

Outlook 12

radical

Introduction

The Irish advertising market has been hit by a sledge hammer over the last four years and it is hampering the nation's economic recovery.

The chart to the right shows the startling comparison between Ireland, the US and Europe in terms of economic performance versus advertising spend decline.

As you would expect, advertising investment usually falls to a greater degree than GDP in a recession. It is always the first expenditure to be cut and the last to recover. But, the extent to which it has declined in Ireland is phenomenal and way out of kilter with the norm. The economy in Ireland has declined by 10% since 2007 yet advertising investment has fallen by more than 42%.

Advertising is a key driver of consumer demand, job creation and ultimately economic recovery. The relationship between advertising and the economy has been researched throughout the world and the findings are conclusive and irrefutable.

In 2007 a study by the World Federation of Advertisers compared a number of markets to demonstrate a direct correlation between advertising expenditure and economic growth. It discovered how a higher rate of advertising investment as a percentage of GDP directly increases the rate of return on other investments, such as R&D, product development and skills training.

In 2011, The Work Foundation and Lancaster University found that international data shows a clear link between countries' degree of advertising spend and a range of important economic outcomes, such as growth, innovation, and consumer propensity to spend. They also found a correlation between advertising spend and the level of national economic competitiveness.

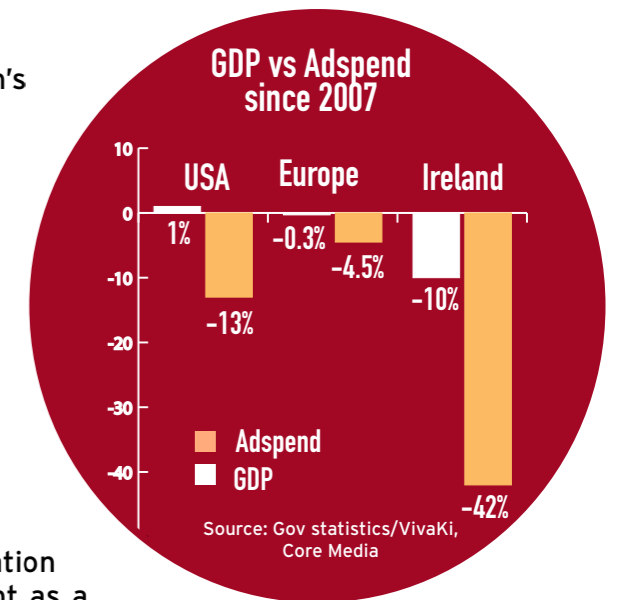
Furthermore, in a study of U.S. recessions, McGraw-Hill Research found that businesses which maintained or increased their advertising spend during the 1981 and 1982 downturn, had significantly higher sales after the economy recovered. Specifically those companies that advertised aggressively during the recession enjoyed sales that were 256% higher than companies who did not maintain their investment.

The evidence is overwhelming, but still advertising spend continues to decline in most media. It is our view that Government has a significant role to play here. As part of its job creation programme it should introduce a tax break for businesses to advertise their products and services for a period of one year. It would be a low cost investment with a significant national return and would be a tangible demonstration of the Government's commitment to doing something substantial to make a difference, rather than tinkering around the edges of the issue. The Institute of Advertising Practitioners in Ireland (IAPI) needs to make its voice well and truly heard on this point because, not only will it bring about job creation, this initiative would help to protect our valuable national and regional media assets, which are on their knees and on the verge of going out of business in many cases.

Our outlook for the year ahead is that media spend will be flat year on year but this hides a 3.6% decline in all media excluding online. We do not expect a bounce in spend due to the Olympics and Euro Championships this year, as our historical analysis shows that these events, even with Irish involvement, do little to grow overall annual advertising spend.

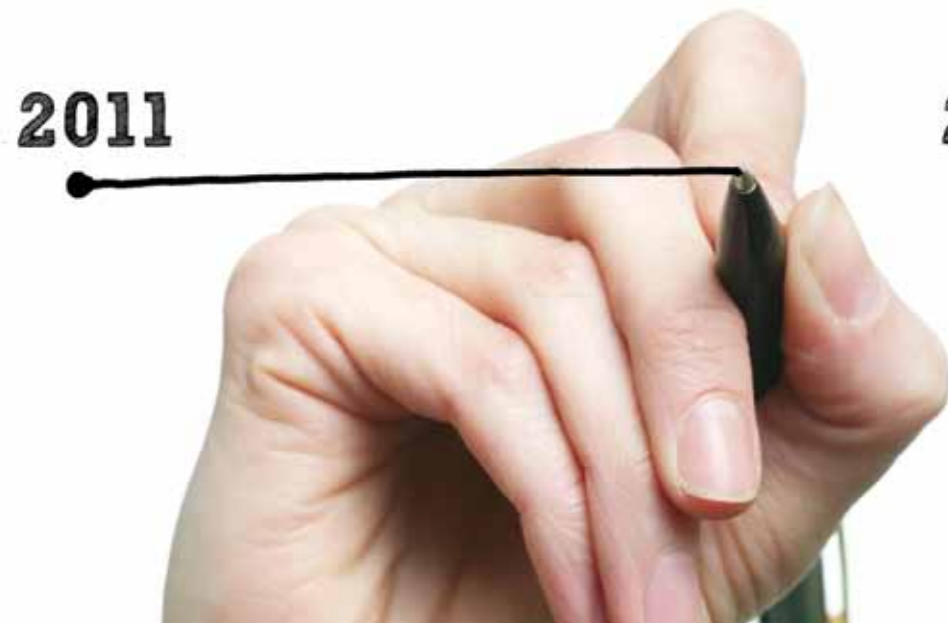
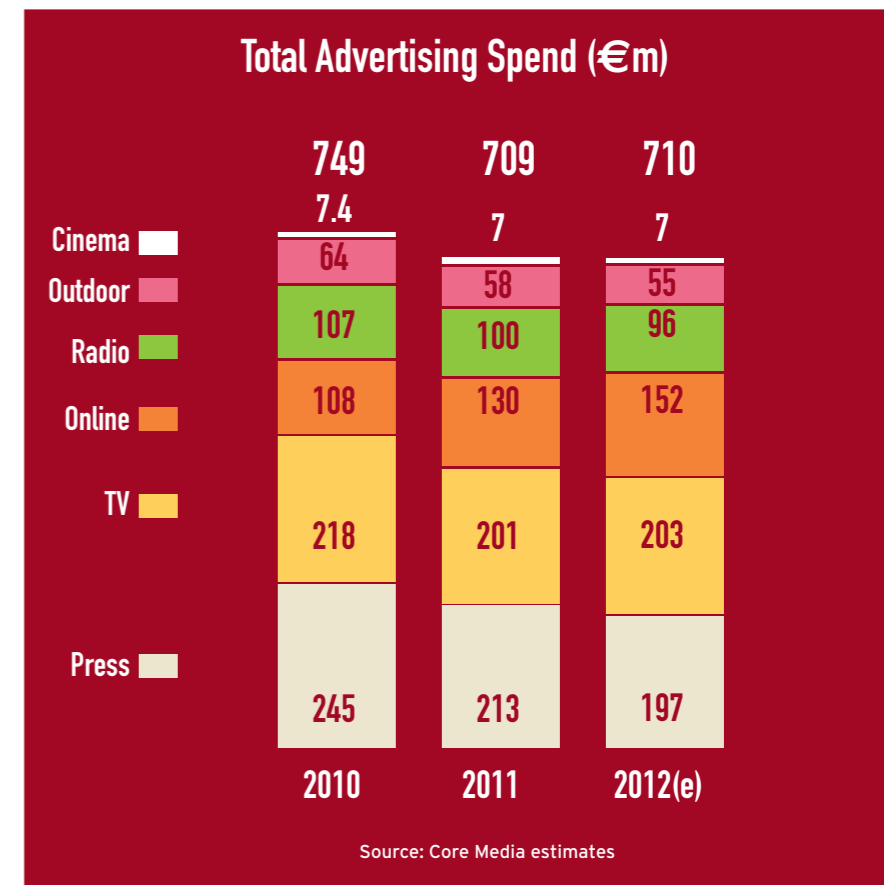
The following pages provide a snapshot of the key developments we expect to see this year. We hope you find the document useful. If you wish to discuss any of the issues, please feel free to call me on (01) 649 6320. In the meantime best wishes for 2012.

