

FORECASTS

Introduction

2011 will see increased investment in digital channels at the expense of traditional media with the overall advertising market declining by 3%

Introduction

I don't think anyone will disagree that 2010 will be remembered as an "annus horribilis". The extraordinary events that battered national morale have had wide ranging consequences, leaving people with worries about their jobs, negative equity, a reduced quality of life and reduced prospects for the next generation. Our national self confidence has taken a significant hit and it will take time for it to be re-built.

The changed social climate has sparked or added momentum to new consumer behaviours. There is a sense of getting 'back to what really matters', with many people engaging in more fulfilling activities that cost little or nothing. This has its own implications for certain types of media consumption. Community interest and participation are on the rise again as consumers re-evaluate what matters locally and react to a lack of action at governmental level. In tandem with this, the home, as a key hub for entertainment will grow, again having implications for 'out-of-home' channels such as cinemas, pubs and major sports and music events.

There is also a continued trend to ruthlessly demand value. Consumers will continue to critically look at all brands in terms of the value they offer. They are now fully empowered to seek value, they expect a bargain and they feel they are entitled to get one. They will increasingly shop in discounter stores or search for a true bargain through an alternative provider online.

As well as seeking value, consumers will also seek brands that they feel are honest, authentic, transparent and consistent. The Web has enabled consumers to engage, complain, or spread word of mouth, either negative or positive, to their peers or the world at large. 'Sustainable', 'natural' and 'homemade' will be watchwords of increased importance as social awareness rises as an antidote to the excesses of the Celtic Tiger.

The Advertising Market

The impact of these changes on the advertising and media market will be significant. In an era of lower consumer

demand and over-supply on all fronts, the marketing emphasis will switch even more towards retention through customer loyalty and CRM initiatives.

Advertisers will be more committed to ensuring that every euro of their marketing spend is working as hard as it can. More of them are acknowledging the amount of time consumers spend online with increased investment in digital channels at the expense of traditional media. Advertisers will continue to recognise that digital provides them with more powerful data about their customers - their behaviour, their composition, their interests, their buying patterns and the services they are most interested in. There will be an increased focus on using this digital data to understand customers better to ensure that the right message is targeted to the right person at a time where they are most likely to be receptive to it.

Advertisers now accept that customers expect more from them and their brands and there will be increased focus on channels that allow them to have a more consistent dialogue with their customers such as social media, 'owned' websites, mobile apps and digital content strategies.

Online revenues will remain healthy but will increasingly move towards direct-response led activity, social media and mobile, while search advertising will continue to remain robust.

The potential for a greater decline than 3% in the advertising market will depend on a number of factors. These include the mood of consumers on the back of rising unemployment levels, lower incomes and a belief by big spending multinational brands in Ireland's ability to address its economic challenges.

A continued challenge for agencies will be to guide advertisers through the maze of often confusing options and technologies, with impartial and informed advice, supported with expert tools and systems that shed light on the effect of their investment decisions. The value of insight and ideas which truly help to set brands apart needs to be constantly highlighted too, as not everything can be measured via a 'black box' audit. A shared challenge for media owners and agencies alike is to reinforce the power and potency of traditional advertising channels - most media audiences are as robust as ever and the proven efficacy of many traditional media hasn't evaporated just because digital options have arrived.

There has rarely been a better time for brands to harness the power of 'old' and 'new' media together - media costs are falling and so too are levels of category spend. This will enable advertisers who take more than a short term view, to steal a march on the competition, retain customers and gain share which may prove very difficult to buy back when there is some recovery.

Let's enter the new decade with a mood of optimism and ambition that the most successful brands and companies for generations have, as part of their DNA.

Display Advertising Spend Estimate 2011

	TV	Press	Radio	Outdoor	Internet	Cinema	Total
Year on year	-1%	-8%	-6%	-5%	+11%	0%	-3%
millions	€232	€257	€111	€61	€120	€13	€795

This will almost certainly mean reduced budgets for above the line advertising in 2011. Carat is forecasting a 3% decline in the mainstream media market from around €820 million in 2010 to €795m in 2011. However, within the advertising market we expect that there will be different performance levels by medium. TV audiences will remain buoyant as it continues to provide "emotional central heating" for the masses. Consequently the medium will continue to offer great value with the advent of a number of new channels for Irish advertisers. We expect television spending will be flat but other traditional media options such as print, out of home and radio will show greater declines.

