CORE MEDIA©

Outlook 11

Introduction

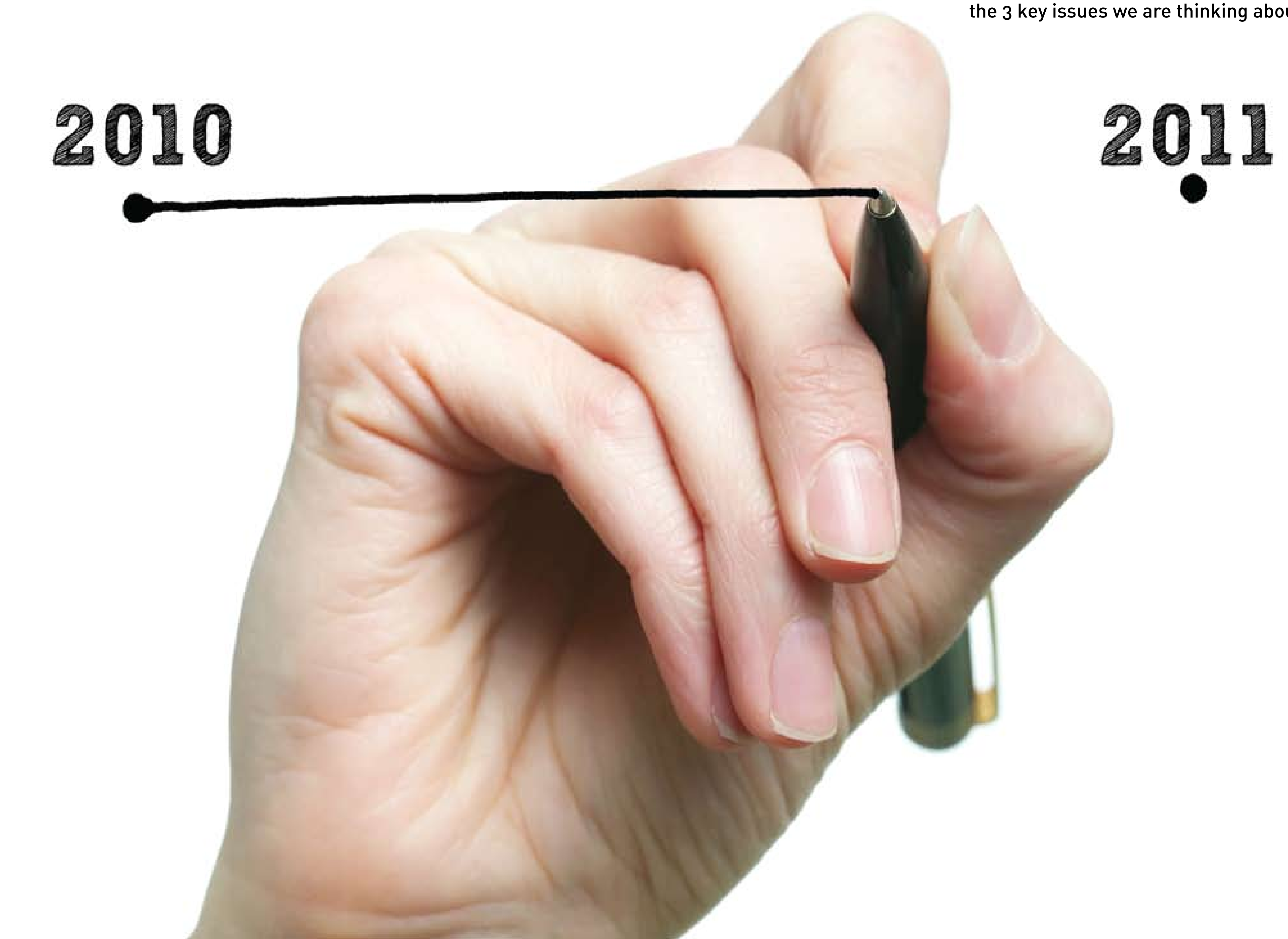
Hello and welcome to our market forecasts for 2011.

There is no doubt that the industry has taken quite a knock in recent years. However, despite the fall in consumer spending and the failure of many businesses throughout the country, the level of investment in advertising is beginning to stabilise. Following a disastrous fall of 30% in 2009, the decline in spend in 2010 was less than feared at 4%. 2011 will see a further slowing in the rate of decline with spends down by 2.3%. Some media sectors will fare better than others but the internet will be the only one to experience growth (+13%) and will overtake radio in terms of revenue, as the migration of budgets to this medium continues to gather momentum. In fact the internet's performance puts a polish on the overall figures which disguises the underlining issue that spend in all offline media will decline by 5% this year.

Regrettably, as we have seen with the closure of Star Sunday and the precarious future of the Sunday Tribune, it is likely that some media will be unable to survive in their current form; we anticipate further rationalisation in national press and the unfortunate closure of some regional press titles and radio stations. RTE faces a difficult year and now is the time for the organisation to make a seismic change to the structure of all its services in a year where it faces a potential loss of €30m.

From a technology point of view, the number of homes that own digital video recorders will grow to 40% this year. This will lead to growth in TV viewing but will also continue to put pressure on commercial impacts as consumers become even fonder of the fast forward button.

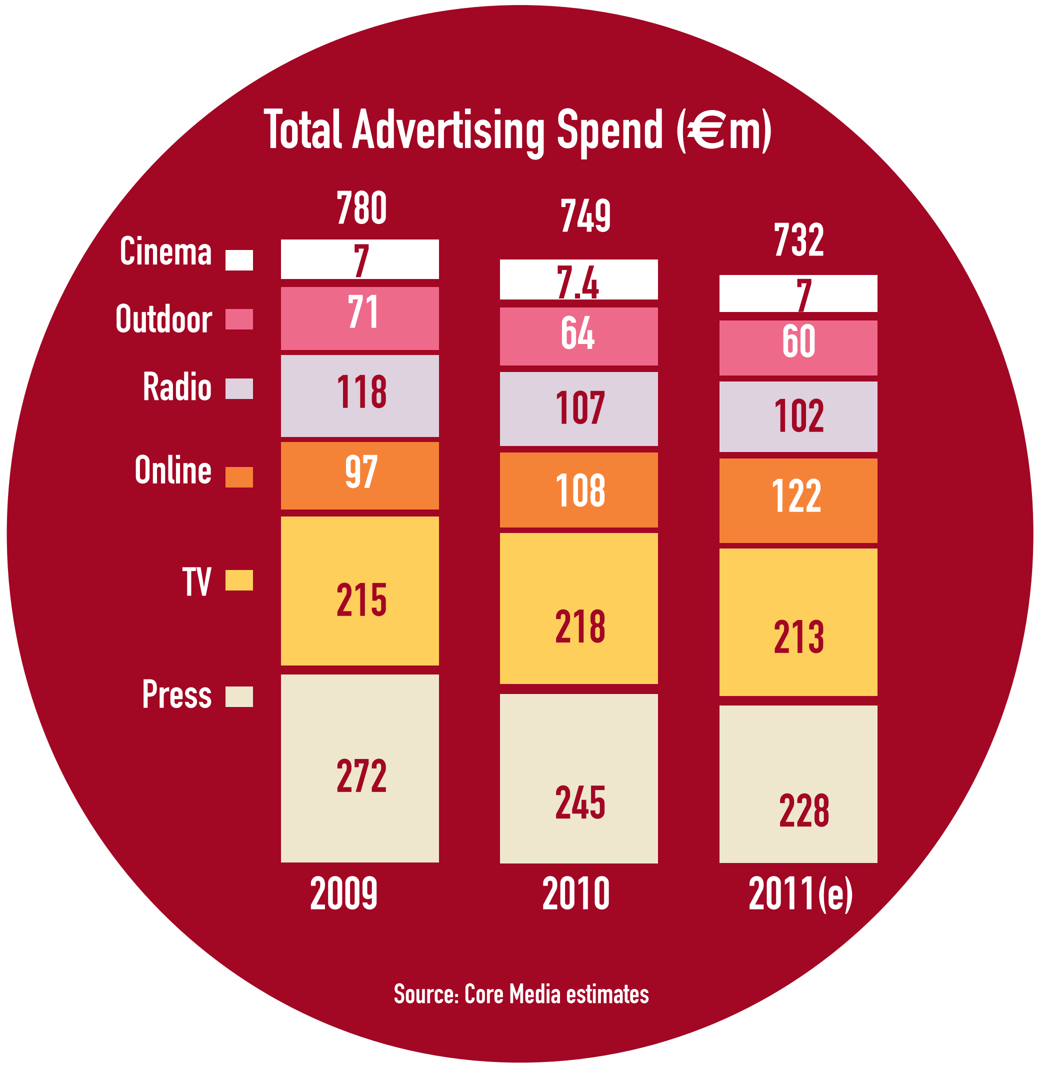
The following pages will provide you with a snap shot of the key developments we expect to see this year. We will look into the consumer's mindset in addition to the happenings in Press, TV, Online, Radio, Outdoor and Cinema. In each case we will focus on the 3 key issues we are thinking about.