Justin Cullen



2011

2012



The Consumer



01 FREE FAMILY FUN

While people are sick of all the doom and gloom, the plus side is it has brought about a reset of values. Community spirit is on the rise and people have realised what's important to them. Spending time with family has become top priority and the home and local community is where the majority of this time is being spent. Furthermore, the majority of people (70%) have pledged to make a bigger effort to enjoy themselves and have fun despite their financial situation. There is no doubt that consumers have less money in their pockets and they know there is little hope of that changing in 2012, but the intention is to enjoy fun activities with the family at little or no extra cost.

IMPLICATION

Consumers want to participate in and enjoy more experiences; and brands that can facilitate this will be remembered long after the recovery. Whether it is free content, free product, free events or free advice, it's hugely appreciated by the consumer. Give parents a helping hand to create fun memories for their family and help them discover new experiences in their local area; if they get some fresh air and exercise in the process, even better. Sport has enormous ability to lift national spirits and with the European Championships to look forward to, how can your brand enrich this much anticipated distraction from tough day-to-day living?

02 REAL EXPERIENCES

Many of today's consumers are building relationships with products and services which behave in a way that is similar to the real-life friendships they experience in their lives. They expect to enjoy the experience, to be involved, to be answered, and to have trust in the relationship.

They expect you to be honest, but don't expect you to be perfect. In fact a brand's flaws can sometimes make it more attractive, especially when the brand is transparent about such imperfections. Consumers want their 'brand friends' to be decent and honest and they will defend you to the hilt, in return.

IMPLICATION

Brands which can tap into our basic needs and desires will win out. Consumers understand that things can go wrong, but like a disagreement with a mate, it's how you respond that makes or breaks the relationship. The more humility and maturity you show in this response, the stronger the relationship will be as a result.

Brands with real personality which can adapt to feedback are the brands that today's consumer wants to be connected to. We don't need to have all the answers upfront - why not release a product unfinished and allow its friends to shape and perfect it? This may sound radical but software companies have been doing this for years! While social media has accelerated this type of friendship, brands need to be acutely aware of the difference between using this medium to send 140 character ads and truly staying connected and engaged with its friends.

03 I BUY YOU, YOU BUY ME

Consumers are realising there is a consequence to every cent they spend. They are willing to put much more time and effort into securing the best prices for the goods they want. 91% of respondents in our Ask Chili survey agree that they will continue to shop around and bargain hunt in 2012, while 4 in 5 agree they are willing to use money off coupons.

Consumers have the technology, the ability and the desire to seek out the best deals and they want to show off just how savvy they are. They are happy to let others see what they are doing in exchange for rewards; this is influencing others, and igniting further rewards for the customer.

IMPLICATION

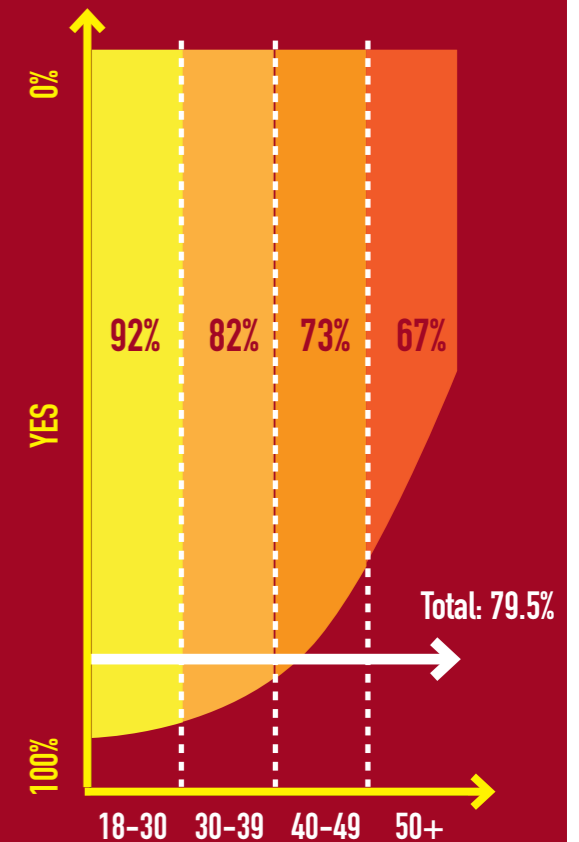
If you haven't already jumped on the loyalty bandwagon, hop on! Not only can it unlock commercial success but companies are finding it an invaluable way to listen and understand customer's needs, and then respond to them in a personalised manner. Not only are consumers engaging in the right programmes, but 75% say (80% of females) they expect to be rewarded for their loyalty. Reward doesn't always have to be financial either. As technology develops further, we will bridge the gap to turn check-ins to check-outs, influencing purchasing while the customers are connected in the store. Loyalty is not just the retailer's domain either; with brand loyalty falling and trust in companies being eroded, the loyal customers should be your top priority to hold.

The highlight of 2011 sadly for most people.....was its conclusion. It's no surprise that when we asked an Ask Chili panel of 500+ consumers to sum up 2011, their responses were pretty bleak. Stress, fear and disgust were the dominant emotions. Financial pressure was pervasive. Over half of those surveyed describe themselves as just surviving or struggling financially. In fact, 52% of parents have less than 10% of their household income left after paying all bills and necessities. Brands are battling for less and less disposable income. But it's always darkest before the dawn.

From the embers of the recession, a new consumer is rising; one that's optimistic, focused on the things that matter and in control. When asked about events which personally affected them in 2011, it wasn't all bad news. People recalled many happy family moments - engagements, weddings, babies and qualifications. Even difficult experiences mentioned related to family and friends rather than personal issues. Selflessness and concern for others was palpable. Most promising is that 80% of those surveyed are looking forward to 2012. They expect to enjoy the year and bring some fun back into their lives regardless of their pessimism about the economy.

2012's consumer is information hungry and has the technology to get instant answers. Consumption of everything is being planned and controlled more than ever. They are looking for credible relationships and enriched experiences. Most of all they are looking for ways to make life that little bit better and bring back a bit of the spark that was there a few years ago. Basically they are ready to get on with living their lives.

Are you looking forward to 2012?



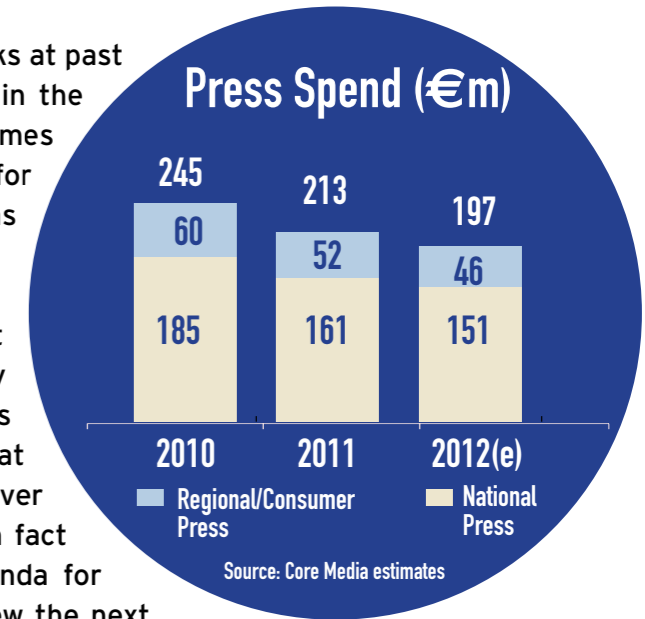
Source: Ask Chili Jan 2012, n=513

Press



When doing a forecast for the press industry, one looks at past trends, canvasses the opinions and views of those in the sector and analyses global developments. What becomes apparent is that press has been in a state of crisis for the past four years and that relatively nothing has been done to address it, anywhere in the world.

Aside from the standard cost-cutting measures that all companies have had to employ in recessionary times, there seems to be no real strategy to address the global woes of print media. It is ironic that, at the time of its greatest challenge, there has never been greater consumer demand for the content. In fact the content that newspapers provide sets the agenda for all broadcast news media. TV news channels preview the next morning's headlines and all radio news programmes discuss "what's in the papers". More than ever, we rely on news journalists to expose corruption and hypocrisy. So the content or product is not the problem. It is simply an issue of distribution. Reliance on an outdated and expensive paper-based model is the greatest danger to the sector. More "liquid" content, consumable across multiple platforms and devices is the only medium-term solution.



01 THE DIGITAL SOLUTION

Few would disagree that newspapers must embrace digital for survival. Yet the industry seems to put the majority of its time, focus and investment into extending the lifespan of the paper version of its product. It needs to re-focus on what the product is - the "news" and not the "paper". To ignore this will result in a desperately under-funded, niche product, appealing to a select audience. As stated above, the content that is produced is second to none, but it needs to be unburdened from the limitations of newsprint and explore the opportunities of a multi-platform delivery model.

