within videos [. . .] Resembling a popular ad model cropping up on a number of other video sites, YouTube's new format is a semitransparent ad that appears in the bottom 20 per cent of the video. The ad shows up after a video plays for 15 seconds, and disappears up to 10 seconds later if the viewer chooses to watch the ad; the main video pauses until the commercial stops' (Steel, 2007b). The format is a first step towards standardization in online video advertising and reflects concern to avoid online advertising that can be considered intrusive. YouTube:

> plans to sell these ads only on videos from its select content partners, whose original videos include professionally produced videos and user-generated content. The partners will earn a share of ad revenue. The system is similar to Google's AdSense network, which matches ads to the content of a network of web sites, and gives those sites a cut in the profits. (Steel, 2007b)

Online advertising takes advantage of the increasing interest in advertising that travels along the Internet as good-quality entertainment. Elliott (2007) comments on this trend: 'for generations, advertising interrupted the entertainment that Americans wanted to read, hear or watch. Now, in a turnabout, advertising is increasingly being presented as entertainment – and surprisingly, the idea of all ads, all the time, is gaining some favour'. The proliferation of Internet broadband connections makes it easier for computer users to download or watch video clips, and that is enabling media companies, agencies and marketers to create websites devoted to commercials and other forms of advertising as entertainment or amusement. YouTube has also shown the popularity of *good television commercials* on the Internet. That is the reason behind the launch of advertising websites such as veryfunnyads.com (Time Warner's TBS cable network), didja.com (NBC Universal's USA Network) and honeyshed.com (Publicis advertising agency). It is interesting to note that, as Elliott (2007) says:

> oddly, the trend runs counter to another powerful impulse among consumers: the growing desire to avoid advertising. TV viewers for instance, are spending millions of dollars a year for TiVo and other digital video recorders that help them zip through or zap commercials, and click-through rates for banner web ads are declining. (Elliott, 2007)

Still, for all its promise, online video generates only a very small share of advertising revenue. Viewership has exploded: around 135.5 million Americans watch online video at least once a month, up 19 per cent from last year according to eMarketer (2008). The online video advertising market is expected to surge to 89 per cent in 2008 to $75 million, but that will account for just 3.6 per cent of overall Internet ad expenditures. By 2011, the market is expected to expand more than fivefold to $4.3 billion, which would still only add up to slightly less than 10 per cent of total online advertising spending (Hau, 2007a). Advertising from streaming video and audio totalled about $1.37 billion last year, up 38 per cent from 2006. According to AccuStream iMedia Research, there were about 2.1–2.7 billion views of streaming or progressive-download content a month at ad-supported or free content areas on the web in 2007, excluding user-generated videos. Ads shown before streamed television shows are expected to grow substantially.

Web video has a long way to go before it rivals search marketing (not to mention TV commercials or print ads), much less the huge numbers achieved by television commercials. Besides, professionally produced programming remains the biggest potential draw for advertising dollars, also on the Internet. Online video shapes a different vehicle where a new type of dialogue with audiences takes place:

> most early attempts at online video advertising involved simply attaching a 30-second TV ad to the front of a video clip. But the industry quickly recognized that recycling an ad format originally meant for a half-hour or hour-long TV programming didn't work well for online clips that were often barely longer than the ad itself. (Hau, 2007a)

Social networking: markets as conversations?

Social networks are another promising venue for advertising as the most relevant social networking sites try to monetize their huge and growing user base. Social networks are a source of opportunities for advertisers, as they enjoy massive increases in participation, audience and time. Their ability to create and foster communities is also attractive to

advertisers that look for trust. There are still limits to the use of promotional messages in social networks. A social networking website does not guarantee loyal viewership. Content cannot be controlled by marketers, since many users will say what they want; in addition, trust cannot necessarily be monetized. At the same time, critical scholars highlight the increasing reach of commercial communications into formerly non-commodified spaces and new opportunities for 'manipulation' as promotional messages are integrated into online communications (Chester, 2007; McChesney, 2004). So we can see how in advertising message distribution social networks are a source of opportunities and also challenges.