We hope you find the document useful. If you wish to discuss any of the issues, please feel free to call me on (01) 649 6458.

In the meantime, best wishes for 2011.

Alan Cox



The Consumer

The post-recession consumer is battle-hardened by economic disappointment and a national mood of pessimism. The very definition of consumerism has to change. Where it once evoked excess, shallowness and abandon, this new consumer is leaner and a lot meaner. Paradoxically, the bail-out culture and the perception of betrayal by authority figures has produced a more resilient, self-aware and independent individual.

This self sufficiency has manifested itself particularly through the internet. The convenience and customisation available by transacting online, removes the possibility of the parent/child relationship that can exist in a bricks and mortar shop. Negotiating on the brand's turf had the customer at a disadvantage. The online consumer, on the other hand, can navigate stealthily and anonymously around countless competing product offerings to find what they want and compare prices.

The empowered shopper not only chooses brands based on lower prices, but on how the brand fits with the consumer's set of values. Big brands can easily be seen as part of the establishment that failed them both fiscally and morally. The ethics of companies are being analysed alongside traditional product attributes like taste and efficiency. Transparency is a necessity; as transgressions can be easily discovered through the news media or a simple Google search.

Brands must adapt to synchronise with the wants and needs of the "post-recession consumer". They are more nimble, more adept, less tolerant and a lot less predictable.

01 MOBILE SHOPPER

In addition to the upsurge in online shopping, the pressure on the high street is compounded by the further development of handheld technology. The mobile device has become an entertainment source and commerce device, eliminating dead time forever.

Its evolution into a sophisticated payment device will soon eliminate the need for many physical representations of "old commerce". Bank machines, checkout tills and cashiers could be made redundant in the foreseeable future.

IMPLICATION

Retailers will need to re-evaluate the role of their physical shops in the relationship with the customer. Young consumers are growing up in an age where online purchasing is the norm. They will not have the nostalgia of browsing book shops or music stores.

Phrases such as "opening hours" and "out of stock" already seem archaic. Exorbitant high street rents must be weighed against the potential re-investment in the virtual retail presence.

The home has been replaced by the mobile handset as the primary communications receptacle. All advertising communication must include a mobile strand, which is at the centre of all marketing activity.

02 MEANINGFUL NOSTALGIA

Many brands have built themselves through reliance on familiarity and nostalgia, simply because they have been around for a long time. As stated earlier, today's consumer rarely takes anything at face value. Previously accepted attributes of a brand can be easily scrutinised and exposed as false or misleading. The sudden and dramatic fall in the trust that people had in big business, has shaken the confidence in some established brands. The somewhat parental relationship with consumers disappeared virtually overnight. This has lead many companies to adopt a diffident and furtive attitude to marketing. "Should we been seen to be advertising?" is a common question around some boardroom tables.

IMPLICATION

Brands must remember that consumers' memories extend back beyond the past few years. Nostalgia can be more valuable and pleasing in these difficult times. However, brands must ensure that they have the bona fides to operate in this space.

Nostalgia will be viewed through the filter of the recession. Sharp practice or unethical behaviour is intolerable. But brands that can credibly embrace and celebrate their history with the customer will emerge with a stronger relationship than before. Those who hide under a bushel will not only disappear from top-of-mind, but from memory as well.

03 SUBSTANCE APPEAL

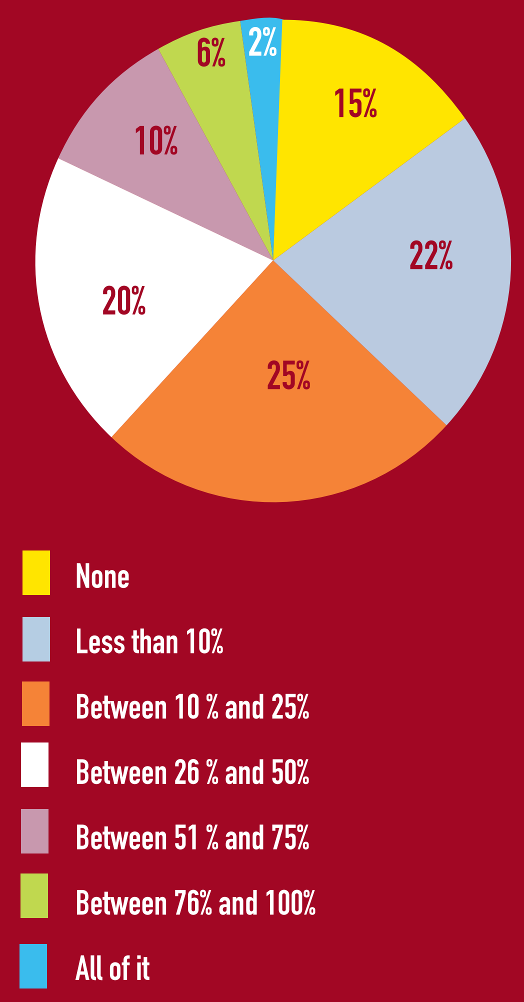
The post-boom consumer has moved beyond the superficial and disposable behaviour of the "good times". Extravagant spending delivered instant gratification without sacrifice or compromise. Even without a recession, satisfaction from this type of consumption was unsustainable. Alienation and a lack of fulfilment were the inevitable outcome. A downsizing of the consumer's indulgences has called into focus what's really important. De-cluttering and recycling leaves more considered consumption choices. By concentrating on what brings deeper satisfaction, more facile purchase areas can be compromised or even eliminated. Consequently, there is a real demand for brands that offer true substance, both in terms of product performance and brand personality.

IMPLICATION

To connect with this desire for substance, companies must look not only at their product performance, but also how their brands add meaning to consumers' lives. For starters, they need to deliver on the product promise honestly and efficiently, but this is not enough. Association with a positive cause can deliver huge dividends in the minds of consumers.

By committing to aid worthy causes, brands show an awareness of community and appear to be giving something back. Similarly, in leaner times, people's passions are more important to them. Brands can identify what interests their audience, be it sport, music, etc. and develop a meaningful association. However, it is not sufficient to simply badge or sponsor a particular team or event. The partnership with the sponsorship property must enhance the consumer's enjoyment of their passion with exclusive and relevant content or experience.

How much of your Christmas shopping was done online?

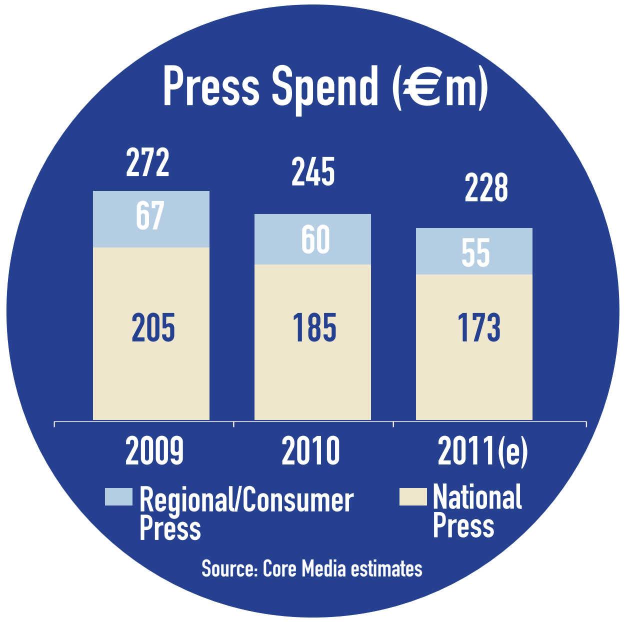


Source: Core Media Research Audience = All Adults

Press

Despite the recent upheaval in the Sunday Market, newspapers are far from dead. Irish people still put their hands in their pockets 5 million times a week, to buy a newspaper, making press the most actively purchased medium in Ireland.

The problem, however, is the market is still too crowded. In addition, the medium is the most impacted by the surge in online marketing and the availability of free news. These issues must be addressed if press is to return to a profitable and vibrant footing.



2011 will be another disappointing year in terms of advertising revenue as newspapers continue to suffer most from the migration of budgets to the internet with spend levels falling by 6.9%. Also, newspaper sales are likely to fall by between 2% and 4%. Independent News & Media will continue to be the strongest group accounting for 48% of all national sales.

01 TOO MANY NEWSPAPERS

The single biggest issue facing many newspaper publishers this year is survival, as we have already seen with the closure of Star Sunday and the Sunday Tribune entering receivership. We have too many newspaper titles in this country for our population base; a total of 17 different national newspaper titles compete for advertising revenue each week. Simply put, the industry is completely unable to cope with a recession of this scale; we need fewer titles and a sustainable model to ensure that newspapers can thrive and invest in their product.

