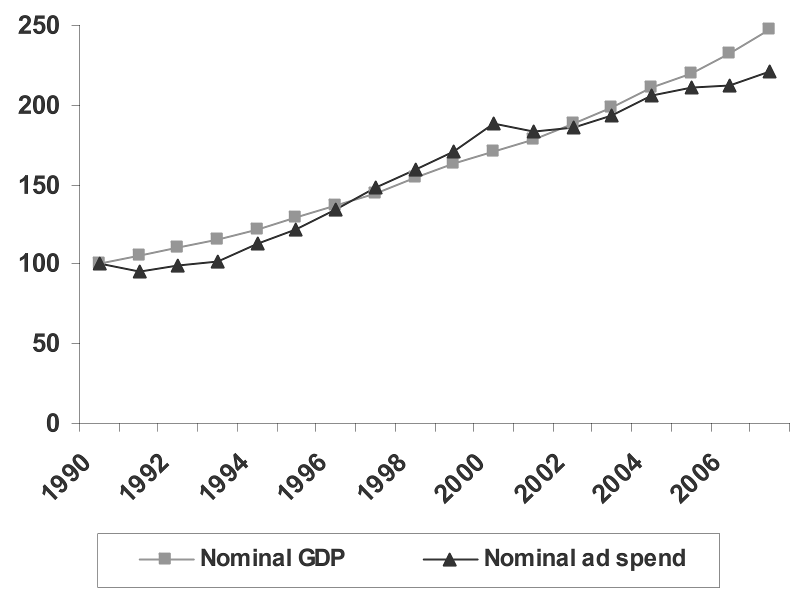
Supplementary written evidence from Enders Analysis (PS 36)

Advertising 'structural' shift

ENDERS|ANALYSIS

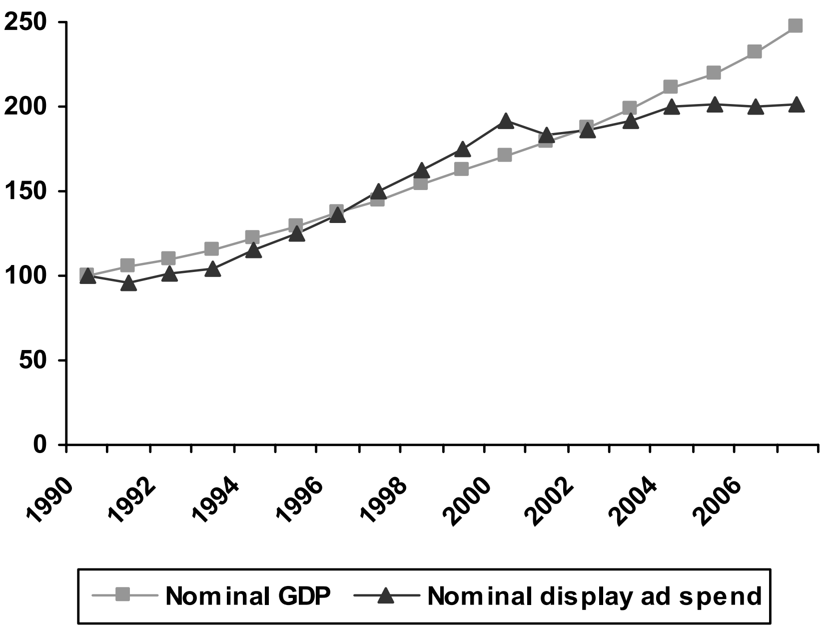
- Since 2001, there has been growing divergence between economic growth and advertising spend
- The divergence reflects structural changes taking place within the display media
- Online growth is the common, but not the only, factor behind the structural changes that have been at work since 2001, both depressing total growth (which includes online) and depressing growth in the individual media categories of print, TV and radio

GDP vs. total ad spend
(1990=100)



Nominal prices
[Source: Enders Analysis based on ONS, Advertising Association]

GDP vs. display ad spend
(1990=100)