Clemons (2007) has defined four conditions for marketing communications to achieve loyalty with social networks. They need to be personal (interesting personally for the participant); participatory (providing opportunities for interaction); plausible and believable (online interactions have to follow some plausible rules); there has to be the possibility of physical transition (the ability to actually go from the online world to the real world is a plus). Three advertising venues are considered promising in this context: placing traditional ads on a website; using paid content placement (for example, paying to have Second Lifers, the virtual reality community members, wearing certain clothes or drinking certain beverages); and word-of-mouth advertising (e.g., paying a Facebook user to recommend your product).

How media shares are changing

In general, traditional media retain the highest share of advertising expenditure, but their share of media audience and advertising markets is declining. Looking at advertising expenditure by medium (Tables 3.1–3.3), we can analyse what has been happening in the last decade in the largest advertising market in the world (US), the two largest European Union markets (Germany and the UK), and the European Union at large.

Paid-for daily newspapers are losing ground, threatened by free newspapers and online news outlets. Terrestrial television now competes for a share with cable and satellite. By 2006, cable television's share of advertising expenditure in the US was over 12 per cent (Table 3.1). Digital Terrestrial Television (DTT) is successful in some quarters and in the UK, Freeview has the largest, and growing, share of the digital television market, in 38 per cent of UK homes' main TV sets compared to 34 per cent share for pay satellite (Ofcom, 2008: 211). However, the share of advertising across the analogue terrestrial television channels fell between 1995 and 2006 (Table 3.2). In Germany television's total share grew in the same period. Radio and outdoor advertising tend to remain stable or grow in the three markets (Tables 3.1–3.3). Growth has been strongest for Direct Mail and the Internet (Tables 3.1–3.3). In the case of the Internet, some have argued that expenditure tends to be underestimated when online display advertising is the only consideration, as this fails to take into account search-related advertising and the role some websites are playing as contact points for brands.

In Western Europe, among EU-15 (Table 3.4), print media's share of advertising has continued to decline over the period 1994–2006. Television has increased slightly, mostly because of the expansion of commercial television following deregulation of broadcasting markets. Radio and outdoor advertising have tended to remain stable or improve share. The Internet has emerged as a significant player confirming the trends apparent in the largest markets.

The proportion of total advertising expenditure allocated to radio varies considerably from country to country. Radio advertising's share has remained stable. North American markets are especially strong:

Table 3.1 Advertising expenditures by medium in the US (1995–2006)

	1995	*2000*	*2006*	*Change 1995–2006 (%)*
Dailies	34.1	29.8	24.9	–9.2
Magazines	11.2	10.3	9.1	–2.1
Broadcast TV	30.2	25.3	23	–7.2
Cable TV	5.3	8.6	12.3	7
Radio	10.2	11.2	10.5	0.3
Outdoor	1	2.6	2.9	1.9
Internet	0	4.2	7.4	7.4

Source: The European Advertising and Media Forecast, July 2006.

Table 3.2 Advertising expenditures by medium in the UK (1995–2006)

	1995	*2000*	*2006*	*Change 1995–2006 (%)*
Dailies	38.4	37.6	30.9	–7.5
Magazines	16.2	15.1	12	–4
Terrestrial TV	28.2	25.5	18.9	–9.3
Cable/Satellite TV	2	4.1	6.8	4.8
Radio	3.1	4	3.2	0.1
Outdoor	4.3	5.2	6.1	1.8
Internet	0	1.1	13.3	13.3

Source: The European Advertising and Media Forecast, July 2006.

Table 3.3 Advertising expenditures by medium in Germany (1995–2006)

	1995	*2000*	*2006*	*Change 1995–2006 (%)*
Dailies	45.9	43.2	39.9	–6
Magazines	18.5	17.7	16.6	–1.9
Television	20.9	24.1	24.6	3.7
Radio	3.7	3.7	4.1	0.4
Outdoor	3.3	3.8	4.7	1.4
Internet	–	0.8	3	3

Source: The European Advertising and Media Forecast, July 2006.