Additional television channels and more integrated solutions will offer further choice and value for Irish advertisers

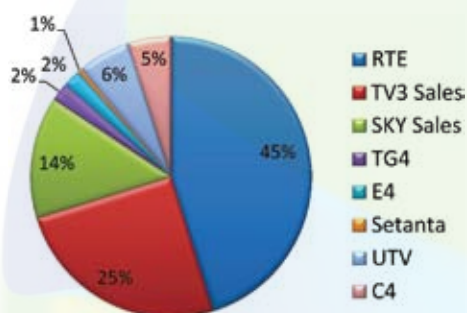
Introduction

Television advertising revenue made a recovery in 2010 increasing by 2% YOY. It was an exciting year for television with an increased number of UK channels available to Irish advertisers, the development of Nielsen's time shifted viewing (TSV) measurement system and the launch of 3D services to some households.



Audience

Looking at share of viewing for the year, the television market is now dominated by 3 main trading groups commanding over 90% of all viewing.



Commercial ratings were up 2% in 2010, but this very much varied by station. Both RTE and TV3 experienced ratings growth YOY, but the satellite stations suffered declines resulting in delivery issues. TV3's ratings growth was helped by the decision by the Broadcasting Authority of Ireland (BAI) to increase the amount of advertising minutage permissible on the three Irish commercial TV stations, TV3, Setanta and City Channel from 10 minutes an hour to 12. Sky had a difficult trading year with key audiences such as multichannel adults under 34 down 17% and housekeepers with the kids down 38% despite the addition of Discovery, E! Entertainment and Comedy Central to their portfolio. Since September 2010, time shifted viewing (TSV) through PVRs (personal video recorders like Sky+) can now be measured through the Nielsen measurement system.

TV campaigns can be measured against 3 different currencies: Live, which is how all TV has historically being measured, VOSDAL (Viewed on the same day as live) which captures people who record a show but watch it later on that same day and finally consolidated, which is viewing of a programme for up to 1 week after transmission. On average, time shifted viewing only accounts for 2% of total television viewing. However, key

appointment to view programmes like the X Factor, The Apprentice, and key US Drama have much higher levels of TSV.

The fear that as PVR technology continued to gain traction, people would no long watch the ad breaks has not been borne out. Despite the option to fast forward it seems from the data that viewers are not doing this in large numbers.

Costs

RTÉ will continue to trade off a fixed price for 2011. Inflation / deflation will vary by month and by audience. RTÉ have factored in any additional value they believe will be available for Q1 into their pricing, so we are seeing large declines in prices over this period. Inflation will become more visible for the second half of the year. RTÉ released their prices for 2011 last December and adult costs across the year on RTÉ are up 1%, Adults 15-34 up 5%, Adults 25-44 up 3% and Housekeepers with children up 1%. If revenue does not meet their forecasts, they will over deliver campaigns and provide "free" ratings which could reduce these forecasted prices. Elsewhere, other stations will be trying to close the price gap with RTÉ but this will prove very difficult.

Key Developments

RTÉ launched two new channel blocks, RTÉjr and TRTÉ, on Television, on Digital Radio and Online for Ireland's young audiences. The new channel blocks are broadcast on RTÉ Two Television during weekdays and on weekend mornings and replace the Den. RTE jr is aimed at 6 year olds and younger while TRTE targets 7-15 year olds.



RTÉ has secured the rights for comprehensive GAA Championship coverage for the next three seasons and will retain exclusive coverage of the All Ireland Semi-Finals and Finals. TV3 has been awarded "Pack 2", the second of five Championship Packages. All-Ireland series quarter-finals will form part of this package as well as provincial finals, top level qualifiers and provincial fixtures.

The EU has mandated the end of 2012 as the final date for Analogue Switch Off (ASO), by which time Ireland needs to launch a replacement digital transmission system ensuring that all Irish audiences continue to receive free-to-air television.



SAORVIEW is the new Irish DTT (digital terrestrial television) service and RTÉ will officially launch SAORVIEW in spring this year. From that date, RTÉ One, RTÉ Two, TV3, TG4 and RTÉ News will be broadcast with higher picture and sound quality.

Living has moved into the Sky stable from Jan 1st 2011 and has been rebranded as Sky Living. Sky Atlantic will launch in February and will be home to all the new HBO series. Both channels will be part of the basic subscription package and be available to Irish advertisers. Universal (formally Hallmark) is now available to Irish advertisers and will be sold through the TV3 sales group. More4 will also opt-out at the end of Q1 and will be sold along with E4 and Channel 4. Video on Demand (VOD) services such as the RTÉ Player and TV3 Catch Up continue to be very successful with increased numbers of unique visitors each month and both RTÉ and TV3 continue to develop iPhone applications.



Opportunities and Challenges

People will continue to consume video content but more of it will be consumed through PC's and increasingly, through smart phones. Additionally, the traditional television set is changing with the development of "smart TVs" with quality internet access. The internet will transform the way people use the basic television set product, but as yet nobody has hit on the right combination of hardware, software, and services. There will be a continued effort by broadcasters to deliver more integrated solutions to advertisers and move beyond spot advertising and more to partnerships that offer content, sponsorship, production faculties, cross platform messaging, product placement and web integration. The terrestrial channels RTÉ and TV3 have the greatest flexibility and opportunity in this area.