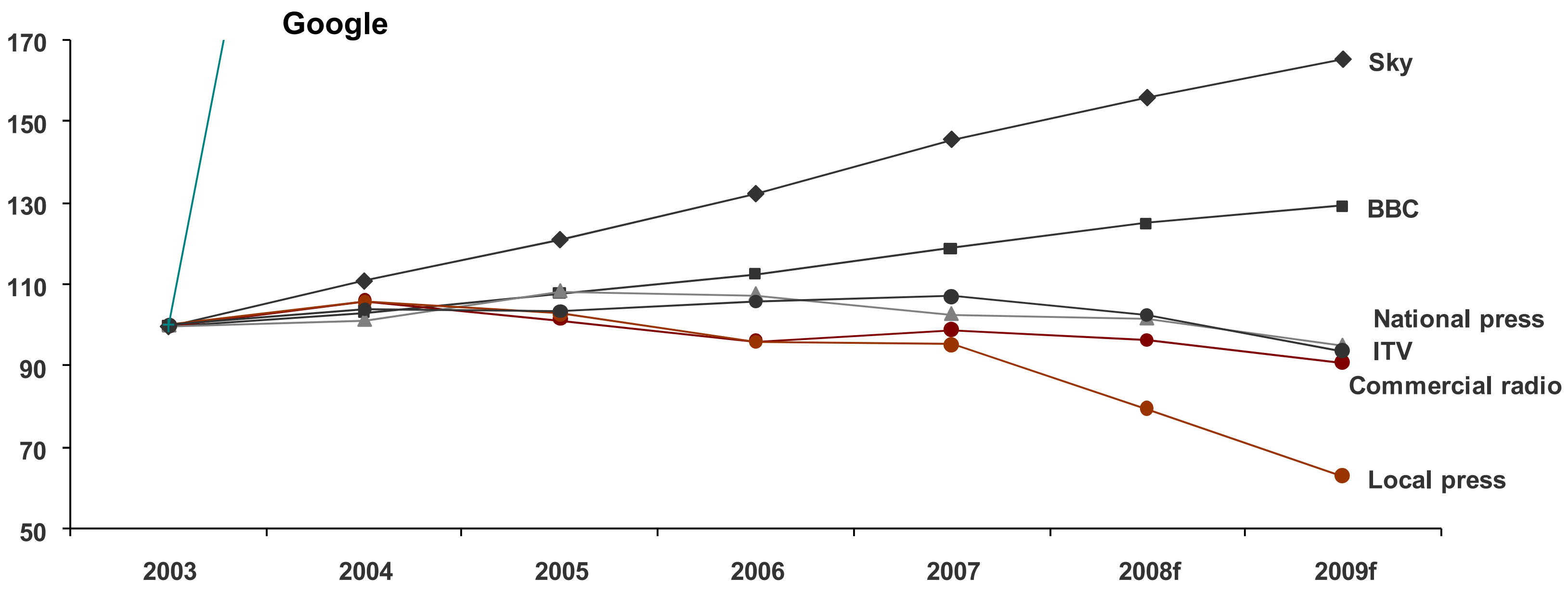
Nominal prices
[Source: Enders Analysis based on ONS, Advertising Association]

Changes in media revenue

ENDERS|ANALYSIS

- Online growth and broadcast digitisation have detracted from TV and radio advertising revenue growth even before the current recession
- Revenues of today's three biggest players - BBC, Sky and Google (>2,000% increase since 2003) - have risen steadily, while traditional media have entered into steep decline due to falling advertising receipts

Sector and company revenues
Index 2003=100



Note: BBC reporting year runs from April to March, such that 2007 entry applies to the year April 2007-March 2008
[Source: Enders Analysis, Advertising Association]

Local and regional newspaper advertising

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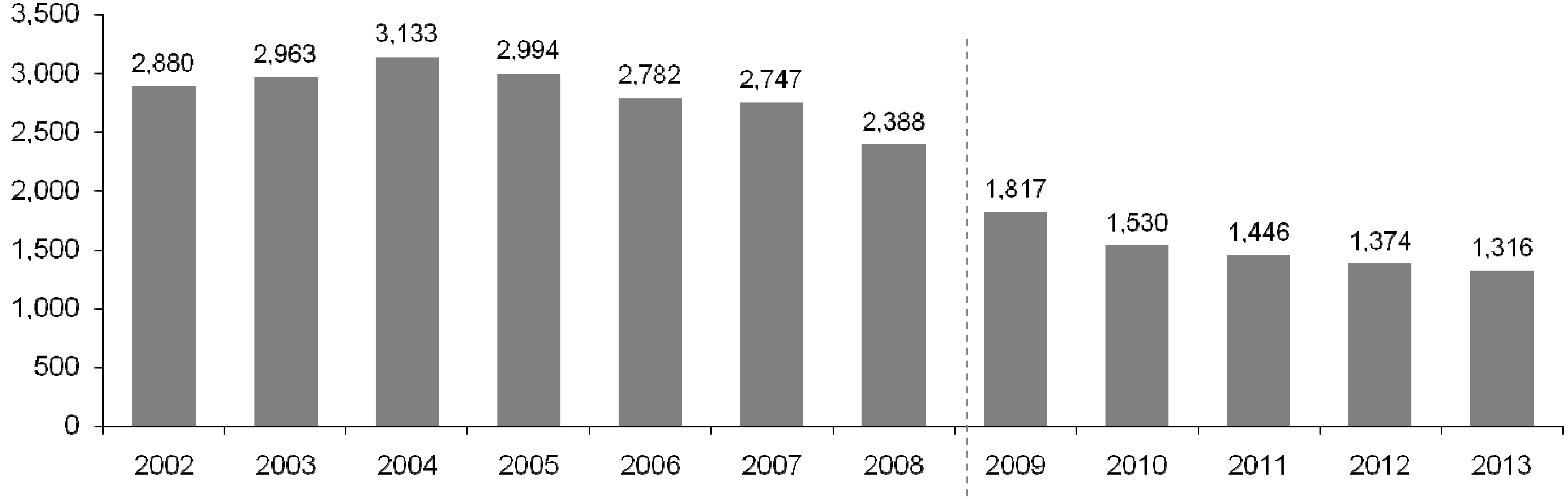
Local and regional newspaper advertising spend
(£m)