Table 3.4 EU-15 media share 1994–2006

Medium	*1994*	*2006*	*Change (%)*
Newspapers	37.8	31.4	–6.4
Magazines	17	14.5	–2.5
Television	27.8	29.5	2.1
Internet	–	5.7	5.7
Outdoor	4.6	5.4	0.8
Radio	4.3	5	0.7

Source: The European Advertising and Media Forecast, July 2006.

in 2006 Canada and the US attracted 12.4 per cent and 11 per cent respectively of all display advertising expenditure. This is partly due to the strength of media markets in North America generally, but also the popularity of radio and the high number of radio stations. By comparison, UK radio advertising takes a 3.4 per cent share, similar to Japan (. . .). Radio markets which have a higher level of public funding generally have a lower share of the advertising market. For example, in Germany, 80 per cent of radio funding came from public sources while the radio sector had a 4 per cent share of all advertising. (Ofcom, 2007: 4)

These shifts in the distribution of advertising indicate a profound challenge to the business models of some key media industries. Increasing competition also encourages media to build stronger brand identities, to achieve differentiation, to be relevant to their audience and get into advertisers' media plans Audiences have more choices and options and advertisers face an ever more diversified and fragmented media landscape, which is changing the ways in which media plans are devised. Traditional media do not risk being replaced immediately, but they are challenged. The fact that free newspapers already account for 11.8 per cent of total advertising spending in Germany or 9.6 per cent in France cannot be ignored (Table 3.5). The Internet is already a significant player in the overall market. Table 3.6 lists the countries where Internet advertising's share is above 2 per cent.

In general, print advertising is declining. The Internet 'is taking an increasing share of advertising [. . .]. The online share is largest in the UK at 14.4 per cent' (Ofcom, 2007: 2). However, it is still far from the levels achieved by print or television. In broadcasting, advertising spending is moving from terrestrial broadcasting to multichannel cable, satellite and DTT, as take-up in countries approaching digital switchover (The European Union has recommended a switchover of all television sets from analogue to digital by 2009) begins to accelerate: 'multichannel viewing in the UK increased from 20 per cent in 2001 to 33 per cent in 2006, rising faster than its European neighbours. Multichannel share in Germany stood at 30 per cent in 2006, while in France, Italy and Spain it ranged from 10 per cent to 14 per cent' (Ofcom, 2007: 3). As audiences go multichannel, advertising tends also to move from terrestrial to cable or satellite. Radio and outdoor tend to remain stable.

In such a media landscape, an adjustment to media planning practices is called for. Media planning will need to adapt to a media environment where *ratings*, *shares*, *GRPs* or *CPT* are less relevant. Instead, planners will need to track ever more complex and changeable patterns of media consumption and use.

Table 3.5 Free papers advertising expenditure as a percentage of total advertising expenditures in selected countries (2006)

	Free papers total advertising share (%)
Germany	11.6
France	10.1
Sweden	6.2
Finland	4.9
Denmark	2.5

Source: The European Advertising and Media Forecast, September 2007.

Table 3.6 Countries where Internet advertising is above 2 per cent in overall expenditures (2006)

	Internet advertising as per cent of overall expenditures
United Kingdom	13.3
Denmark	12.8
Sweden	12.4
United States	9.5
Norway	9.3
Japan	7.8
Canada	7.8
Netherlands	6.1
Hungary	4.7
Finland	3.5
France	3.2
Germany	3
Belgium	2.8
Czech Republic	2.8

Source: The European Advertising and Media Forecast, September 2007.

Conclusion

Both the media and advertising industries are undergoing momentous changes worldwide. The crisis of the 30-second spot and the weakening performance of traditional advertising-supported media such as terrestrial television, print and radio are having a profound influence. Advertising follows consumers. And consumers seem to be talking loud. They enjoy good ads, which travel increasingly around the Internet. But they do not like excess: 'overmarketing' is considered a danger. The increasing availability and expectation of on-demand media makes it increasingly difficult for advertising to appear as an interruption: increasingly consumers tend to be more in control, at least of their choice of when, and what, to consume. This is a situation brand managers should read correctly: it does not mean the end of advertising, but it is a whole new context, with significant implications for the way in which messages are conceived and media space is sold and planned. A better audience understanding will help companies in those industries to develop advertising strategies that are relevant to consumers. The emergence of new online advertising formats, innovative out-of home solutions and 'branded entertainment' will continue to draw researchers' and industry attention. This situation calls for new creativity and flexibility in the way advertising media plans are laid out.