IMPLICATION

It is likely that further rationalisation will occur as we cannot see the structure of the press market remaining the same by this time next year.

The three British publishing groups, News International, Associated Newspapers and Mirror Group must be questioning their continued investment in Ireland which is costing most of these publishers dear in the current climate. News International already conducted a cost cutting programme in Scotland in 2010 where the regional content of The Sunday Times was reduced significantly and there are suggestions of a similar process beginning in Ireland.

Regional titles are also under pressure, as we have seen with the recent closure of the Kingdom newspaper in Kerry. Regrettably, further closures are expected as local advertising spend continues to dry up. A less crowded market, coupled with stronger marketing of the newspaper medium will be key to strengthening the sector and reminding advertisers of the effectiveness of the printed word.

02 RISE IN NEWSPRINT COSTS

On top of a dramatic reduction in advertising revenue over the last four years, newspapers must now contend with a 20% increase in the cost of newsprint due to rising demand from China.

This couldn't have come at a worse time and is bound to have an impact on the size and breadth of the newspaper offering; some of the peripheral supplements that publishers have invested in over recent years will be culled, leading to a new focus on the core offering and content that each newspaper stands for.

IMPLICATION

The implication for advertisers is twofold. There will be a hardening of advertising rates, but new opportunities to innovate will emerge as editors are persuaded to relax conservative policies of the past.

This example of a front page advertisement in the LA Times last year, would have been unheard of a few years ago. Perhaps we will begin to see this kind of idea being accepted in Irish newspaper titles. As long as these highly intrusive initiatives are not overdone, they would be welcomed by reader and advertiser alike.

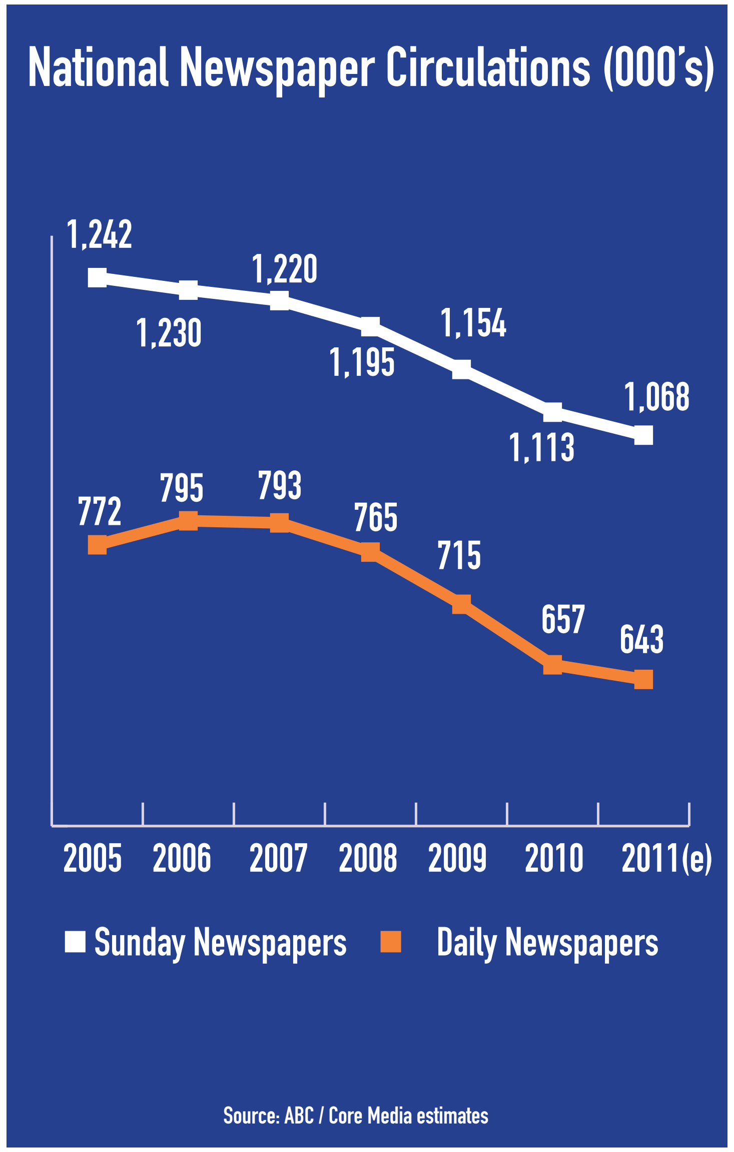
03 FREE ONLINE CONTENT

RTE's ability to sell advertising and carry news content on its website is being challenged by the National Newspapers of Ireland. It is unlikely that the Government will agree to the advertising restriction but they may choose to curtail the amount of 'free news' carried on the site. However, whether this will happen is anybody's guess, given the political turmoil of today.

Online is a double-edged sword for the newspaper business. It is an essential investment for the future health of the sector but the revenue stream from advertising does not meet the significant costs involved. In principle, consumers should pay for access, but the internet has not evolved this way and if one newspaper group starts charging for content readers will migrate to other sites that don't. That's what is happening in the UK where News International introduced 'pay walls' on its Times and Sunday Times sites last year.

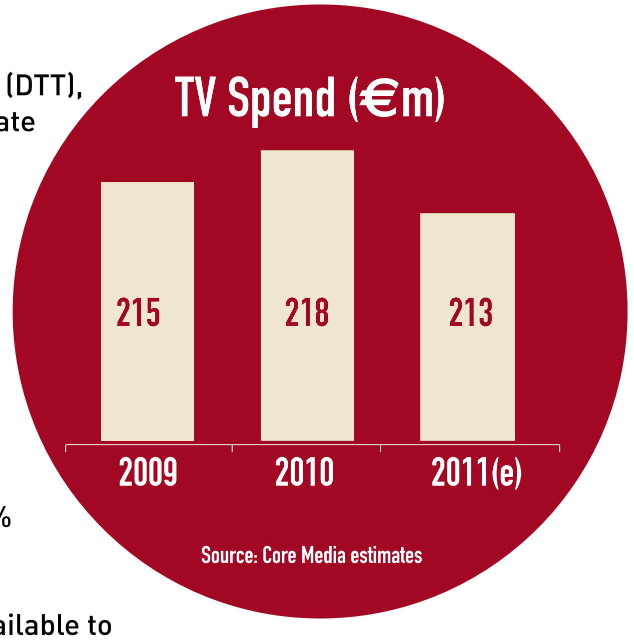
IMPLICATION

Newspapers are in an impossible position in the current set-up and this is the fuel to their argument with RTE. In time, RTE may have its online ambitions restricted through legislation but this alone will not be enough to give newspapers an open road to charge for access. There are just too many other international sites that will soak up the traffic. People are prepared to pay for online content; the problem, however, is that there are not enough of them. If newspaper websites are to remain attractive to advertisers they must remain freely available. The only option open for charging is for niche content, as opposed to general news. This will probably form the basis of the business model of the future.



Television

TV viewing will grow by 1% in 2011 as people spend more time at home to preserve their finances. Digital Terrestrial Television (DTT), launched recently by RTE (Saorview) will have no real impact on viewing as take-up will be low until the analogue switch-off date nears at the end of 2012. TV had a better year than predicted in 2010 with a 1% increase in revenue; however, this gain will be eroded in 2011 due to an anticipated fall in demand of just over 2%.



RTE faces a tough year. Share of viewing for RTE1 & RTE2 is likely to decline by 1.3 and 0.7 points respectively as the penetration of digital platforms such as SKY and UPC increases. In addition to the funding issues (covered below) it also has to contend with the Competition Authority's investigation into television airtime trading practices.

TV3 is likely to build audience on the back of a strong performance last year, although the big watch-out is its over-reliance on imported product; 19% of TV3's commercial audience was driven by one programme (The X Factor) last Autumn, peaking at 28% in October.

2011 will also see a number of channels becoming available to Irish advertisers for the first time. More 4 and Dave will launch Ireland opt-outs before the end of June. Combined with the recent arrival of Universal, SKY Atlantic and Comedy Central Extra, these channels will drive a 2.5% increase in supply which will result in a similar fall in costs per thousand on the independent channels.

Furthermore, the growing penetration of online video heralds the beginning of a small but important migration of budgets from offline TV to online TV. The watch-out here, however, is that commercial share of viewing for this format is only 1%. Budget allocation should only be proportional; we recommend no more than 2% at this stage.

01 FUTURE OF RTE

RTE's broadcasting credentials are first rate, but its running costs are unsustainable. Losses this year could reach €30m. Our industry needs a rock solid, high quality national broadcaster, but this will only be achieved through a major restructuring of the organisation, including the possible sale of its transmission network and other assets including 2FM (see radio section).