A big challenge for newspapers is how to persuade younger adults, especially in the habit forming 25-35 age group, to buy and read newspapers on regular basis.

Advertising Spend

The casual reader of any of the main national titles could be forgiven for believing that press advertising is in rude health, judging by the volume of retail display ads and loose inserts within many of them. The Nielsen Media Research figures suggest that newspaper volumes (measured in rate card terms) rose in 2010 by 7%. But ad revenue is another matter and the NNI figures for the first half of 2010 indicated an overall drop of 10% in spend and the performance for the second half was not much better. With the seeming inexorable move in favour of online advertising for direct-response/call-to-action categories and television retaining its appeal for FMCG brand advertisers, the immediate picture is not pretty for Irish newspapers. Revenue in 2011 is likely to remain challenging and we estimate that a further decrease of around 8% is likely for the sector overall, with magazines and regional titles falling by a higher level.

Audiences

Circulation dropped too in the early half of 2010 by between 5 and 7% but the temptation to compensate for falling ad revenue yields with higher cover prices has been too difficult to resist for some of the larger publishers here. There is still a lag between newspaper sales and readership as the JNRS data recorded only a modest 1.4% fall in total adult readership levels for all national newspapers last year.

A big challenge for newspapers is how to persuade younger adults, especially in the habit forming 25-35 age group, to stay buying and reading newspapers on regular basis. In the next year, we project that daily readership in this key age segment is likely to be at 50% for any daily and almost 60% for any Sunday paper – still remarkable figures but a decline from 57% and 72% respectively in 2007.

Advertising Costs

Last year saw a continued squeeze on rates as most traditional categories cut back or moved monies online. National cost per thousands that could have risen as a result of falling audiences were reduced once again by around 7% as result of softening demand. While sales revenues and ad rates are proving difficult to maintain, a core cost of newspapers is apparently coming down. Newsprint costs, often the largest after salaries, have fallen as newspapers the world over are using less of it on smaller, thinner editions.

Key Developments

To their credit, most of the major publishers have continued to invest in marketing their titles strongly, through brand-based advertising in the case of the Irish Star, the newly-compact Sunday Tribune and the Irish Times. The News International titles have also heavily marketed their Sunday Times, the News of the World and The Irish Sun brands. Others have engaged in reader promotions like the Irish Independent with its Disney Books collection and the Irish Mail/Mail on Sunday with DVD/CD giveaways.

Owners and editors are trying to play to their distinctive strengths and invest what limited money they have in those areas. The Evening Herald is a case in point and its partnership with The Dubliner magazine last year, which it now provides as a free magazine on Thursdays, plays to its historic strengths in the Dublin entertainment market.

Finding ways to monetise their online and print audiences will continue to tax the brains of Irish publishers. The Irish Times is one of the first to begin offering a more cohesive sell between its print and online editions and has begun providing cross-platform options such as micro-sites on irishtimes.com alongside advertorial reports in recent months.



Opportunities & Challenges

The closure of regional titles in 2010 and the recent decision by management to close the Star Sunday is reflective of the tough trading environment that publishers find themselves in. The received view is that the printed news model with its high fixed costs is terminal and the recessionary period that Ireland is locked in will finish off some titles for good. It should however, be remembered that newspapers are still one of the biggest retail product categories, with over 650,000 sold here every weekday and another 1 million plus units on a Sunday.



Content matters more than ever, especially in an advertising context, as it is the thing that consumers still desire most. But all publishers are grappling with the challenge of how to maintain value and sufficient revenue streams from their content that will fund future creation.

Finding ways to harness and monetise access to content via mobile apps and devices such as the Apple iPad is something that we'll see more Irish publishers explore in the year ahead. Many in the publishing industry will be closely examining Richard Branson's new iPad-only magazine, The Project, and Rupert Murdoch's upcoming iPad-only newspaper, The Daily, in determining whether the iPad and other tablet computers are sustainable platforms for selling daily and monthly digital publications.

Whatever the digital platform the key to success for most publications will be a dual revenue stream. Just as they do offline, newspapers will have to bring in both paying readers and advertising. Paywalls are being tested in the UK and US currently. So far the few that have persuaded readers to pay for news online tend to have a reputation for distinctive or specialist content, such as the Financial Times.

A recent report by respected newspaper consultant, Jim Chisholm, suggested that digital advertising will contribute 20% of newspapers' overall revenues for the foreseeable future. 80% will still come from print for a long time to come and newspapers will continue to concentrate on the core of their business. Chisholm encouraged publishers to concentrate on building up their sales efforts. His suggestion of a 'customer recovery program' which targets lost advertisers in print and digital is perhaps something that Irish publishers would do well to emulate in 2011.