IMPLICATION

Portability is one of the last barriers for news content on the go. Tablet devices are ideally suited to replicate the current format of the print version. The penetration of tablets is estimated to be 25% by the end of 2013. This will be equal to the current average daily readership of the Irish Times and Irish Independent put together. Cracking the tablet market should be the primary goal for all newspapers. Empire, the world's largest film magazine, is successfully migrating their readership base and recruiting new readers by offering an enhanced version of the magazine in digital format. Movie trailers, film clips and star interviews can be viewed alongside the text content. Whether it is subscription or on-the-go, the structure can be augmented by "micro-charging" for more premium content. This is something tablet users are already very familiar with.

This shift in focus will then offer greater scope for gaining additional advertising revenue through interactive banners, branded content and even TV commercials. This would allow for a level of interaction previously unavailable to advertisers in the print medium.

02 NEW MEASUREMENT

A new trading model is inevitable, given the necessary embracement of digital in 2012. In an effort to protect and ideally increase revenue, media owners will need to convince advertisers of the additional value on offer. The current means of measuring audience delivery won't be sufficient. Currently the Joint National Readership Survey (JNRS) measures the readership for national newspapers every six months. At 7,000 respondents, this is a robust survey but it does not, however, take into account any readers of the digital versions of those publications. From this spring, its UK equivalent, the NRS, will produce readership across paper and online platforms. This survey will present total reach by title and break down the figures by platform.

IMPLICATION

Detailed data available by platform will enable media planners to analyse how a title's audience is distributed across each delivery system. This will enable them to plan accurately and allow the media owners to trade credibly. All advertising spend is dictated by data. Newspapers must rush to gather the data, and then immediately share it. This will necessitate a significant shift in how advertising is sold, but having a data-based pricing model future-proofs the industry from any further advancement down the track. As the digital versions of titles gain prominence, it is easy to see a time when newspapers could be measured in the same real-time, sample-free way as online. With similar developments in other media one can see how we can follow consumers throughout the day based on their media consumption in real-time. Newspapers will play a huge role in this.

03 RACE TO THE BOTTOM

The industry's response to falling client budgets has been to offer larger discounts. This began the so-called "race to the bottom". Media owners and agency personnel warned about the potential damage to the sector. Unfortunately, as with any race, it doesn't stop until the finish line is reached. The general consensus is that the "bottom has been reached". Any further reduction in advertising yield will jeopardise their ability to cover their costs. In a medium burdened by the huge fixed cost of printing, this creates a precarious scenario for each title's long term survival.

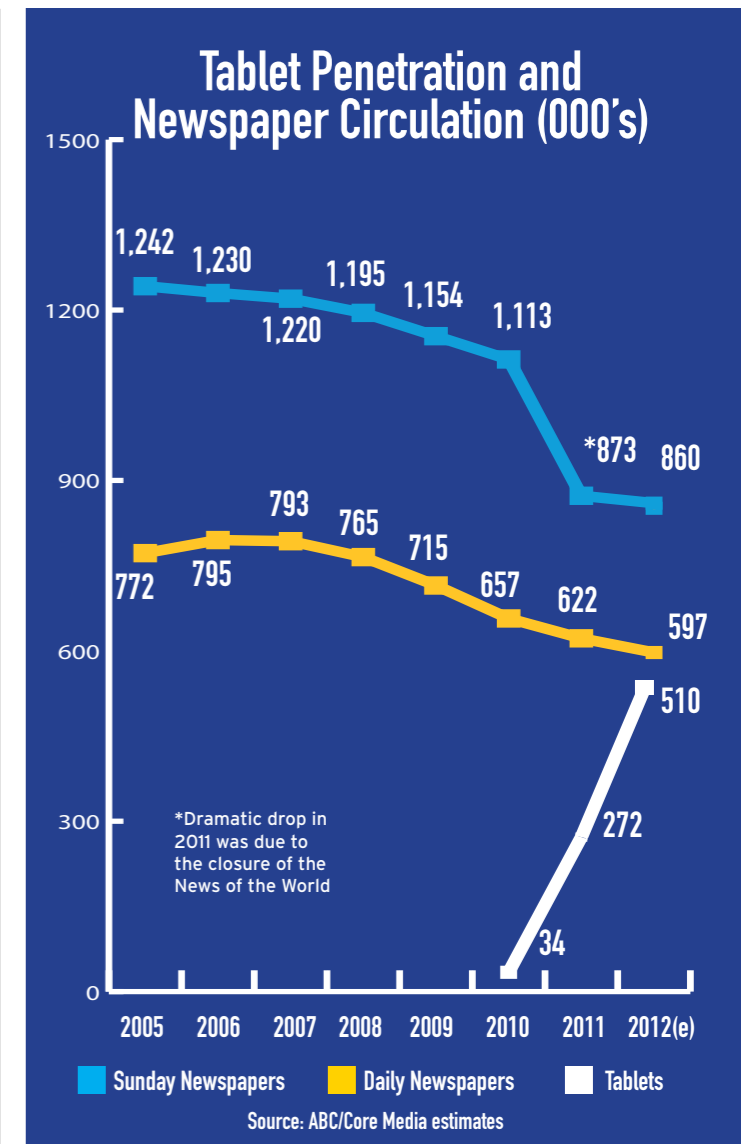
IMPLICATION

Many newspapers have cut staff as well as editorial content, and in a vicious cycle, those cuts often spur deeper circulation declines.

We do not see advertisers agreeing to increased rates anytime soon. In order to increase revenue, newspapers must focus on increasing the yield that each page can generate by incentivising advertisers to take larger sizes.

Many advertisers have maintained their commitment to press. The major retailers have seen the state of the market as a real opportunity. These are clients who do not invest continuously in a medium that is not delivering results. They have used full page or "page killer" sizes with consistent regularity.

The key to revenue protection is to demonstrate the accessibility of the medium to new advertisers and encourage existing clients to increase their impact through larger sizes and dynamic, non-traditional shapes.



Television



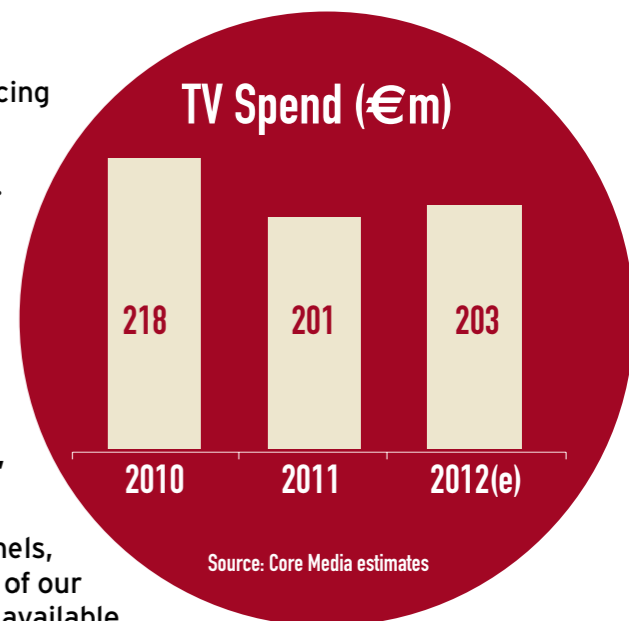
The fallout from the Competition Authority's enforcement decision regarding RTE's sales policy is the key issue facing the market this year.

From July, RTE must cease its practice of pricing airtime based on the share it receives of an advertiser's TV budget. We support this decision completely and the industry is engaging with RTE to establish new trading policies which are urgently required.

Separately, TV3 has engaged with Government on a range of options which it would like to see applied to RTE. These include preventing the bundling of channels (or other RTE media platforms) and the publishing of all pricing agreements. TV3 has also suggested a more radical reform of the TV market which would see RTE 1 funded by license fee only and RTE 2 solely by commercial revenue. While we agree with TV3's basic point, we believe the best way to fix the market is to share the licence fee and not to interfere with pricing and access, which should be driven by the market.

We want to trade with RTE in the way we trade with all other TV channels, which is based on the scale of our business combined with the spends of our clients. In addition, we believe that cross selling of media should be available to advertisers as long as they are offered an incentive to do so.