Some suggest that RTE 2 should be privatised but this is short-sighted and would limit the broadcaster's potential and lower programming quality. The core issue is programming costs. RTE spends approximately €14,000 per broadcast hour on programming which is more than twice the TV3 equivalent. We have no problem with this; quality programming is expensive and we want RTE to maximise its spending here, but the evidence must be seen on the screen, not on the administration of the organisation.

IMPLICATION

A strong RTE is vital to Ireland, culturally and commercially. We want our advertising campaigns to deliver large, engaged audiences. The weaker RTE becomes, the more quality programmes will be replaced with lower rating, cheaper output which does little to engage the viewer or provide the Irish public with a cultural anchor point. However, we should not be expected to pay price inflation to achieve this. RTE already carries a price premium over its competitors and receives €200m in licence fee income; a new business plan is required, not a new rate card.

02 PRODUCT PLACEMENT

Paid for product placement will become available for the first time in 2011. In December last, the BAI (Broadcasting Authority of Ireland) published proposals that, if implemented, will allow placement in drama, soaps, comedy, reality and lifestyle programmes. For example, expect to see the transformation of Phelan's Corner Shop in Fair City into a symbol group or supermarket brand in the coming months.

Product placement will not be permitted in news, current affairs, sports, chat shows, documentaries or children's programmes.

The BAI has invited submissions from interested parties and will publish the final policy in the coming months.

IMPLICATION

Advertisers will have the opportunity to place brands in the heart of influential and aspirational programming. Subtle product placement has been proven to boost positive viewer sentiment of a brand, but we need to select our opportunities carefully.

The one flaw in the BAI policy is a provision to only allow product placement in four programme strands per channel per year. We strongly believe this should be reviewed and have made a submission accordingly, through IAPI.

03 DVR PENETRATION

DVR penetration of homes will exceed 40% by December 2011 and 65% by the end of 2012 (as the analogue switch-off approaches). This will lead to an inevitable fall in net commercial impacts as viewers become more comfortable with the technology and fast forward ad breaks.

This will be offset in the short-term by an increase in viewing due to economic conditions and the tendency of viewers to watch more TV when they have DVR technology.

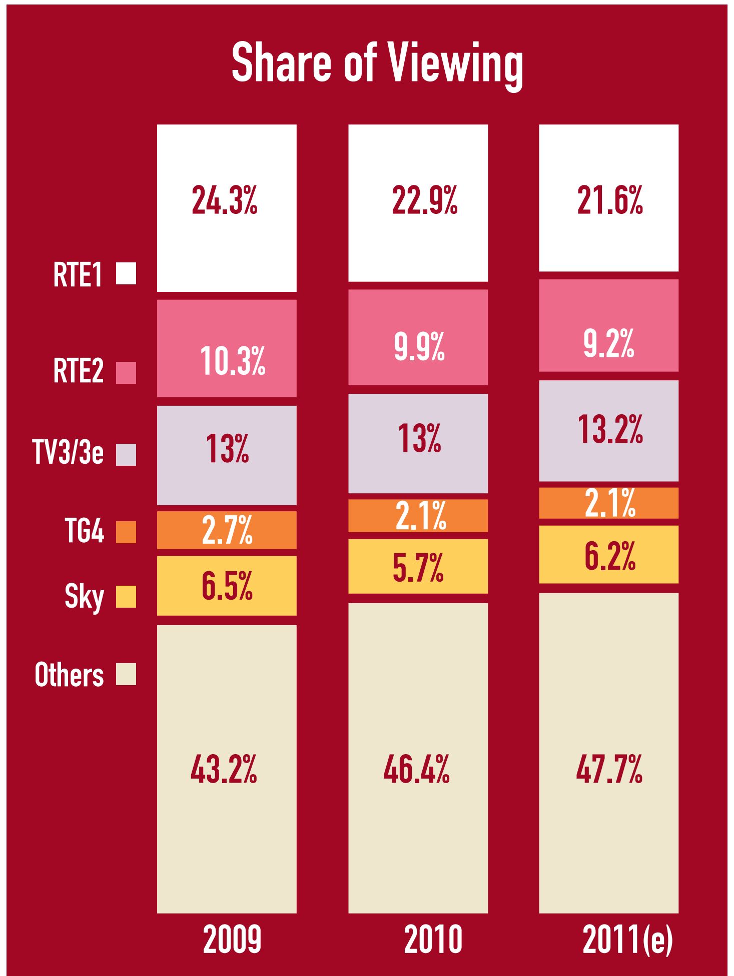
However, the underlying trend will be a slow but steady loss in potential commercial impacts of circa 1% for every 10% growth in DVR penetration.

IMPLICATION

This trend will inevitably place more emphasis on position-in-break and programme sponsorship. The latter is particularly effective in informing the viewer that a programme is about to recommence.

Ultimately, however, the industry will need to put entertainment at the top of its agenda in the creation of TV advertising.

Believe it or not, consumers actually enjoy TV advertising; in fact 15% of viewers claim to enjoy the commercials as much as the programmes! We need to build on this.



Source: Nielsen / Core Media estimates. SOV based on all individuals.
'Sky' is an amalgam of all Sky branded channels, including Sky Living.

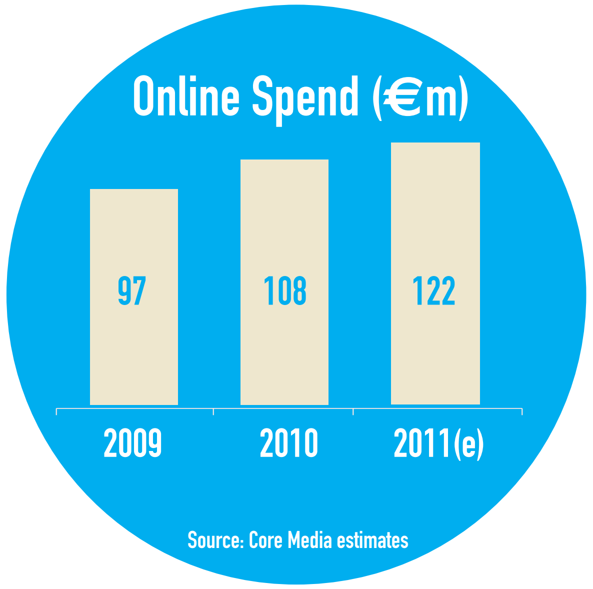
Online

In 2010 it became obvious that internet brands are truly setting the agenda for the future. The ubiquity of Facebook and its power to engage consumers has taken many people by surprise. Similarly, Twitter has proven that when used effectively it can mobilise consumers in ways previously not possible.

By 2013 more people will access the internet through mobile devices than PC's. Currently consumers use the internet eight times more on a smartphone than any previous mobile device and their appetite for apps is insatiable. With over 500,000 smartphones in Ireland already, the next big thing will be m-commerce, as consumers use apps instead of websites to buy products. An example of this will be 'shop & collect' services from supermarkets.

Tablets, and in particular the iPad, have created a whole new category and may become an important lifeline to the print publishing industry, with some titles delivering strong user experiences in this space. However, this will largely depend on price; tablets are too expensive currently to gain critical mass in consumer penetration anytime soon.

2011 will see the launch of a second force in the 'search' arena with Bing coming on the scene in Q2. This will bring welcome competition to a market dominated by Google and is good news for consumer and advertiser alike.



Couponing is back in vogue with multiple players, such as Groupon, offering discounts across a range of products. It's no surprise that both Google (Google Offers) and Facebook (Facebook Places) are marching headlong into this market in 2011.

From a commercial point of view, online will be the only sector of the media industry to experience growth with an anticipated 13% increase in advertising spend to €122m or almost 17% market share. Search will account for almost 50% of this figure followed by display at 26% and classified advertising with 24%. Overall internet penetration will reach 87%, with broadband access growing to 75%, as consumers increasingly embrace the internet in all aspects of their lives.

01 GOOGLE VS FACEBOOK

The growth of Facebook has been phenomenal; the average internet user in Ireland spends almost five times longer on Facebook than Google. While Google is still the top internet domain in Ireland, Facebook has our attention. While we tend to box them as 'Search' & 'Social' companies their worlds are converging, if not colliding, at a fast pace. Google has made a number of attempts to move into social media with Google Buzz and now Google.me, but they have found it difficult to move beyond their core search credentials.

One of the most significant developments for both companies this year will be the forging of a connection between online advertising and its effect on offline sales. Google is adding to its Pay-Per-Click offering by providing advertisers with the option to display vouchers directly related to search terms. Meanwhile, Facebook is creating its own offers & commerce offering via its Facebook Places & Facebook Credits platforms that will allow advertisers push out offers to segmented audiences and reward consumers with credits to buy a range of services on Facebook.