Stations need to highlight the participatory power of their various platforms and the innovative ways in which they can connect brands to their listeners.

Advertising Spend

Despite the apparent health of audience numbers, Radio had a tough time in 2010. Revenues were down by an estimated 9%. We expect some stability in radio demand for 2011, but ad revenues could still decline by another 6%.

Audiences

As the nation became absorbed by the twists and turns of our economic and political status, there was a natural momentum in favour of 'news-speech' driven stations over the last two years. The most recent JNLR signaled a move back towards music-led stations and some audience losses for the 'news' stations. We expect this trend to continue from the second quarter of this year following the General Election in the spring.

The news and national market leader, RTÉ Radio 1, posted a 5% fall in its daily national audience in 2010, but this is likely to be reversed in the first half of 2011 on the back of the Election. Newstalk, which has already signaled its intention to compete for the election-hungry audience, should do well with its less reverential approach.

Today FM needs to rediscover its mojo following a disappointing year where national listenership fell by 11%, even though its Dublin numbers rose by 9%. It is unlikely that the current schedule will be significantly changed, but there have been strong indications from the JNLR that its Breakfast Show and The Last Word need to be re-energised.

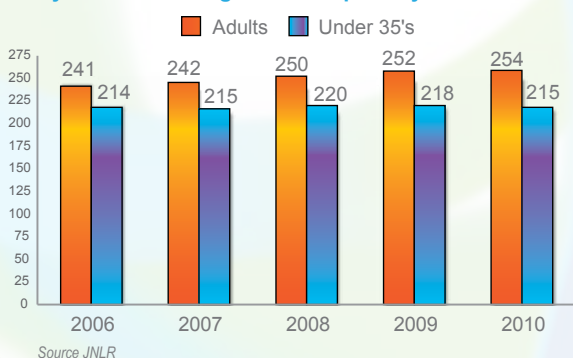
2FM is a station in transition and in the last year it continued to leak listeners to the younger wave of local music stations. It is trying to recapture some of the lustre it lost in chasing the promiscuous youth vote over the last decade. The loss of Gerry Ryan, was a serious blow to 2FM's refocus on a slightly older demographic of 30-44's. The station will be hoping that the presenter changes at breakfast and across the morning will help to restore former glories.

It has taken the recent multi-city license holder, 4FM, longer than its station management and investors would have liked to gain a foothold. It now has a daily audience of almost 60,000 nationally with almost half of those in Dublin. The station has sought to convey a clearer music definition and has taken some share from both Today FM and 2FM, but pressure on funding in a depressed advertising market will make the next year a real challenge.



The launch of Nova 100 has further ratcheted up the level of competitiveness within the Dublin market. There are now at least twelve national and local stations competing for advertising spend and a further range of legal and illegal 'special-interest' operators endeavouring to carve out audience share. The youth-focused Spin 103.8 has marginally more listeners overall than its older sibling, 98FM. Country Mix has also rebranded using the legendary Sunshine Radio name. Of the main music-led stations, FM104 has regained its market leadership over 98FM, although both lost listeners in the last year. The Dublin market shows great similarities with London where station shares have become more splintered and there are decimal point differences determining leadership.

Daily Radio listening / Minutes per day – Irish Adults



Q102 is one of the stations which could vie for overall music leadership. It recently registered its highest daily reach and market share figures, and has established a strong franchise amongst 35-44's in the capital where it now leads Radio 1 in terms of all-day market share.

Advertising Costs

In line with falling demand but buoyant audiences, radio costs per thousand listeners came down in 2010 by an average of 5%. Increased inventory on TV from new satellite 'opt-out' channels as well as on TV3 and 3E, is likely to bring its own pressure on rates, especially if traditional supporters in the telecoms, retail and household goods categories seek to maintain TV exposure levels on decreased budgets.

Key Developments

After the schedule upheavals and the mass game of musical chairs by presenters across the main national and Dublin stations last summer, one can expect fewer developments on the 'content' side of the radio business this year. Following a change in ownership and a rumoured relaunch in the spring, Phantom will be hoping to boost its revenue potential as the home of indie music in a cluttered Dublin market. Elsewhere, expect some changes to happen in the Today FM schedule to reverse recent losses and a greater incorporation of video streaming of shows into the mix by the Communicorp group of stations.



Most existing operators will be glad that no new stations will appear on air as the BAI's licensing spree has come to its natural end with the launch of Nova last September. Many of the new arrivals will be more concerned about survival and the established ones with market share. Thus, we are unlikely to see any further moves to enhance the take-up of digital audio broadcasting (DAB) outside of RTÉ's continued roll-out of their digital stations.