[Source: Advertising Association and Enders Analysis estimates]

- We estimate local and regional newspaper advertising will decline by £1.4 billion over five years
- In Q1 2009, local and regional newspaper advertising has declined by 35%, including 50% declines in two critical categories, recruitment and property advertising

Total TV advertising spend to 2013

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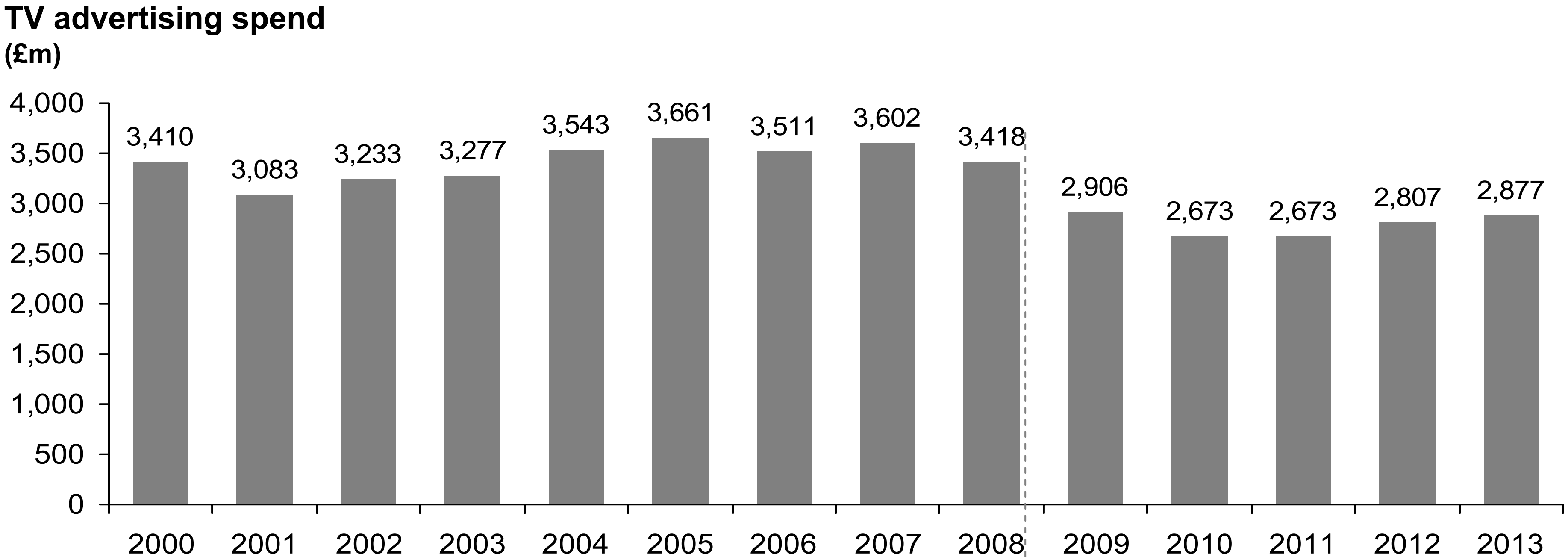


Figures based on net advertising revenues (NAR) with addition of estimated 2.5% actual media commission.
[Source: Enders Analysis]