TV3 has made great strides in relation to home produced content over the last three years and a number of its programmes such as Tonight with Vincent Browne perform a valuable public service. It is also investing in major new studios this year, for which it should be commended. We firmly believe that TV3 deserves to receive a proportion of the license fee which is commensurate with its significant contribution to broadcasting in this country. The household media charge, which is likely to be established, could generate between €30m and €40m extra in 'license fee income' (from previous evaders) which would provide the wherewithal to address this problem and level that now infamous 'playing field', once and for all.



01 DIGITAL SWITCHOVER

On October 24th this year, the Republic of Ireland TV network will go 100% digital. Overnight, anybody who receives their television signal through a traditional aerial will have their transmission interrupted. Currently, this will affect 13% of homes. Viewers will be faced with purchasing one of a number of options to switch to digital TV. These include SKY, UPC or DTT in the form of Saorview. How people watch TV is fundamental to planning and buying TV. Habits are different depending on the number of channels you have or whether you have time-shifting ability. How this 13% of homes "migrate" will have a major bearing on the shape and structure of TV campaigns in 2012.



IMPLICATION

Currently, 87% of homes in Ireland are classified as "multi" - i.e. they have the ability to watch more than the four indigenous Irish TV channels (RTE1+2, TV3, TG4). As more homes becomes multi, the position of the Irish channels becomes weaker, as they will exist in an environment of many channels rather than just four. This will lead to greater fragmentation of the market and less commercial impacts for these channels. Saorview will protect them somewhat, but if SKY or UPC take-up becomes popular, then audience shares to RTE, TV3 and TG4 could suffer, making them less attractive to advertisers.

02 MEASUREMENT OF "NON-LINEAR" TV

With Digital Video Recorder (DVR) technology breaking through the 50% of homes barrier in 2012, the growing penetration of WebTV and Video on Demand players, will result in the way viewers watch TV changing dramatically in 2012. This will result in more people choosing to view programmes through non-traditional means or in a "non-linear" manner.

Watching a programme "live" will become less important and this will present real challenges to the industry in how we measure viewing. We are currently able to measure time shifted viewing on UPC and Sky platforms, but other ways of receiving TV content, via a laptop, a gaming device, mobile or internet ready "smart TVs" are less easy to quantify.

IMPLICATION

Television measurement needs to include a robust Video on Demand (VOD) industry standard and needs to record combined internet and TV viewing.

Analysis of this new research will be key; is the traditional "impact" different on TV than it is online? Can we design a system that measures incremental coverage? And how can we afford to keep a robust measurement system in the face of constantly changing technology. The answer is - we must.

03 VIDEO ON DEMAND

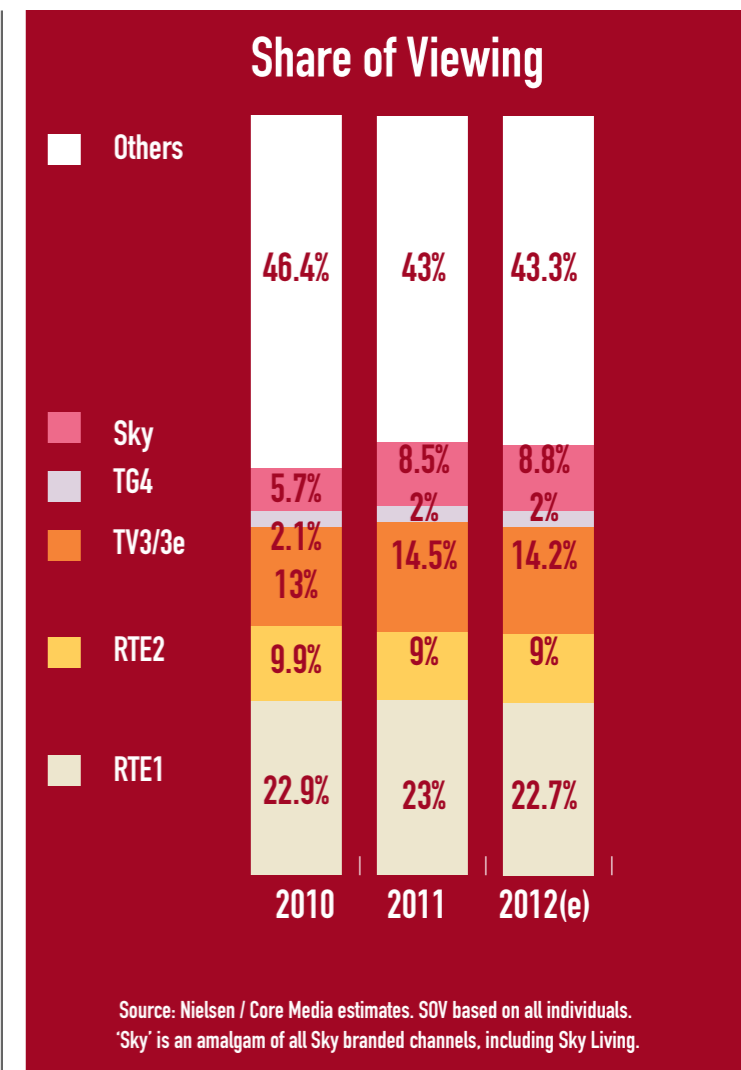
If 2011 was the year Video on Demand was born in Ireland, 2012 will be the year it matures. All the main broadcasters in Ireland now have some online catch up service available and with broadband penetration reaching 75%, viewing to these services will continue to erode traditional TV viewing.

We will see increases in the number of visits to these sites and the numbers of videos watched during 2012. In fact, viewing to VOD services will reach 10% of all viewing by the end of 2012.



IMPLICATION

Prices for VOD services in Ireland continue to increase, with demand far outstripping supply. However, we expect to see supply increase in 2012 and some kind of consistency enter the market as clients look for more robust return on investment measurement from this opportunity. We also expect to see research being undertaken on how VOD works together with traditional TV to grow unique impacts and additional coverage.



Online



2011 was a strong year for online overall; ad spend grew by 20%, but of most interest was the 35% increase in the use of display formats. 2012 will see these growth levels continue as more options and effective solutions come on stream. In fact, this year will see online spend passing the €150m mark taking its share of the media market to over 20%. The drivers of this growth are Video on Demand (VOD), mobile and greater targeting options in the display sector. Real-time buying has become a reality, with technologies that will allow campaigns to use performance data to automatically change delivery to maximise return.

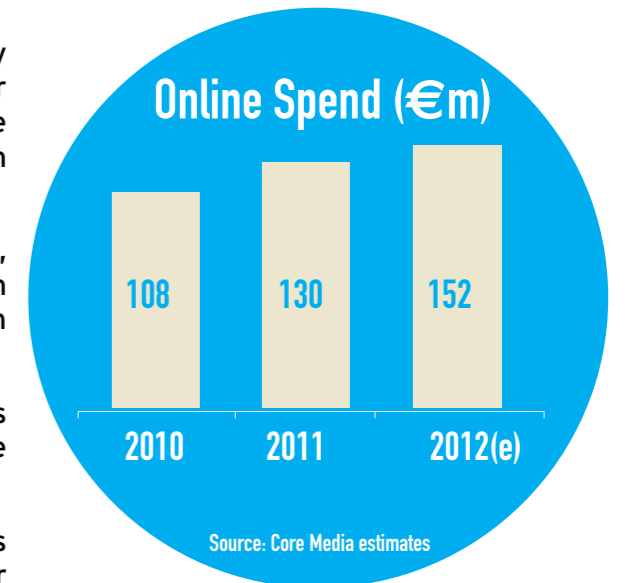
Social advertising will become more prevalent, potentially accounting for as much as 10% of the market and we expect Facebook, Twitter and LinkedIn to introduce new advertising opportunities this year. Search still remains the largest winner of revenue in a sector where Google dominates. In Ireland it has a phenomenal market share of 94%, which is the highest of any country in which it operates. However, that mantle may come under threat with the long awaited arrival of Bing to the market mid-year.

One potentially threatening trend is that the majority of spend in the market is going to non-indigenous media owners. This is the polar opposite of what happens in all other media and could put pressure on the development of a robust indigenous online media sector in this market.

2011 had been heralded as the 'year of the mobile', and in some respects it was. We are now addicted to our handsets like never before, but 2012 will begin to deliver on the earlier predictions, paving a way for a new set of consumer behaviours across media consumption and commerce. Media spend in this sector will more than double this year.

2012 will be an interesting year for the tablet market. Penetration is currently low at under 10%, but this will grow to 25% by the end of 2013. Amazon's Kindle Fire and Samsung's Galaxy Tab as well as improvements to the iPad, will continue to drive the market forward. The tablet is an exciting platform for media owners, which may help to save a number of challenged media brands in the years to come.