Opportunities & Challenges

If the radio medium is to retain its commercial vibrancy, in an era when digital platforms such as social media are gaining greater advertiser, agency and audience attention, then it must re-engineer its sales focus. Radio stations need to start reminding advertisers about the participatory power of its platforms (on-air, online, via phone, text or social channels) and the innovative ways in which they can connect brands with their thousands of committed listeners. They need to show how new content channels such as smart-phone apps and video streaming can be used to advance their brands, their audiences and their connections with advertisers.

Out of Home media owners will need to make the most of digital technologies to enhance their offering to advertisers

Advertising spend

Spend on Out-of-Home advertising decreased by approximately 8% in 2010, which represents a relative consolidation of the sector's revenue following a very tough 2009, when the market experienced a drop of 29%. Previous heavy spenders on this medium including Finance, Soft Drinks and Motors continued to cut spend in 2010. However, unlike 2009, other categories such as confectionary, retail and entertainment increased spends, softening the impact of the losses against traditional advertisers on this medium. With 2011 looking like a tough year for revenue again it is our estimate that outdoor spend will drop by as much as 5% as advertisers continue to drive value and consolidate budgets with media owners. Retail and ambient formats will perform well, while large formats will show greater declines. A flurry of activity from political parties in Q1 should start the year well but continued pressure on budgets will prove to impact on out of home budgets.



Audiences

JNOR now provides an established trading currency in the Out-of-Home industry, and 2010 saw the launch of the research to cover Northern Ireland. This means that going into 2011 advertisers now have the ability to analyse campaigns on an All-Ireland basis.



Advertising Costs

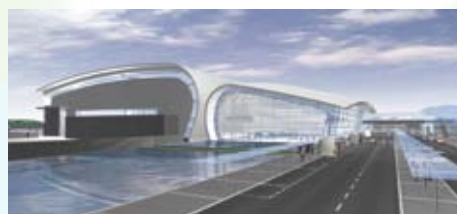
Real prices fell 7% across the market in 2010, with large formats such as 48 Sheets experiencing the largest drop in price.

A desire for advertisers to have strong tactical messages at point of purchase meant demand for retail 6 sheets and other POS formats was strong and these formats didn't experience any significant price declines.

The reduced costs of production also meant an increase in the use of transport wraps, ambient formats and special builds across 2010. There continued to be strong demand for presence around specific events, in particular, rugby and soccer events which heralded the arrival of the new Aviva stadium. Even though the market is expected to be very tough again in 2011 with Outdoor revenues expected to drop we expect prices to remain flat as most of the value has already been squeezed from the market in 2009 and 2010.

Key Developments

Although the universe for traditional Out-of-Home opportunities such as the 48 Sheet declined, overall Out-of-Home opportunities increased in 2010 with the opening of T2 at Dublin Airport and, the extension of the LUAS line.



In retail, CBS Outdoor launched digital opportunities in The Square Shopping Centre, Tallaght consisting of digital escalator panels and large digital LCD screens. Bravo Outdoor retained the CIE contract and will continue to sell Out-of-Home sites on behalf of CIE for the next 5 years.



In 2011, there are plans to broaden the digital base of Transvisions into the main train stations in Cork, Limerick and Waterford and

to expand the Dublin Bike Scheme. Also, there will be significant development of digital opportunities in retail starting with the launch of a range of state of the art digital opportunities at the high profile Dundrum Shopping Centre by CBS Outdoor. JC Decaux will also increase panel numbers for their Metropoles and Metropanels in Dublin.



Opportunities & Challenges

Out of Home media owners will have to look past the expansion of their traditional format plant to grow their business, and look to making the most of digital technologies to enhance their offering. Digital Out-of-Home represents over 10% of spend on this medium in the UK, but in Ireland, it has yet to reach the critical mass in terms of supply to warrant any significant investment levels from Irish advertisers.

Once embraced, the convergence between Out-of-Home and Digital channels means that Out-of-Home will play an increased role in enhancing the connection between offline and online brand experiences. The rising use of smart phones means there is more opportunity to deliver real-time interaction with products and services for consumers when they are out and about. Specific messages can be delivered by location and time of day, bringing a real context to the message being delivered.

The key issue is whether the out of home media owners have the capital and the appetite to invest in new digital opportunities. Set up costs are high and they need to ensure that there is sufficient demand from advertisers to recoup their costs. The cost of adapting creative material to meet the needs of a digital format is a barrier and one which should be tackled by owners to minimise the cost barriers and incentivise advertisers.