IMPLICATION

Being able to quantify the impact of these platforms will open up a new level of understanding of the power of the internet in driving offline revenue. This will create a new market for sales, sampling and promotions that will enable us to take advantage of the various targeting opportunities the internet can offer - from forensic demographics through to behavioural targeting. Targeting promotions against particular keyword searches or content on social media pages will change the way consumers are influenced to buy products and services.

02 MAKING SOCIAL MEDIA WORK

New verbs have been created; people 'Facebook you' and more and more of us are 'tweeting'. In 2010 we saw huge shifts in social media activity with some companies embracing it as a customer service channel, others using it as the beginnings of longer term consumer programmes and others using it for competitions or promotions in much the same way they might have used a radio station in the past. However, the ability for brands to build high levels of advocacy via social media is still difficult to fathom – what does a 'like' mean? What is its value? One thing we do know is that businesses need to approach this area with sincerity and conviction. Once you place your brand in these environments you are raising the bar; consumers expect high standards, and for those that do it well, the rewards are there.

IMPLICATION

All businesses need to consider social media as part of their communications mix; it is as important as having a website or a helpline. However, brands need to understand where it fits and where the opportunity lies. For some that might be using social just to listen, for others it can become an integral part of their ongoing consumer communications.

As social communities grow, and consumers become more sophisticated, the planning and preparation work will become increasingly important. Having a clear strategic view of how social media will help to achieve your marketing goals is crucial – simply 'diving in' is definitely not the right approach.

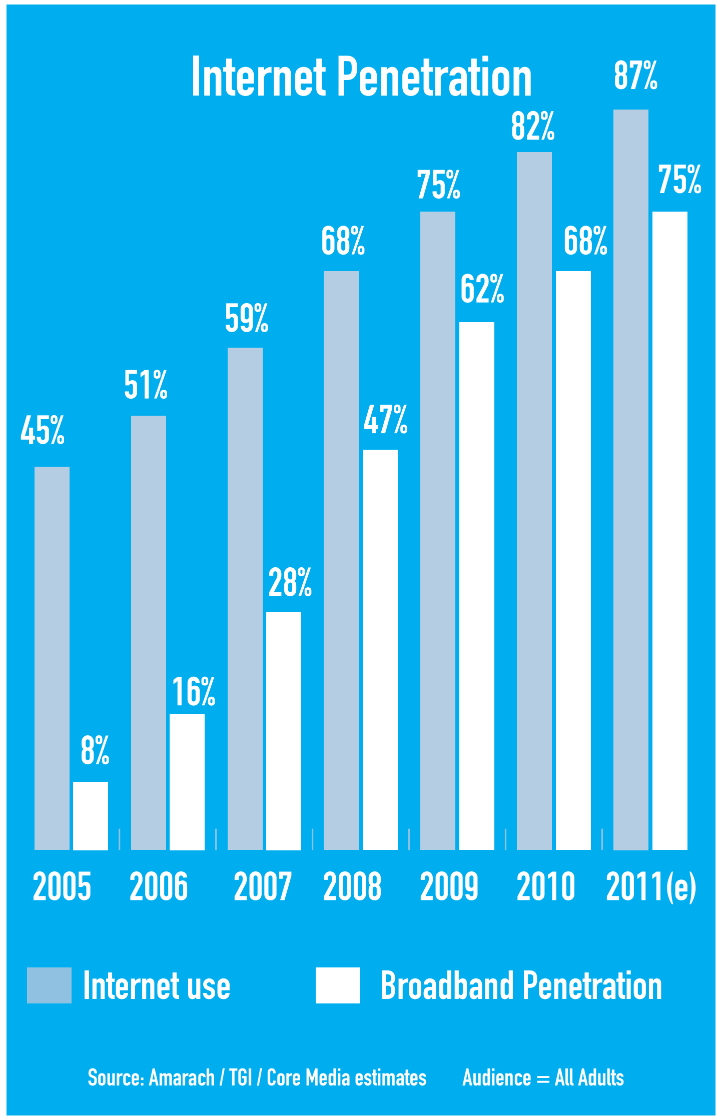
03 PROXIMITY TARGETING

Over the last year we have seen just a glimpse of the future of defined targeting. Location based social networks such as Facebook Places and Foursquare and increased targeting solutions within Search and GPS enabled mobile applications have opened up new outlets for marketing that facilitate targeting like we have never known before. This proximity targeting allows us to reach consumer segments not only by location, but by affinity and behaviour. It is now possible to push out messaging to hundreds, if not thousands, of differently configured audiences.

IMPLICATION

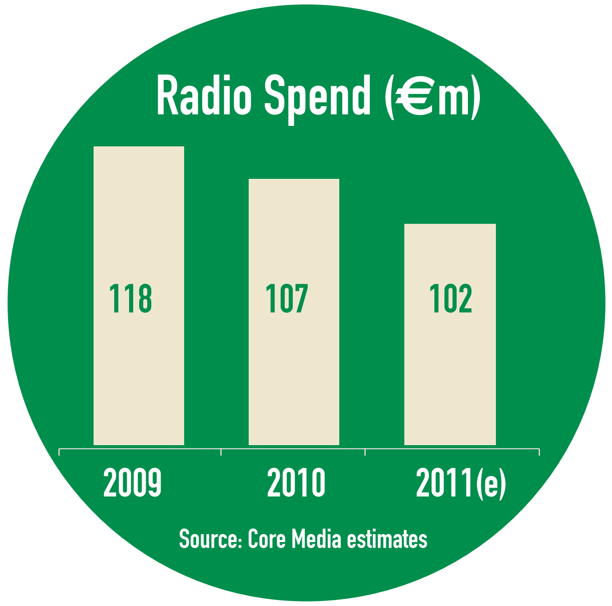
This new technology creates opportunities to drive retail sales at a local level through location based technology and upweight geographic weak spots in brand penetration. Retailers can build platforms that link to EPOS and inventory systems to create promotions in real time. It allows large brands to isolate the opinion leaders and advocates they need at launch to build success.

This trend brings digital into the CRM and sales promotion space, and will further cement the need for well established marketing thinking and practices to be utlised in the online arena.



Radio

Over the next 18 months the original local radio licences, granted in 1989, will be up for renewal. It is ten years since the last review. This will take place following a reassessment of the licencing landscape this year by the Broadcasting Authority. The actual tendering process will not commence until 2012. We do not expect much to change during the review with the possible exception of neighbouring franchise holders challenging each other. However, it will be a nervous and busy time for all involved.



Radio is one of the great communicators and has a strong heritage in this country. However, it is the medium that advertising agencies seem to understand least and this is consistently demonstrated by the low standard of creativity within commercial breaks. Radio advertising can be as impactful as TV, if given the respect and investment in production that it deserves. Great radio advertising enhances or even improves on the programming that surrounds it. This is not a new argument; it has been repeated time and time again, but still nothing changes.

As with other offline media, we expect advertising expenditure in radio to continue to fall this year by just under 5%. There will be little change in listenership levels, with the exception of Newstalk. This station has struggled financially since its launch in 2002 but is gathering momentum now, in our view, after some wise programming decisions which should see its audience grow. The impending general election will also give the station a boost, particularly in the morning where Ivan Yates has proved himself to be a superb and quite unique interviewer.

01 FUTURE OF RTE RADIO

Since 2001, 2FM has lost almost ten percentage points in market share and now occupies third place in the national rankings in adult listenership, behind Today FM. In 2010 RTE Radio repositioned the station to focus on the main radio audience battleground of 20-44s and shake off its younger listeners. 2FM had a split personality before then and something had to be done to establish a clear brand image for the station. The impact of the revamp will remain unclear until the publication of the next JNLR survey in late February.

However, given the major financial crisis at RTE, a fundamental re-think of the entire channel portfolio is required. Radio 1 has proven to be a rock solid station with a strong programme strategy and should remain largely untouched. 2FM, on the other hand, should be sold. In our view, this would provide RTE with much needed capital which could be used to invest in the relaunch of Lyric FM as a mainstream station modelled on BBC Radio 2.

BBC Radio 2 is the UK's most popular station, aimed at adults over 30 who enjoy music mixed with entertainment and chat. There is a gap in the market for a station like this in Ireland. Lyric's existing classical music remit could be accommodated in the evenings and weekends. We realise the difficulty this poses vis-á-vis RTE's public service remit and licence fee allocation but in this climate everything should be on the table.

IMPLICATION

There would be an outcry, particularly from Lyric FM listeners, but the greater good would be served through a vibrant and profitable national service.

02 TOO MANY RADIO STATIONS

Radio will struggle in 2011 across the board. There will be no capital investment in the medium and despite all the hype around digital radio in recent years, it is not catching the consumer's interest.

As with press, the key problem for the sector is over supply; there are just too many stations – 35 in total.