One fascinating development that will germinate in 2012 will be in a technology that has been with us for all our lives - the Television Set. Yes folks, the box in the corner is about to go into warp drive over the coming years. Smart TVs or Internet TVs are going to change the communications industry like nothing yet. Watch this space..



01 WHAT DOES ONLINE ADD?

It is amazing how many different ways consumers can now access content. We are in an 'always on' world where connected devices are enriching the communication opportunities available to brands.

Broadcast content often acts as a springboard to other activities such as a search, a website visit, a social comment, or a purchase. It is media meshing on an increasingly sophisticated scale. The key problem, however, is that these new digital platforms have advanced faster than our ability to measure the incremental benefit that they bring to offline media campaigns which still account for the vast majority of advertising spend and audience reach.

IMPLICATION

This issue requires major investment on a joint industry basis. The Institute of Advertising Practitioners in Ireland (IAPI) is there to serve its members but it has done little in the last few years to invest in expanding the knowledge base of the Industry. IAPI's equivalent in the UK (the IPA) took the initiative a few years ago in launching a major research study to understand the combined effect of multi-media campaigns. A similar study aimed at embracing the impact of digital media when combined with offline vehicles is urgently required in this country and we will be using our voice on the board of IAPI to bring the need for this project to the forefront of the industry's agenda for the coming year. Using outdated methodologies and gut-feeling for making investment decisions has no place in this highly fragmented media age.

02 CONVENIENCE COMMERCE

The proliferation of devices has dramatically altered consumer expectations and behaviours. Convenience is now becoming a crucial part of the purchase process as consumers want answers on the move.



Many deny that m-commerce will rise to the heights its advocates predict, but in 2012 we expect to see the launch of Square and Google Wallet which will certainly grow the market by empowering many retailers, large and small, to transact.

Additionally, early studies into tablet usage show that consumers accessing sites from an iPad were seven times more likely to transact than those using smartphones and spent more time on web pages and bought 50% more than PC and laptop users.

IMPLICATION

Brands need to be aware of the new retail environment; mobile payments are quicker and in many cases more convenient than other online channels and even in-store. It will be incumbent on retailers to provide models to engage with and intercept consumers as they are in the purchase funnel.

It could be possible for mobile devices to enhance rather than compete with the in-store retail environment. Some brands are arming sales associates with iPads and other mobile devices to provide better access to online and offline inventories.

03 ATTRIBUTION

'Attribution' is a key word for the year ahead; the understanding of how and from where consumers make their purchasing decisions is crucial to integrated marketing planning. Effective attribution is the measurement of the correct partial contribution made by each media touchpoint to drive the overall desired outcome.

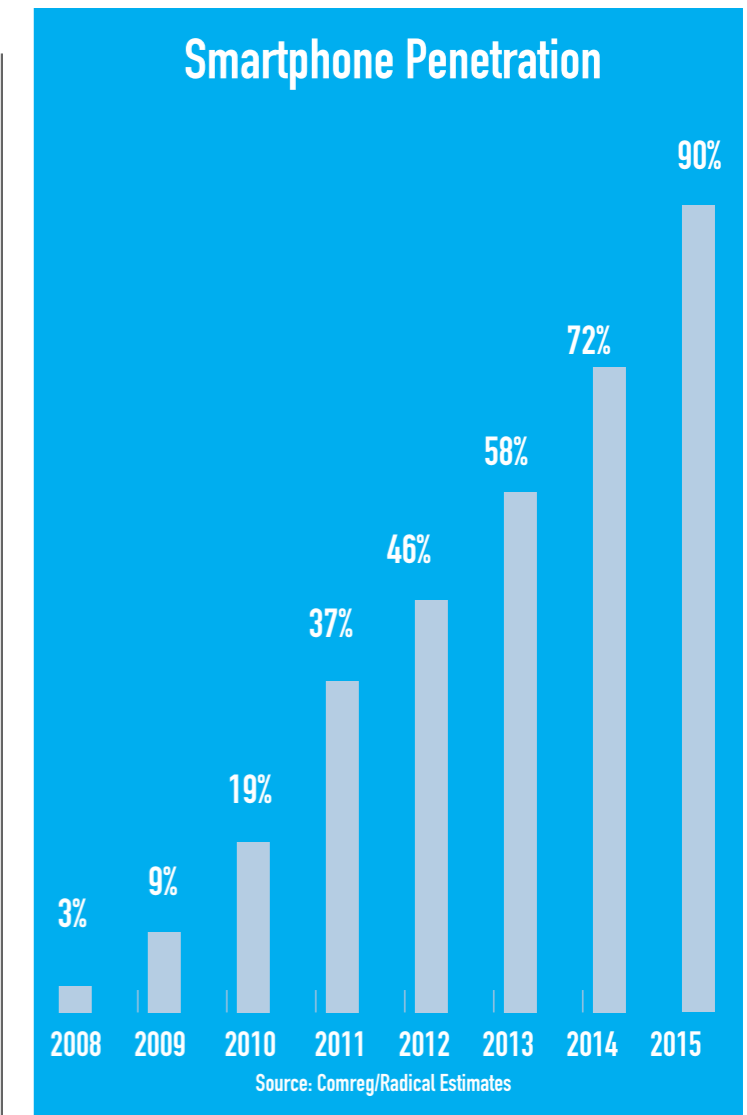
How often have we cut things out of marketing activity under the heading of 'that didn't work'? We need the right structures in place to make the very important decisions regarding what elements of the media mix are actually driving sales.

We are seeing proof points in some areas that are providing an understanding of the inter-relationship that media have. For example television is a great driver of search conversions and display is creating a similar effect. Also we have witnessed how online advertising is an effective contributor to call centre traffic and early studies in the effects of social media engagement are showing it is generating greater amounts of purchase consideration for brands that are active versus those that are not.

IMPLICATION

We need to stop looking at digital as a solus channel and start to recognise that its cause and effect reach far beyond online, just the same as we do for all other media.

Our industry needs to move beyond a 'last-click' approach to online media buying as this only serves to skew results and incorrectly determine media selection. We must take our understanding of the effectiveness of advertising beyond this narrow performance marketing technique and open up to a more holistic view of consumer journeys.



Radio



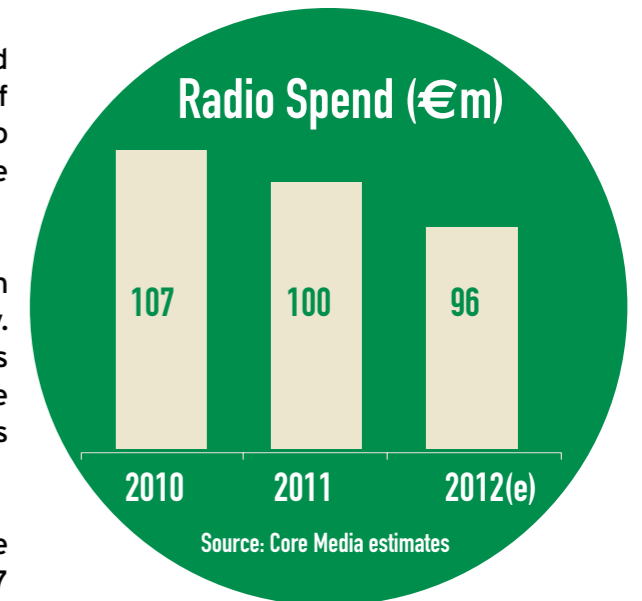
Although radio is an affordable medium (comparitively), its position has been impacted by increased pressure on budgets and newer media stealing share. The importance of radio as an advertising vehicle has waned in recent years as the industry has struggled to innovate and advertising agencies have continued to pay little attention to the creative potential of the medium.

Radio Listenership has remained consistent throughout the last decade and the Irish consumer has maintained a huge affinity to radio with 84% of adults listening everyday. Despite high audience levels, radio stations saw a 6.5% drop in advertising revenues in 2011 and it appears likely that there will be a further decline of 4% this year. The disparity between the consistent audience levels and the declining revenues remains the challenge for the radio sector.

Against this background, the Broadcasting Authority of Ireland needs to re-examine the viability of licensing so many radio stations in a market the size of Ireland; there are 37 commercial radio stations competing for the attention of listeners and advertisers.

Some of the flagship events this year - Euro 2012 and the London Olympics - are unlikely to help radio's cause; those interested will be more likely to keep up to date with these events via television and online.