Maintaining admission numbers will be hard as discretionary spends come under greater pressure and emigration also begins to bite

Advertising Spend

Cinema performed relatively well in 2010, with revenues up by an estimated 2%. Spend came from a wide range of sectors, which helped protect the medium from declining spends in some traditional sectors. These were offset by increases in entertainment & media (+16%), retail (+52%), travel & transport (+7%), alcohol (+33%) and increased motors activity. With audiences looking to be trending strongly, we expect revenues to remain flat 2011.

Audiences

2010 was an erratic year for cinema, starting sluggishly with admissions down 8% for the first half compared to 2009, due to relatively disappointing releases. Summer blockbuster releases were held back to avoid clashing with the high TV audience for soccer World Cup. Coupled with the better summer weather in June, this proved to be a prudent move as admission levels would have been negatively impacted.

The 2nd half of 2010 saw major movie releases resurrect admission figures, with the latest Harry Potter installment, Toy Story 3, Tron, Jackass 3D, Shrek 4 and Inception all hitting the screens post July. Movie franchises are a big draw and every year we see sequels dominating box office numbers. Sequels accounted for 6 of the top 10 grossing films at the Irish box office in 2010.



The market will take a similar shape this year with the return of successful franchises including Pirates of the Caribbean, Cars, King Fu Panda, Transformers, Mission Impossible and The Hangover 2 – one of the biggest successes at the Irish box office in the last five years. Hollywood will be breathing new life into some old favourites too in 2011 with the release of Captain America, The Smurfs, Thor, Yogi Bear and The Green Hornet. New releases with high box office hopes include Cowboys & Aliens and Your Highness.

Final admission figures for 2010 are expected to be in line with 2009 at around 17.6 million. Cinema continues to be one of the nation's favourite leisure activities with 4.2 visits per capita compared to the European average of 1.7. There is little doubt that maintaining admission numbers in 2011 will be hard as discretionary spends come under greater pressure and emigration also begins to bite into the medium's core demographic. But the medium has proven resilient in the past and the combination of better cinemas, better technology and, above all, better movies should help to stave off any immediate collapse in numbers.



Advertising Costs

Cinema advertisers have not enjoyed the same level of deflation as TV, press or outdoor users have, given the complexity of the trading model. The main sales house, Carlton Screen Advertising, are brokers rather than media owners and hence have less scope on pure discount trading as other sales operations. Cinema rates remained unchanged in 2010 but added value was traded in terms of additional weeks on booking and production inclusive deals. Expect to see published rates remain static again in 2011, with added value being offered to new and advertisers making large commitments.

Key Developments

More new screens are planned for 2011 outside Dublin and work will commence on the new St Stephen's Green cinema complex. Thanks to Avatar which crossed over from 2009, last year was the year of 3D. The top 3 box office releases were 3D spectacles and Inception was the only non 3D release that featured in the top 5 box office chart. Given the incremental benefits to movie distributors and exhibitors, we will see at least another thirty 3D movie releases in 2011. Plans are also advanced to upgrade more screens to full digital capability (currently 28% of screens in ROI are digital with 19% 3D).



Opportunities & Challenges

Video on demand, broadband growth, home cinema, widescreen TV and improved viewing experience through HD and now 3D television have little or no impact on cinema admissions. Neither has the relatively high ticket cost, in a recessionary environment. Technological advances have only resulted in raising audience expectations from the entertainment experience. 3D will continue to draw audiences to cinema screens and in the long term we can expect to see more movies released in 3D format beyond the usual animation/CGI and family genres. Once the number of 3D screens reaches a critical mass we can expect to see advertisers follow suit. To date only Cushelle used 3D advertising in the Irish market but 2011 should see more global advertisers test the opportunity.

Ireland's ageing population is a longer term worry for the medium but a more immediate threat to cinema is the recent re-emergence of emigration. The majority of those emigrating are the core cinema-going audience so this could have potential impact on future admissions in the shorter and medium term.

On the sales side, revenue will always be under threat from deflation and lower cost channel options in the TV market. The launch of more satellite opt outs in 2011 by Sky and TV3 in 2011 will maintain this indirect pressure on the medium as will the continued growth in online video options for Irish advertisers. This makes it all the more reason why the virtues of showcasing great creative work, to an elusive audience, in a medium that generates social currency, need to be reminded and supported by the industry.



Online spend is expected to grow by 11% in 2011

Advertising Spend

Online advertising spend is now measured on a twice yearly basis by PWC for the Interactive Advertising Bureau (IAB). The latest results for H1 2010 suggest that the market is likely to be worth up to €108m by the end of the year, with search and classifieds the main contributors to this growth. In percentage terms, the medium will be up 10% from 2009 spend levels and is expected to grow by a further 11% in 2011, again primarily due to the growth of search marketing. Search marketing, in the form of Google Adwords now accounts for 45% of all online advertising spend and Google is still the dominant player in the Irish market, accounting for 95% of all searches, with Microsoft's Bing and Yahoo Search still taking only minor shares.