Some of the newer stations have failed to recruit sufficient listeners whereas others which have strong audience levels have failed to attract sufficient advertising income. A number of stations will be under the spotlight in 2011, as a result.

IMPLICATION

Some consolidation in radio is necessary to take pressure off the main network of stations and ensure there is enough advertising income to support a vibrant sector.

It is in the industry's interest that this is the case.

03 DIGITAL RADIO

RTE is still the only player operating in this space having been tasked with progressing the development of digital radio in Ireland as part of its public service remit. The lack of an adequate infrastructure as well as high entry costs has meant that the appetite from the commercial sector is still lacking.

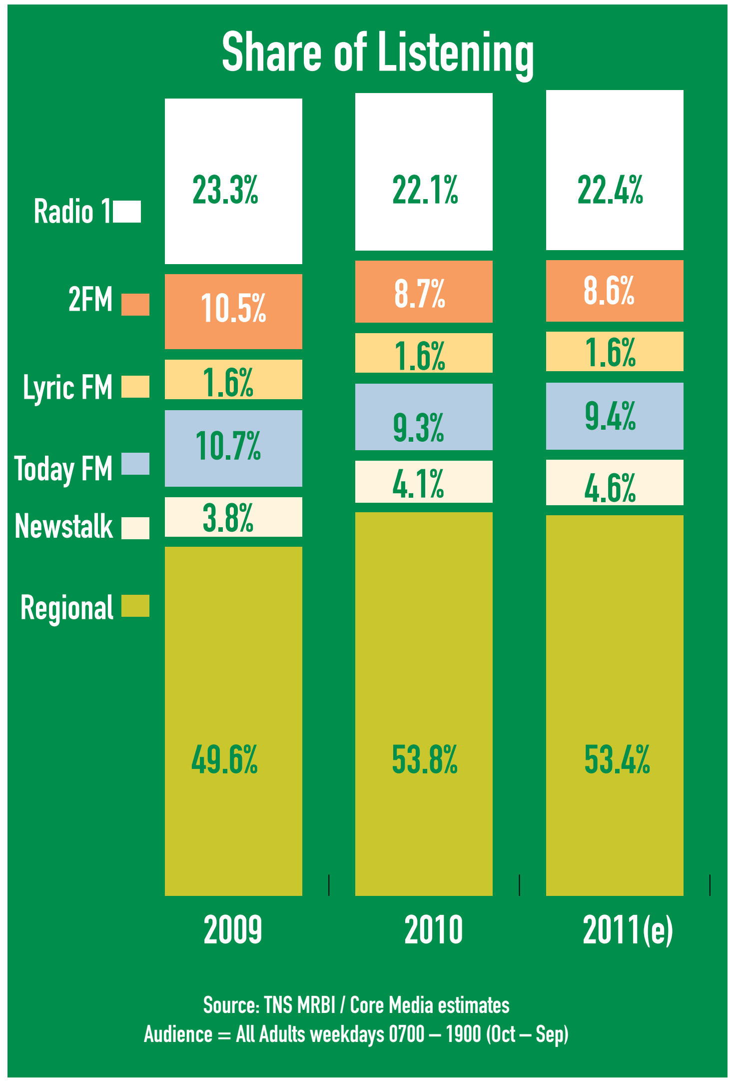
At this point the future progression of the project is reliant on the BAI incentivising the exploration of digital radio for the commercial broadcasters.

News that an international agreement between the major car manufacturers on a single chip mechanism for reception of digital in all vehicles will encourage some, although the affect of this agreement will take a number of years to trickle down here.

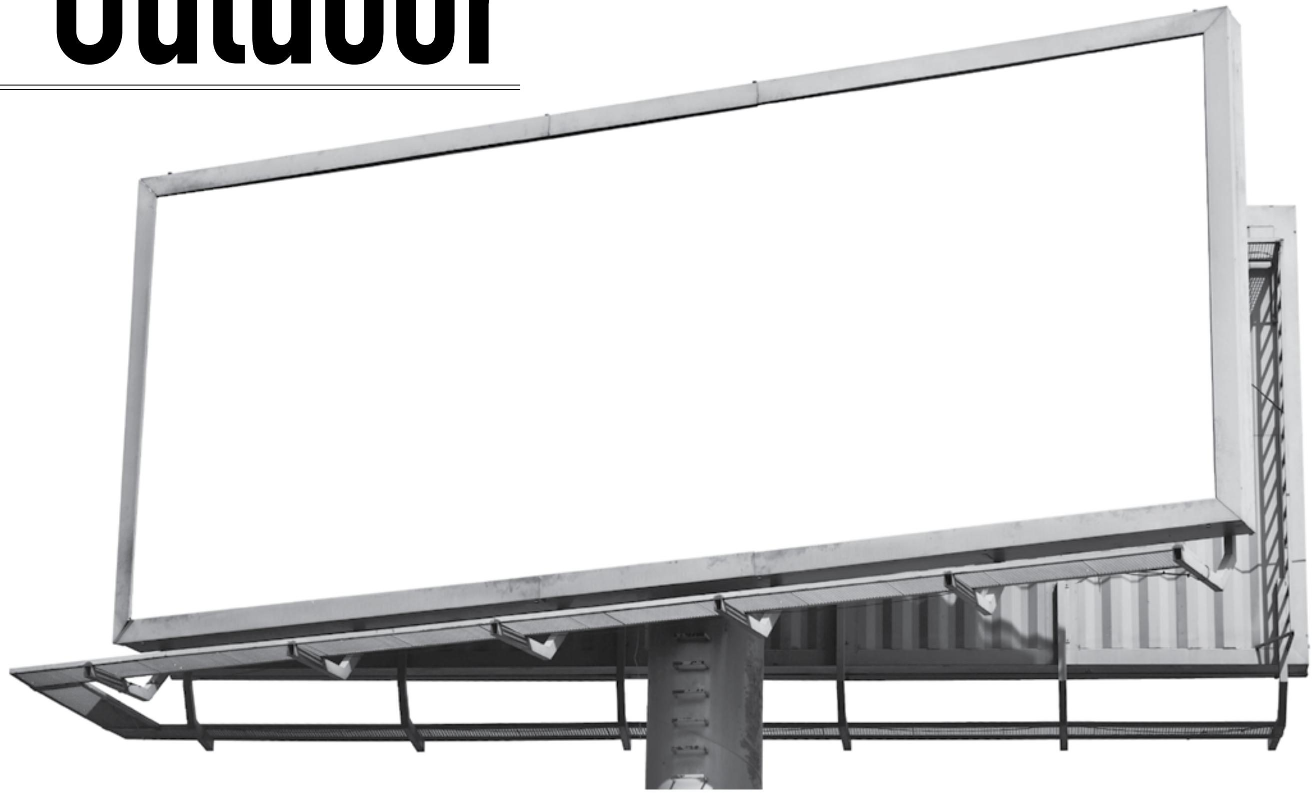
IMPLICATION

The consumer just isn't interested in digital radio, because there is no clear benefit to them. The sound quality is already superb on FM and we already have too many radio stations in the market.

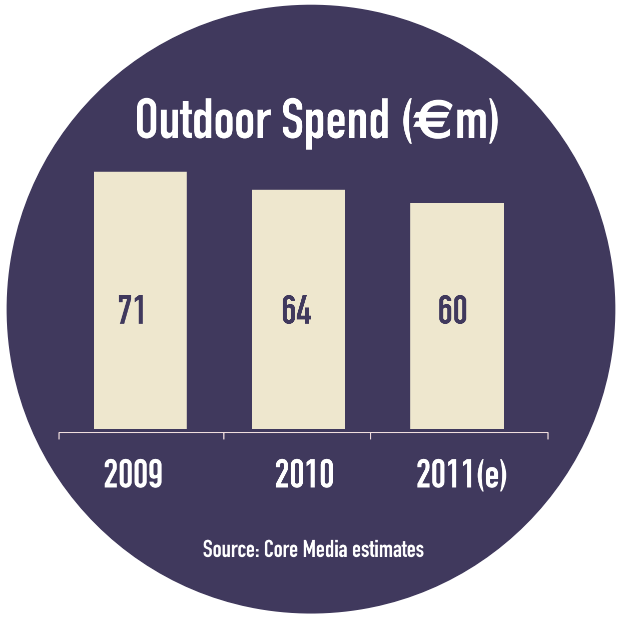
If, on the other hand, there were radio sets that allowed listeners to pause programmes or buy the music being played, then the digital format would take off. However, there is no sign of this in the near future.



Outdoor



Outdoor is a very effective medium to 'ground' a brand and provide a strong reinforcing presence on-street. Its key problem, however, is the uneven distribution of poster inventory across the country, which places it in a supporting rather than leading role; it is often a casualty of budget cuts, as a result. The medium's strength lies in urban areas where it delivers a young upmarket audience.