2012 will see the survival of the fittest; opportunities will exist for those radio stations that can afford to invest in their medium, be it through innovative programming or utilising newer technologies. Some radio stations have been quicker off the mark and have recognised how the newer digital platforms can complement their existing output by allowing listeners to interact more and consume the medium in more dynamic forms.



01 FUTURE OF DIGITAL RADIO IN IRELAND

When first launched Digital Audio Broadcasting (DAB) was heralded as the saviour of radio, providing better sound quality, more station choices, more functionality and the ability to broadcast text and pictures. DAB has been available in Ireland since 2006, and RTÉ is the main station currently broadcasting on the platform. The service is available to circa 56% of the population in the greater Dublin, Cork and Limerick areas.

DAB has failed to capture the imagination of the Irish listening audience as there is no clear benefit to the consumer. For this reason, the radio sector in Ireland has not embraced DAB and has not invested in it. DAB has stagnated and RTÉ has stated that "it will not proceed with any further roll-out until regulatory structures and roll-out plans are in place for Ireland's commercial broadcasters".

IMPLICATION

Unless DAB can find its USP, such as the ability to pause, record or download content, it will be eclipsed by other radio platforms and newer media.

With no clear leadership from the Government, the future for DAB in Ireland is bleak. In an already overcrowded radio market, DAB has few real benefits to offer the Irish listener. Ireland already has a high quality FM platform and with the growth of smartphones, laptops, tablets and even wifi radios, the radio sector is likely to focus its attention on these areas in the future.

02 BEYOND THE RADIO SET

It has proven difficult for radio as a medium to innovate, but that doesn't mean that radio stations cannot be innovative.

Understanding and utilising digital media effectively is key to maintaining and attempting to grow audiences. Radio needs to continue to understand their listeners better as people are beginning to explore listening on newer formats, whether streamed on a device, podcasts or playback of a previous broadcast online.

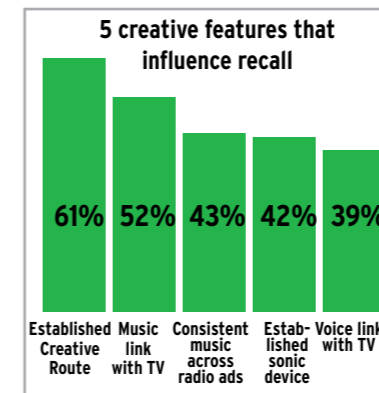
More stations are utilising their own websites, social media and radio apps to embrace newer media and to create a long term relationship with their listeners. It is not just about the audience reach; it also allows them to interact with the station and to contribute their own input. The 18-34 year old digital natives like to feel they are having an impact on the content they consume.

IMPLICATION

Progressing a digital and online presence will allow stations to maintain relevance and create further touchpoints. Radio stations now need to assess and measure the value new platforms can play in building audiences. There is little point increasing their audiences via these new platforms if they can't be measured. The JNLR needs to be overhauled; rather than producing four reports every year, the advertising industry would much rather one expanded report to measure new listening behaviour and patterns.

03 CREATIVITY REMAINS THE CHALLENGE

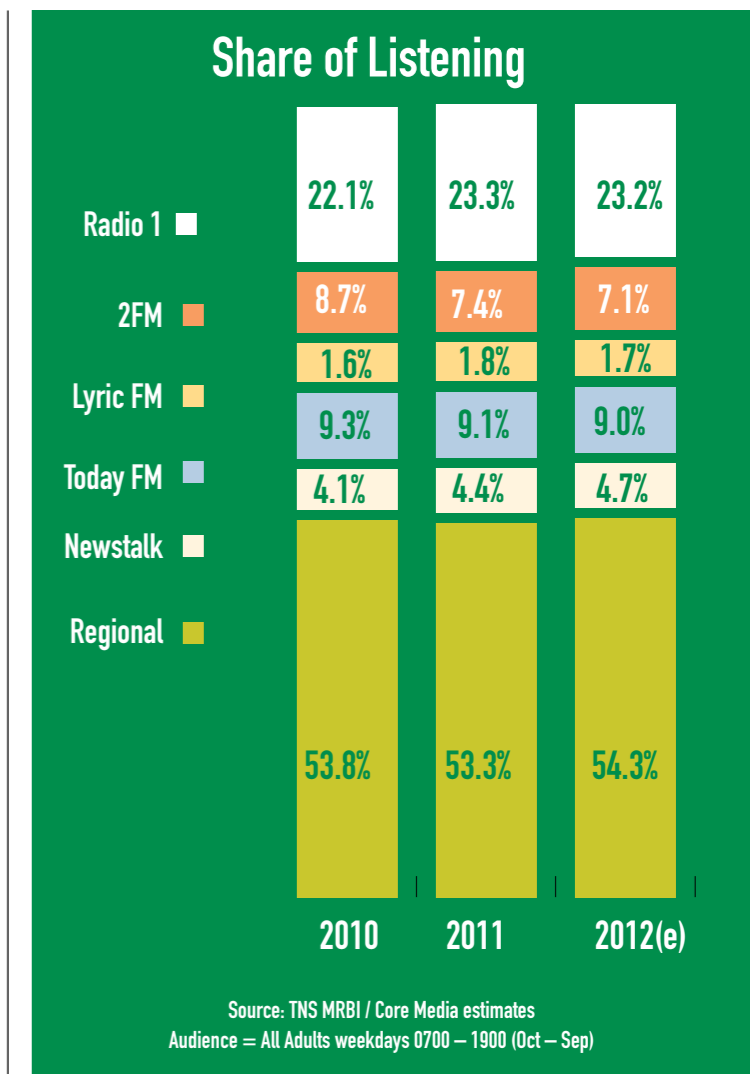
Radio has struggled to compete with other media due to a lack of investment in creative advertising. A new research study was launched in late 2011 called Radio Gauge. The aim of this new resource is to determine the effectiveness of radio as an advertising medium and to examine the impact of creativity in radio commercials. This is a very welcome initiative because it highlights and quantifies the elements that make radio advertising effective.



From a creative perspective, the research identified the 5 most common features that the most effective radio commercials do well 1) established creative route, 2) music link with TV, 3) music consistent across radio ads., 4) established sonic device and 5) voice link with TV.

IMPLICATION

Radio Gauge will give an understanding of how best to approach advertising on radio and will help to identify those commercials that are not fit for purpose. It's vital that brands using radio invest time and resources to ensure they are getting the best from this medium.



Out of home

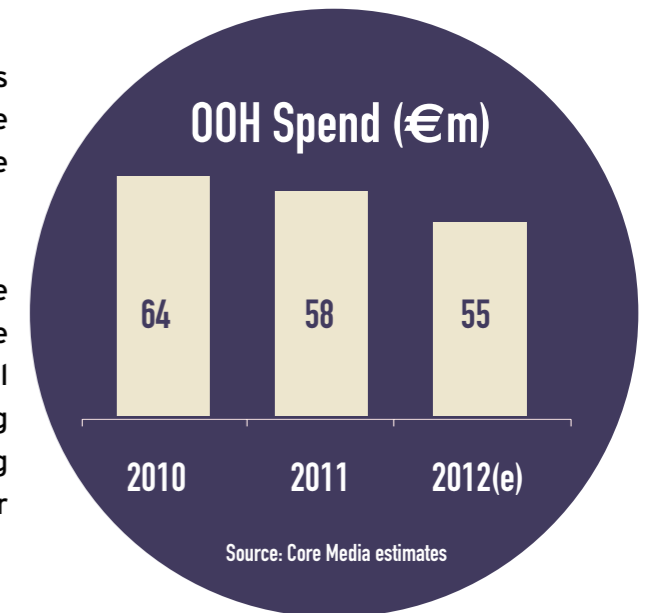


Whilst out-of-home has been acknowledged as a strong 'branding' platform, it has always been regarded as a third second medium which struggled to build audience engagement. It has also been at the bottom of the candidate list for direct response focused activity. These perceptions are changing.

Digital developments are allowing OOH to be used in more effective and innovative ways, allowing advertisers the opportunity to engage with consumers. With the number of digital screens in Ireland now at 930, we should incorporate the level of interactivity offered by these sites into our communications plans. Putting a Facebook or Twitter address on posters is not maximising the potential being offered; creative executions should now echo the brand's goals in terms of customer engagement.

Technological advances are enabling retailers to create 'virtual stores' in the outdoor space, allowing consumers to shop through interacting with poster sites. As consumer engagement increases, the physical appearance and user friendliness of out-of-home formats will grow in importance. For some consumers, such sites may mark the first step in the purchase funnel.