Although impressive, given the economic climate, the 10% growth in Irish online advertising is less than half the growth seen in equally underdeveloped Internet markets such as Spain, which is expected to grow by 20% this year. Even the UK, a highly mature market, where online advertising accounts for 26% of total advertising spend is expected to grow by 10% in 2010, putting Irish growth in context. However, the relatively slow growth in the Irish market is also an indication of the future potential of this market for online advertising.

The PWC / IAB research also outlines findings in relation to the main categories spending online. Contrary to expectations, the classified industry has held up well online, with Property and Auto taking a 19% and 22% share of the market respectively. Other big online spending categories in 2010 are Education at 10% and retail at 9% of total spend.

Irish Digital Ad Spend 2007-2011

	2007 Million	2008 Million	2009 Million	2010 Million	2011 Million
Display*	€27	€36	€33	€30	€34
Classified	€27	€25	€16	€24	€24
Sponsorship	€7	€9	€7	€5	€6
Search	€25	€35	€42	€49	€56
Total	86	105	98	108	120
YOY % Change	+75.5%	+22.1%	-6.7%	+10%	+11%

*Includes advertising on social sites, ad networks & IPTV channels

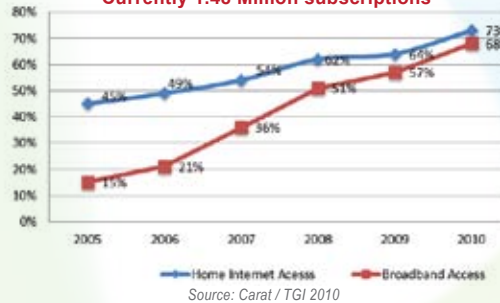
Audiences

Broadband access continues to grow and Comreg estimate that at 1.5 million subscriptions 68% of all homes in the country have access to Broadband. This equates to over 80% of the population having access to broadband.

Mobile broadband continues to drive overall broadband growth, with a 48% increase in mobile broadband subscriptions year on year, compared to a 19% increase in fixed broadband connections.

Increased speed has been the key driver this year, with operators offering significant speed increases for consumers. High speed broadband in Ireland is still at a higher price point than our UK neighbours, which in turn affects the wholesale take up of high speed broadband. Growth in broadband connectivity and speed are directly related to growth in online advertising and ecommerce revenues.

Home Internet / Broadband access: Currently 1.48 Million subscriptions



Broadband growth is expected to continue apace for 2011, with more advanced users seeking greater speeds and the growth of usage via devices such as smart phones and the iPad.

Top websites

In terms of the most frequently visited sites Google, MSN and Facebook claimed the top positions in both 2009 and 2010. RTÉ now ranks as the 4th most popular site in the country. The RTÉ Player in particular has seen huge growth and delivered 199,000 unique users in Oct 2010 vs a mere 66,000 for the same period in 2009.

Eircom also improved on its numbers of unique users, while Independent Newspapers and the Irish Times showed some growth in Oct 2010 vs Oct 2009.

Social media continues to grow apace

Social media channels continued to grow at a furious pace throughout 2010, not only in the numbers of users, but also in the sheer volume of time spent on social channels online. On average users log on to Facebook every 2 days and spend up to 24 minutes on the site per visit.

Top sites ranked by unique users

	UV Oct 2010	Position Oct 2010	Position 2009
Google Sites	1,910	1	1
Microsoft Sites	1,878	2	2
FACEBOOK.COM	1,495	3	3
RTE.IE	1,199	4	13
Yahoo! Sites	1,172	5	4
Daft Media	1,082	6	33
Glam Media	970	7	11
BBC Sites	913	8	14
Wikimedia Sites	754	9	6
Ask Network	712	10	8
Eircom	707	11	24
CBS Interactive	693	12	12
eBay	668	13	7
Demand Media	636	14	37
Viacom Digital	1,910	15	27

Source: Comscore October 2010

And the figures for YouTube are just as impressive, with an average of 26 minutes per day spent on the site according to Comscore.

Many Irish brands have effectively leveraged the power of Facebook and are using it to deliver PR and loyalty programmes, customer service solutions, promotions, as well as awareness based initiatives and even sales solutions.

The Irish Social monitor keeps a check on the top brands on Facebook via their website. Listed below is the current list of the top FMCG brand pages on Facebook, ranked by numbers of fans/likes.