The fall in demand for outdoor will continue this year with an anticipated decline of 6% in expenditure. However, the opportunity arising from this situation, is that outdoor is now good value and more flexible, in terms of its offering, than ever before.

Outdoor has one major issue glaring it in the face – it needs to be reborn. In time, this will happen with the full digitisation of all on-street poster sites, which will transform the medium by replacing printed posters with digital advertisements that can be changed instantly to reflect the time of day, day of week etc. Although there has been some investment in the format to date, there are many hurdles to overcome before this development makes it onto the mainstream agenda, with the key obstacle being the capital investment required, but technology costs will tumble in the coming years. Planning permissions will also be secured by partnering with local authorities to provide use of the network to promote safety messages, missing person notices etc. Watch this space in about ten years time!

Returning to reality, the main trend to note is the massive growth in the number of 6 sheet panels in recent years, which have increased in number by 30% since 2005. All 6 sheet types have increased, but the largest expansion has come from the point-of-sale format which has grown from 1,395 panels six years ago to 2,167 today. There has been stagnation in the 48 sheet billboard sector because of planning permission issues; however, the real concern here is not the total number of panels in existence, but that many of them have become 'bypassed' in recent years with the roll out of the new national motorway network.

01 COVERAGE IMBALANCE

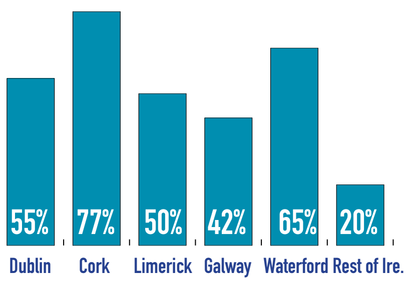
Due to the proliferation of motorways and other planning restrictions outdoor is increasingly becoming a city based proposition. The motorways issue is a particular problem because, oddly, no advertising is allowed anywhere on this hugely important road network, despite the fact that the panels would be located far from any environmental hot-spots. Ironically, this prohibition has created an opportunity for some companies to place ugly articulated trailers carrying advertisements in fields along the new routes.

IMPLICATION

The imbalance in county-by-county reach, combined with a significant improvement in audience research in recent years has brought about a new approach to how we plan this medium.

Rather than planning blanket campaigns, the medium is viewed as a number of regional urban campaigns. This is important due to the lack of consistency delivered by so-called national campaigns, as this chart demonstrates. These shortfalls can be overcome through the use of multi-format campaigns and/or other media.

48 Sheet Campaign Reach



Source: CAFAS/I5I panels/ all adults

02 ADSHEL CONTRACT RENEWAL

This year will see the Dublin Adshel contract for bus shelter posters come up for renewal. Clear Channel is the incumbent and has held this contract in one form or another since 1970.

The contract covers approximately 2,000 sites in Dublin and is worth approximately €20m per annum.

IMPLICATION

A change in contractor would have significant implications for the industry. There are three major players in the market; JCDecaux is the largest media owner in the 48 sheet market, Clear Channel dominates in the 6 sheet sector and Bravo runs the transport advertising contract for CIE. This distribution of plant promotes competition and is balanced in our view.

If Clear Channel were to lose the contract it would create competition concerns. The industry will be watching this one with interest.

In other areas, JCDecaux should be congratulated on the successful launch of the Dublin Bike Scheme which has also given us the high quality Metro scrolling backlit formats. Bravo recently retained the CIE contract covering buses and rail stations and this should bring about the introduction of new formats in the near future.

03 MAPPING IMPROVEMENTS

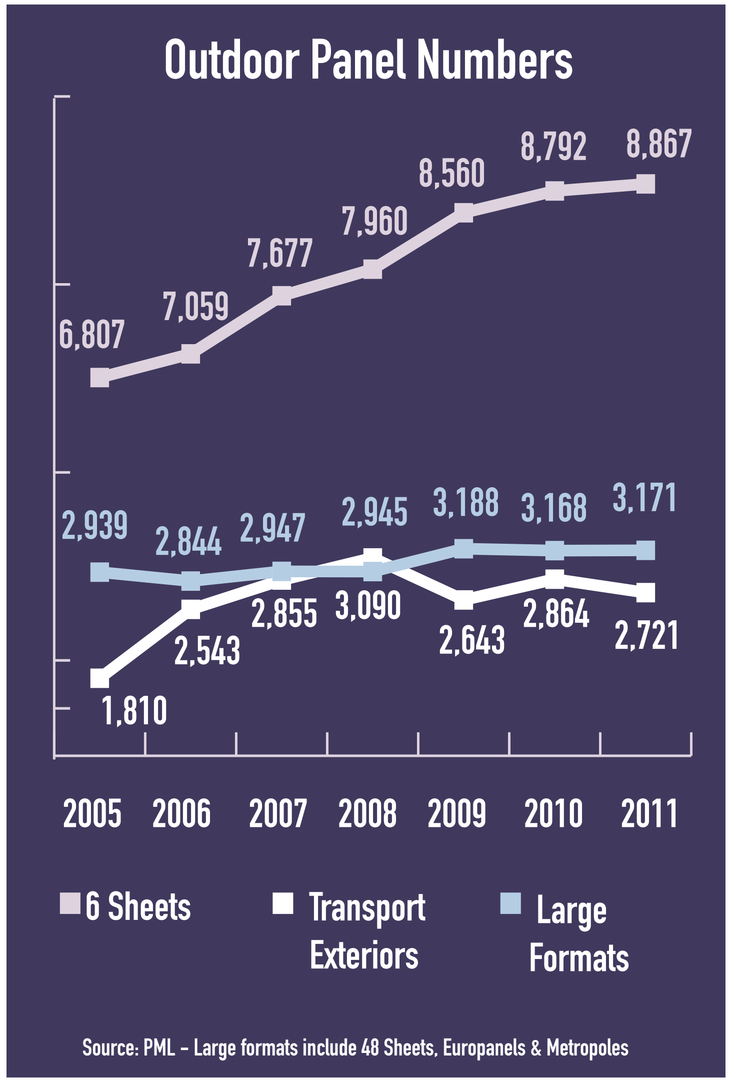
There has been a steady improvement in mapping technologies in recent years which have facilitated more precise micro-targeting of campaigns. This is set to improve again now through the adoption of the Google Street View software.

IMPLICATION

The new visual mapping software allows the planner to display all sites in their exact environment, in order to establish precise proximity to key locations such as pubs, supermarkets etc. Other important data such as traffic flow and reach data are incorporated into the system.

This service helps the planner to have a complete understanding of each campaign and identify proximity opportunities including ways to make the commercial message more relevant to the environment.

As an aside, Google was granted a patent last year on technology that will allow it to identify posters, billboards and buildings in Street View applications and give advertisers the chance to replace these images with advertising in its new virtual world.

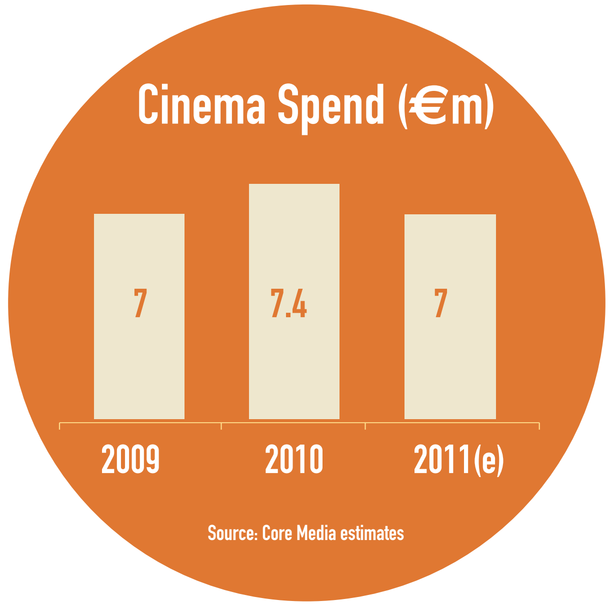


Cinema

Cinema had a rockier road than expected in 2010 in audience terms. The medium should be resilient in recessionary times, but admissions were down by 3.5% in 2009 and a further 4.7% in 2010 (up to November). The poor quality of film releases in recent times has been the key contributing factor. This is set to change in 2011 with an anticipated rebound in ticket sales of 8%.

Notwithstanding the fall in admissions last year, the medium managed to grow revenue by circa 6%. However, we expect this trend to reverse in 2011, despite the forecasted growth in admissions. Advertisers will prioritise television budgets and cinema will be affected by this.

Other developments in the offing include the expansion of digital screens and the possible building of five new cinemas by the Showtime Cinema Group over the next two years. Vue and Cineworld also have expansion plans with three new sites planned between them.