These developments will be instrumental in re-igniting interest in the medium and will contribute to a gradual return to growth in investment levels in the coming years.



01 MOBILE ENGAGEMENT

Out-of-home has the potential to become a more active and less passive medium. 47% of all adults who own a smartphone have used their device to interact with poster advertisements so far (source PML). As smartphone ownership continues to increase across all age groups, the opportunity to engage with audiences on the move will become a more realistic and scalable proposition to advertisers and the emergence of image recognition technologies, such as 'Blippar' or 'Aurasma', will facilitate easy response and improve the engagement.

IMPLICATION

Consumers will become increasingly comfortable using their mobile devices (phones and tablets) leading to increased use of out-of-home advertising as part of social media strategies, enabling consumers and brands to communicate with each other in targeted relevant locations.



In particular, quick messaging platforms such as Twitter will be increasingly incorporated into campaigns, for location based marketing activities.

02 PARTNERSHIPS WITH CITY COUNCILS

Outdoor advertising is on the agenda for city planners following the success of the Dublin Bike Scheme (between DCC and JCDecaux). This is generally viewed as a positive collaboration between a city council and a commercial organisation to the ultimate benefit of the public.



The Dublin City Development Plan launched in 2011 by the DCC is being welcomed as it allows for high quality 6 sheet and 8 square meter panels (Metropoles) to be developed under more strict controls. This development, however, will see the gradual phasing out of the larger 48 sheet and 96 sheet boards, which the Council regards as "unsightly and outdated".

IMPLICATION

Although other local authorities, including Galway and Cork, are prepared to follow the example of DCC in allowing the development of high quality outdoor sites in lieu of media owners providing "street furniture", these mutually beneficial collaborations will continue to be delayed until growth returns to the sector. Therefore, there may be a delay of up to five years in developing a reasonable number of Metropoles and Metropanels in cities outside Dublin.

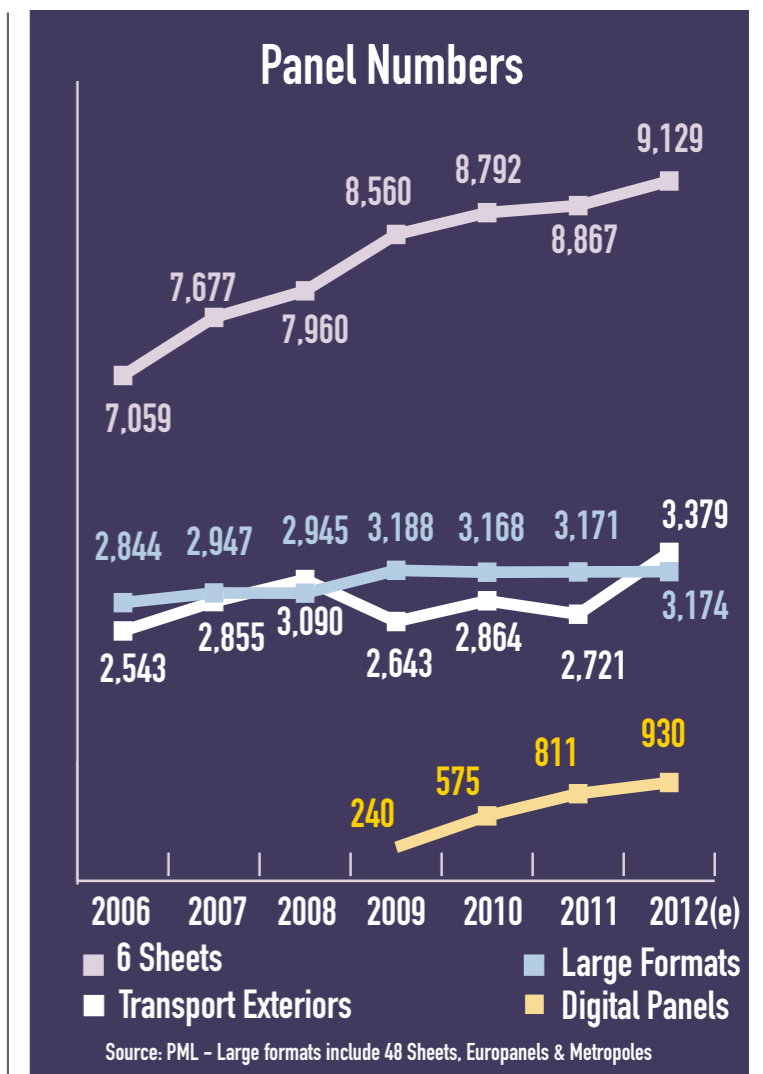
03 REGULATION

Alcohol and food advertising are two sectors who use proportionately more OOH than the market norm; with up to 39% of budgets being spent in the medium. Increased regulation in both sectors leaves the OOH industry in a vulnerable position. The recent "misuse of alcohol and other drugs report" stopped short of calling for an outright ban, however there is still an expectation of a total ban for alcohol at some stage beyond 2012.

Foods which are high in fat, salt or sugar will also face a similar threat. Although an outright ban is unlikely, tighter restrictions are on the cards. Already a number of food advertisers are adopting elements of self-regulation including adhering to 'School Zones' whereby certain food advertisers stipulate that their campaigns will not appear within a specified radius of schools.

IMPLICATION

In the meantime, the industry will do what it can to persuade the Government not to take drastic action by increasing the level of self-regulation undertaken by outdoor media owners, specifically in relation to certain foods and drinks, including alcohol.

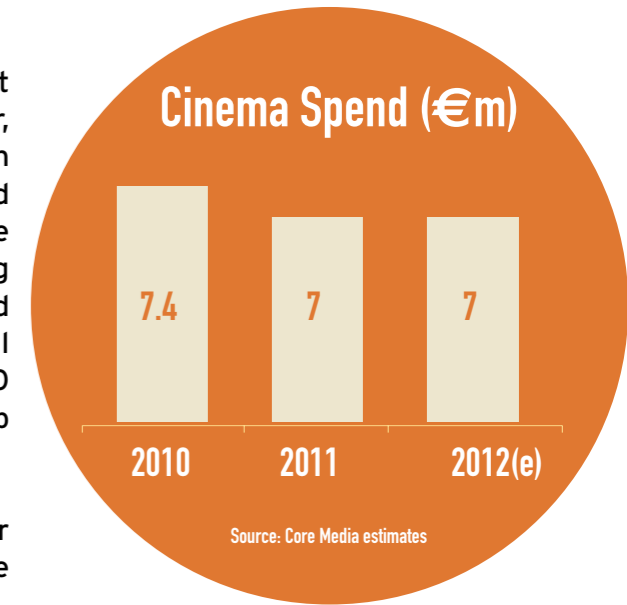


Cinema



2011 was billed as the year of the comic book hero, but movies featuring lesser known characters such as Thor, Captain America and the Green Lantern failed to make an impact at the box office and on admissions. The much hyped Tintin also delivered disappointing figures at the box office. This meant that despite the strong performance from Bridesmaids (€4.3m) and the ever reliable Harry Potter (€4.2m) overall admissions were down 4% in 2011 vs. 2010 making it the fourth year in a row to see a drop off in admissions.

This ran contrary to all hopes and projections for cinema which had been expected to weather the recession better than most.



In 2012 Hollywood is betting on more established A-list heroes, characters and franchises. A new Spiderman will make its debut, Christian Bale reprises his role as Batman in the Dark Night Rises and Will Smith is back in black with Men in Black 3. Peter Jackson returns with the Lord of the Rings prequel The Hobbit, Daniel Craig is James Bond again in Skyfall and even American Pie is back having saved the best piece for last!

Alongside a better schedule of releases there will also be a 10% increase in screens in 2012. Six separate developments including a UCI in Dublin's Point Village and a redevelopment of the multiplex in Tallaght will deliver a better quality, all digital experience, to cinema goers. Despite the prospects for the economy we predict this will deliver an increase of 4% in admissions, finally returning the market to growth.

01 THE DIGITAL TIPPING POINT

The switchover to digital has been talked about in cinema for a number of years but 2012 should be the first time that advertisers will finally see a direct benefit. Digital will account for 50% of all screens but an impressive 70% of all admissions in 2012. Carlton Screen is set to offer advertisers a digital only package from Quarter 1. To date, campaigns have included some digital amongst traditional film so cost savings have been limited and timelines have been the same. Digital only campaigns will mean a dramatic decrease in production costs and lead times for advertisers.