Facebook Fans

	Fans / Likes
Mr. Tayto	75,921
Dublin Dr Pepper	27,540
Barry's Tea	24,650
Starbucks Ireland	20,899
HB Ice Cream	19,228
I love King crisps on bread!!	18,427
Ben & Jerry's Ireland	13,102
Just-Eat.ie	10,689
innocent smoothies	10,587
CULLY & SULLY	9,795

Source: www.irishsocialmediamonitor.com December 2010

Twitter has also continued to grow throughout 2010. According to Comscore September data, Twitter now has 189,000 followers in Ireland and grew at a rate of 24% year on year, compared to Facebook's 65% growth. Earlier this year, Twitter finally released their paid advertising solution promoted tweets. Initial results from the beta test are positive, with some brands on the beta seeing up to 200% increase in the effectiveness of promoted tweets vs normal tweets.



10% of all Facebook users go online to play FarmVille

Bebo's Irish audience fell dramatically this year, in keeping with losses in other markets and shows how quick Internet brands can turn from being the latest thing to significant loss makers. MySpace has also had its difficulties in 2010 and in spite of a substantial makeover towards the end of the year, the site continues to lose audience. Although it's still possible to advertise on both channels and value is currently excellent, the audience losses will at some point deliver diminished returns for advertisers.

Advertising Costs

A difficult trading environment in 2009 drove prices down considerably and the market, although up in terms of spend, has not recovered sufficiently in 2010 to allow suppliers to raise prices. In addition, the number of impressions in the market has increased, with increased audiences across all sites and the growing number of advertising networks selling a growing Irish inventory on international sites. Another emerging trend in the display market is the success of affiliate marketing for a wider number of advertisers. Carat expects prices in display advertising to remain flat in 2011. The only exception to this may be pre and mid roll advertising on online players, which continues to see high demand and as a result is often sold out. Early indications suggest there may be an up to 10% price increase on video players in 2011.

On the search side, the average cost per click for search ads rose by an estimated 15% in 2010. This is purely due to increased competitiveness in the search market. Search is likely to remain popular in 2011, as a low entry cost, coupled with highly visible success measurements attract new audiences as well as increased budgets from existing audiences. As a result, we can expect to see further inflation of up to 10% in 2011 on Google cost per clicks.

Key Developments in Digital

Many of the most relevant digital media developments in 2010 and those expected for 2011 come via Facebook. In 2010, Facebook launched Places, their version of Foursquare, the location based service, which allows advertisers to target users based on activities in specific locations. While not yet available in Ireland, Facebook Places is an important development in location based targeting and has been a particularly effective small business advertising tool in the US. Given Foursquare's small user base in Ireland, it is anticipated that Facebook Places will quickly eclipse Foursquare in 2011.



Facebook launched an upgraded profile page solution in 2010, essentially allowing users to add more information and content to their profile pages and thereby collecting additional data on their huge user base. We can therefore expect to see more targeting opportunities from Facebook in 2011, based on the enhanced user data available.

Facebook also launched Facebook credits in 2010. This is Facebook's ecommerce solution and a key future way to monetise the site. To date, advertisers have felt that Facebook is not really a transactional site, rather a conversation space, but increasingly business is being transacted on the site and some of the most successful brand pages on Facebook have been able to leverage sales from the medium. Expect to see more brands in 2011 using Facebook for sales purposes as well as using Facebook as a key destination for online advertising, rather than the traditional brand website.

Social gaming, most notably through Facebook, was the big new digital medium of 2010. According to eMarketer, global advertising spend in social games such as Farmville and Mafia Wars, grew by 60% in 2010. Facebook global data indicates that almost 60 million users play these online games daily and that 10% of Facebook users go online specifically to play Farmville. In the US, Farmville has a bigger daily audience than many of the top rated TV shows and some advertisers are now bringing this virtual world into the real world, for example, Green Giant in the US running offline promotions to give away Farmville cash to customers.

Apps of course were the other big news story in 2010 and are expected to continue to grow in 2011, most notably in devices outside of mobile phones and in particular within tablet PCs. 2011 is being touted as the year of the tablet PC. Forrester research recently

increased their predictions for the rate of sale of tablet PCs and now expect that 82 million users in the US will be utilising tablet PCs by 2015, the majority of these iPads. As tablets are primarily "lifestyle" devices, they can be expected to replace iPods and MP3 players. This again will create demand for increasing numbers of iPad apps.

Online video continues to grow at a substantial rate and we can expect to see further convergence of digital and traditional channels in 2011. Data from the US shows the increased variety of platforms which users employ to seek out relevant content.

In the Irish market, the RTÉ and TV3 players have seen significant audience growth and advertiser demand regularly surpasses supply on both players, resulting in high CPMs, which are likely to remain for 2011. Audience viewing patterns for the online players mirror the patterns seen on TV, showing that "peak time" viewing is also an online trend. Also interesting to watch in 2011 will be YouTube's progress towards long form rather than short form content and the success of Google TV, Google's foray into traditional media via digital.



As always, pace of change in Digital will be fast, with new developments and innovations quickly lending themselves to new ways in which we can target messages and develop interactions with consumers.

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