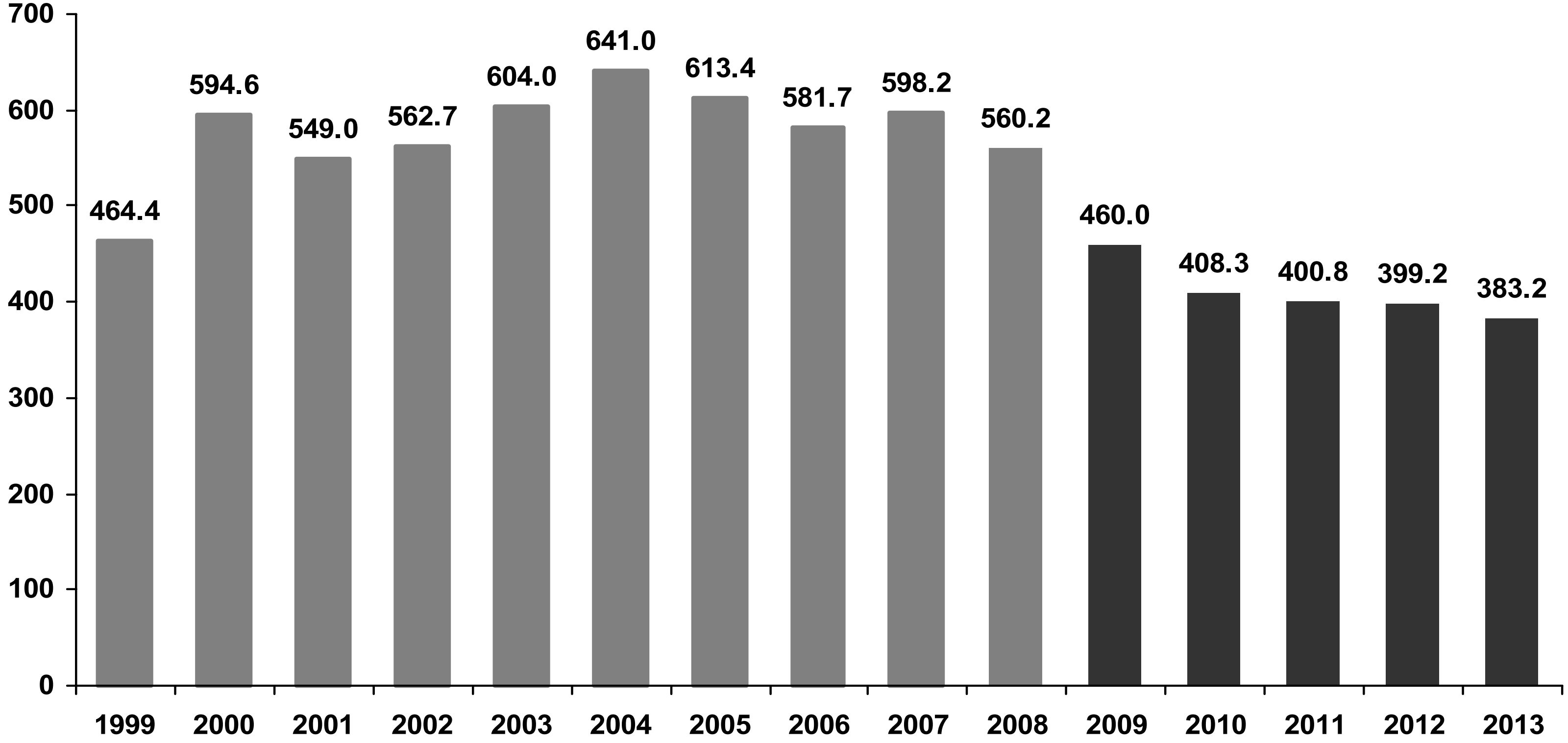
- We forecast a decline in nominal TV advertising spend of 26% between 2007 and 2010; in real terms a decline of about 33%
- TV NAR recovery does not begin before 2012
- It could easily be worse in the event that further structural damage results from the growing funding gap between the BBC and the commercial PSB broadcasters

UK radio advertising revenue

ENDERS|ANALYSIS

- Economic cycles only temporarily improve or worsen the underlying structural trend in radio advertising
- Sector revenues are forecast to show double-digit declines in 2009 and 2010
- The rate of decline will slow from 2011 but radio revenue will not return to growth

Commercial radio revenue
(£m actual)



[Source: RAB/Enders Analysis forecasts]