IMPLICATION

Cinema will become more flexible and affordable for more advertisers. Digital technology will also allow advertisers to better target cinema goers. For many years the cinema industry has been evolving with more releases targeted at a greater number of individual audiences. In 2006 there were 260 film releases, but in 2011 there were 368 so fragmentation has made its way to the silver screen also. Films now stay in theatres for shorter periods with a maximum exhibition time of four weeks compared to the old standard of six. Digital transfers will allow cinema campaigns to fit better into the timing of other media. TV usually runs for four weeks and outdoor for two, cinema has traditionally run for several weeks. It can now be run for shorter periods.

02 THE NEVERENDING STORY

The dip in the economy has sharpened the interest in developing off-screen income for cinema owners. Posters and TV screens now feature prominently in most multiplex foyers and new technology is set to provide further opportunities. Digital projectors can project television as well as movies and the viability and profitability of broadcasting sporting events is being tested in Ireland and the UK.

O2's pioneering efforts last summer when they broadcast Ireland's Rugby World Cup match to an enthralled audience at the O2 shows there is an appetite for live sport. With the Olympics and European Championships on the way there can be no better time for the industry to dip its toe firmly in this new water.

IMPLICATION

Brands today understand that exposure is only one element of success. Delivering a truly meaningful experience for consumers is the ultimate goal. The ability to bring people together for a communal experience has traditionally involved significant expense. Digital technology means that this can now be done very cost effectively with the necessary infrastructure in place. This may provide new revenue streams for the cinema industry while also creating new opportunities for brands to provide more meaningful experiences to their audiences.

03 3D

Undoubtedly the resurgence in 3D has made an impression on the market, but now that the hype has faded its impact can be judged objectively.

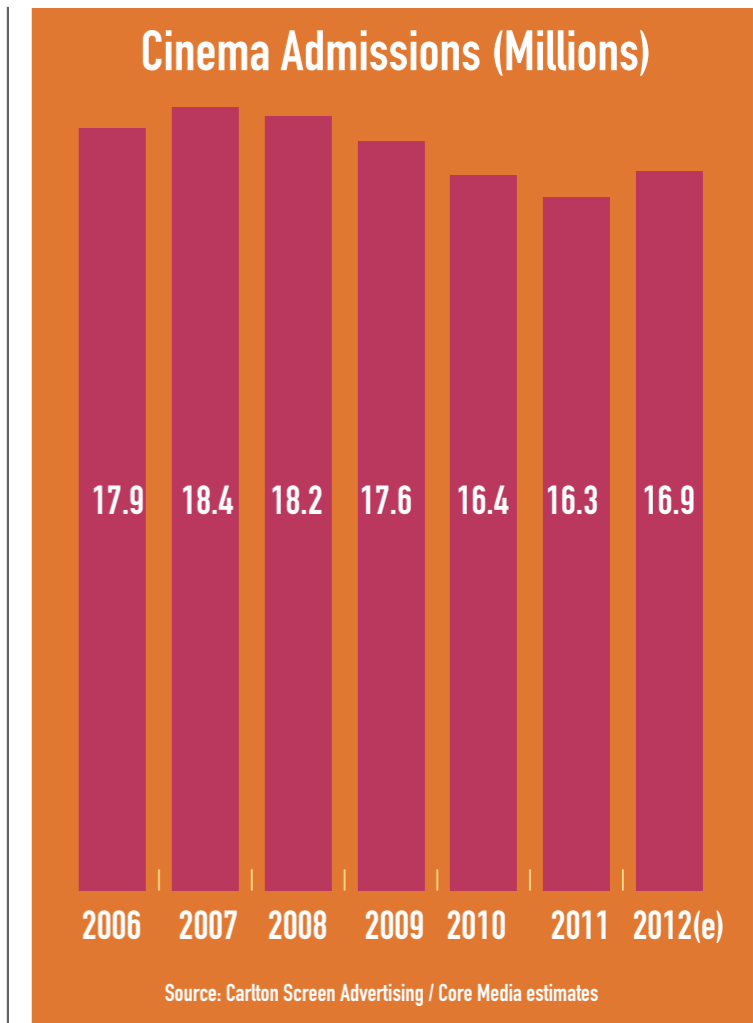


From a commercial perspective it has benefited cinema, by contributing an increase to its revenue. This has come through a modest increase in ticket sales and through selling 3D glasses. This welcome bump in revenue has not followed through to advertising with no increase due to the arrival of 3D.

In addition, 3D only works for certain genres of films; action adventure, kids and family. While the likes of Transformers or the latest Harry Potter work well, 3D does not translate to romcoms or drama. We are unlikely to see the King's Speech re-released in 3D any time soon.

IMPLICATION

3D has not been the panacea that was predicted by some. It has, however, given the industry a welcome shot in the arm. Advertising has yet to really catch up and we are not seeing advertisers producing 3D versions of commercials. It will take an increase in admissions, for which 3D will be partly responsible to move commercial revenue.



Direct Marketing



Despite the general malaise surrounding traditional above-the-line media channels, direct marketing is going through a form of renaissance and faces a positive year in 2012. There has been marked growth in the level of activity over the last 12 months, with an increase of 6% in the number of envelopes received per household containing marketing content. This growth is set to continue in 2012.

The reason for the uplift is due to a renewed focus on return on investment in more boardrooms around Ireland. Direct marketing has been proven to work, when it is done correctly. It is a cost effective way of acquiring customers and driving profitability through repeat sales.

Despite this, the channel is relatively under-used in Ireland with only 1 piece of addressed direct marketing per capita per week versus 4 in the UK and a massive 13 in the USA. This lack of clutter presents additional advantages to marketers who wish to initiate and develop a meaningful dialogue with new customers.



01 POOR DATA

The key issue facing the direct marketing industry is the accuracy of data. The effectiveness of any piece of direct communication is contingent upon understanding everything there is to know about the intended recipient. Poor data leads to wastage from the client's perspective and frustration from the consumer. The quality of data has hamstrung the direct marketing industry in the past, forcing the practice of mass market blanket mailings which achieve little in terms of consumer engagement.

IMPLICATION

Improvements in technology and research will result in increased attention being paid to the data. Intelligent segmentation of databases will lead to increased consumer understanding which, in turn, will result in greater personalisation of the product message. The blanket mail drop will be a thing of the past with clients focussing on smaller, more personal mailings resulting in greater effectiveness.

Research shows that personalised, relevant and accurately timed mailings can double response rates, which provides a clear business case for adopting this strategy. This should bring an end to tee-total vegetarians receiving a half price steak and wine offer, or the dog owner receiving a voucher for cat food!

02 DIGITAL DIRECT MARKETING

The advent of e-mail marketing has brought an opportunity for brands to connect with customers directly through their digital device.

In a digital age where 18-24 year olds are spending eight hours more per week online than watching TV and where scanning a QR code is more preferable to picking up a phone, the future for DM may appear to be in a digital media world. However, this is an over-simplified view; direct marketers do need to embrace new technologies, but not to the exclusion of the tried and tested mail option.

IMPLICATION

Return on investment is driven by trust and clarity. Trust of direct mail is significantly higher than an unsolicited e-mail communication and having this blend of traditional and new channels will maximise the return. Recent research demonstrates the importance of mail with 32% of adults saying that it was influential in driving loyalty (versus 9% online) and 52% claiming that it drove likability of the brand. It has also been proven at engaging the elusive 18-25 year olds with 62% saying they are far more likely to use a voucher sent through the post, than via email.

Equally, brands need to embrace new response mechanisms but need to beware of offering too much choice. Consumers need clear calls to action and investing in QR, Blippar, short text, long text, e-mail, follow us, like us, etc. can lead to the core message being lost. As with most things in life, less is very often more.

03 INTEGRATION

Huge focus is placed on integrated marketing across all above the line communications channels. However, too little attention is paid to activating the core advertising idea below-the-line.

In our view, this tends to be an afterthought with very little attention paid to the end consumer experience.

As a result Joe Public may see a wonderful new television commercial for brand x but receive a very different brand experience through the post. Innovation and creativity have been sacrificed for expediency and cost.

IMPLICATION

Brands need to embrace creativity and innovation in their DM communications. A well designed, creative piece of direct mail has impact and has a greater potential for response.

For example, the DMA Award winning First Direct campaign which used Fuzzy Felts as a mechanic of engaging with the audience resulted in more than double the response rate of the more standard control pack and a 57% conversion rate showing that engagement and creativity does drive response. Integration with the wider ATL communications will raise all boats and result in a consistent consumer experience.

% of all adults who agree that the media channel drives