01 BETTER FILM PRODUCT

2011 will see a recovery in audiences due to the release of a string of major franchise releases. This year brings the next instalments of Transformers, Cars, The Hangover, Harry Potter, Twilight, Sherlock Holmes and Mission Impossible.

The most successful "new" genre over the past five years has been comic book movies. With the exception of the sequel to Iron Man, there were no significant releases in 2010. This year, there are 8 movies, including Thor, X-Men: First Class, Captain America and Green Lantern. These, along with a similar amount of 3D animation, romantic comedies and a resurgence in drama, should see admissions rise.

IMPLICATION

This news will be welcomed by advertisers who have begun to question the role of cinema vis-à-vis television. Cinema can be a powerful canvass for advertising. Production values are crucial, because consumers expect high quality entertainment in this environment.

The position of the commercial is also an important factor. The platinum break, which is the solus position just before the start of the main feature is the best location available by far; it delivers significant impact, recall and stature to brands.

02 EXPANSION OF DIGITAL

30% of Irish cinema screens have a digital capability. This will grow to almost 50% by the end of 2011. Full distribution of digital is expected by 2014.

In addition to providing a consistent, high quality image to the audience, the benefits of digital projection include significantly lower distribution/operating costs and the prospect of movies being simultaneously released on a world-wide basis.

IMPLICATION

The growth of digital projection will result in significant advantages to advertisers with far shorter lead-times and greater flexibility in relation to copy changes.

The long 6 week lead-times of today can be a significant disincentive to advertisers. With the advent of this new technology, the copy deadlines should be no different to television.

03 THE FALL & RISE OF 3D

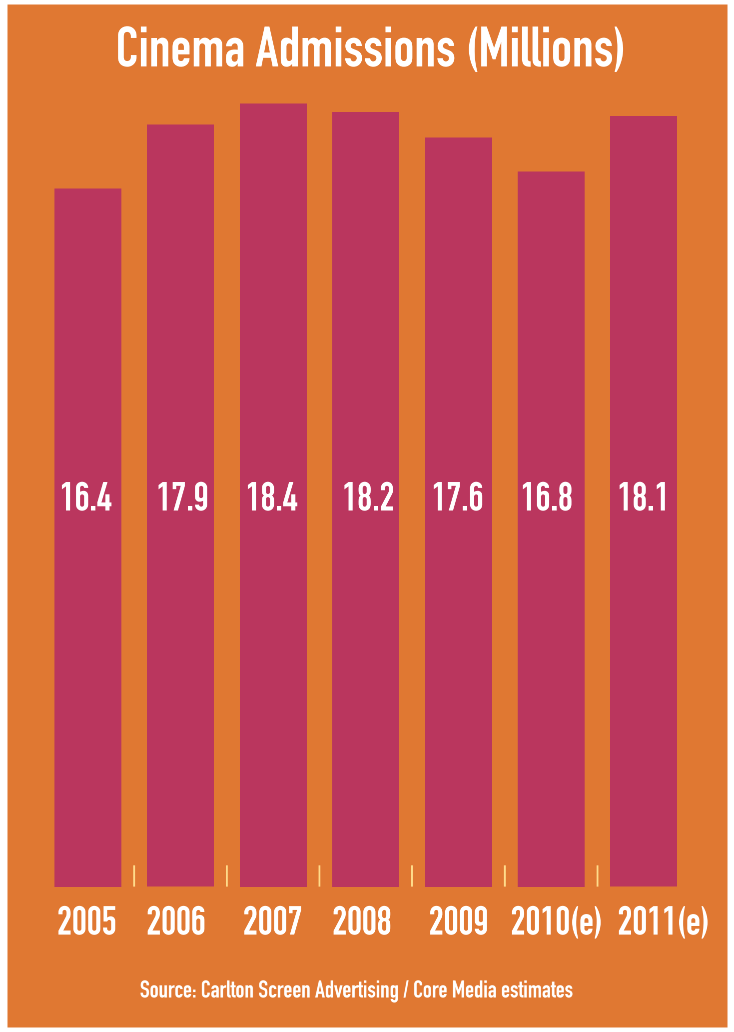
Following a dramatic comeback in 2009, the 3D cinema format has well and truly established itself as a permanent fixture with more and more movies adopting the technology. 3D films have been around since the 1950s, beginning with the horror film The House of Wax in 1953. However, the wobbly images caused motion sickness among some cinema goers and put paid to the success of the format at that time! 3D attempted a comeback in the 70's and 80's, but the image quality was still inferior and people didn't take to the flimsy cardboard glasses. The IMAX high-end movie theatres cracked it in the 1990s, but it remained a niche offering.

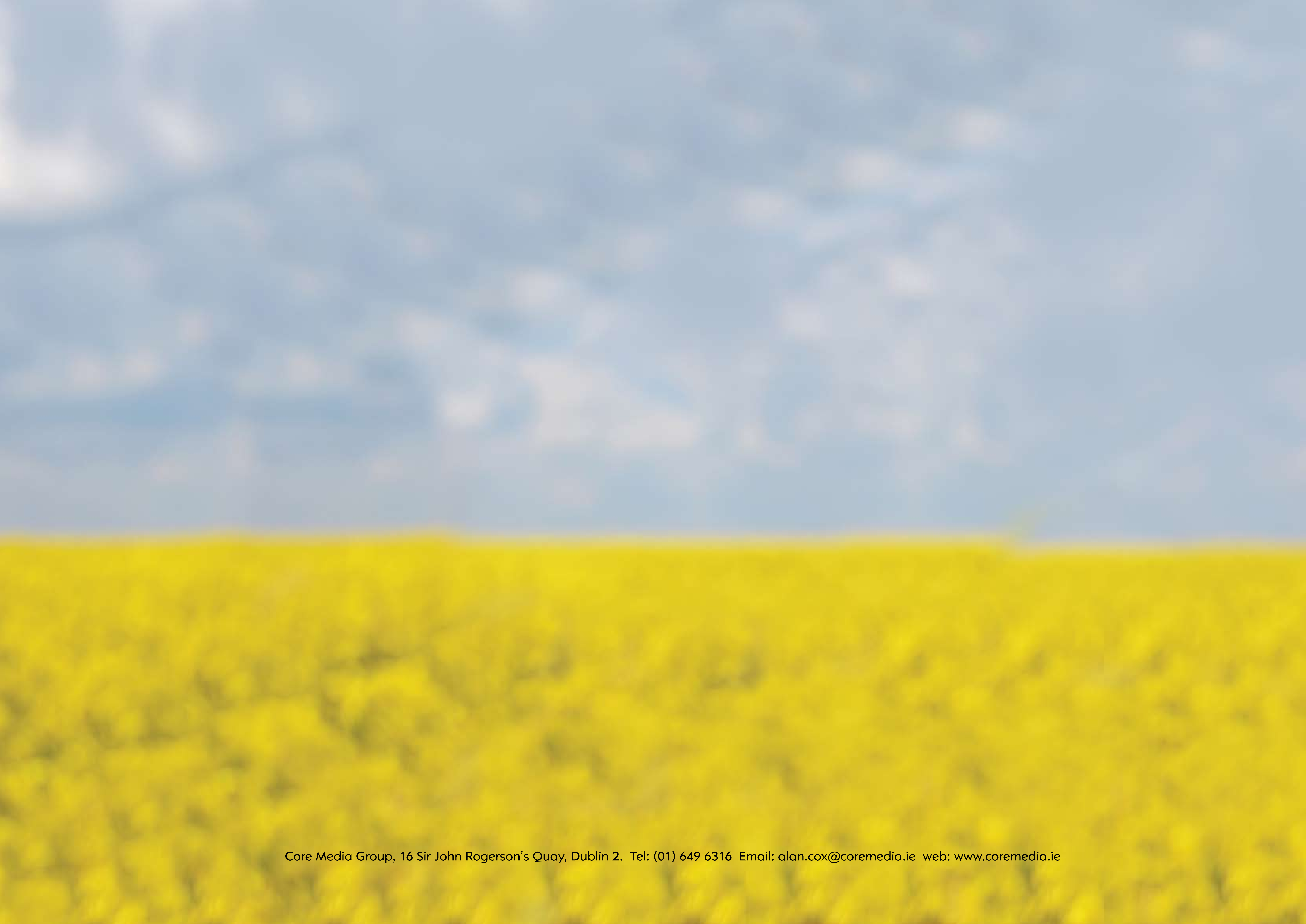
Now, however, it is available to the masses and is very much on the increase with approximately 50 releases planned for this year versus 25 in 2010.

IMPLICATION

In addition to making the cinema experience more attractive, the benefit to advertisers is the prospect of using the technique to enhance the power of cinema commercials and experiment with a whole new way to promote brands to a captive and fascinated audience.

The first ever Irish 3D cinema commercial was launched last October for Cushelle. With the expansion of digital projection predicted in 2011, this new form of advertising will become more accessible and efficient.





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