



Swiss Entertainment & Media Outlook 2020-2024

# Out-of-home

Pulling the future forward: The entertainment and media industry reconfigures amid recovery

# Out-of-home

## Segment definition

The out-of-home (OOH) advertising market consists of advertiser spending on out-of-home media. OOH comprises total advertiser spending on all formats of out-of-home media and is split between physical and digital. Advertising spend is tracked as net of agency commissions, production costs and discounts. Traditional physical out-of-home media includes billboards, street furniture (bus shelters, kiosks) transit displays (bus sides, taxi toppers), sports arena displays, and captive ad networks (in venues such as elevators). Digital OOH includes any out-of-home advertising media that is Internet-connected (e.g. smart billboards).

## Global market drivers

OOH has been one of the most stable segments of the global entertainment and media market over the past few years. The sector has remained resilient in the face of the huge changes in consumer media consumption patterns brought about by the rise of digital media. This resilience should continue despite the severe disruption in 2020 caused by the outbreak of COVID-19.

This is not to say that little has changed in the OOH market; the sector itself is being shaken up by the emergence of new technology. Digital OOH (DOOH) increasingly means far more than simply displaying advertising on digital screens rather than on static posters or billboards. New technologies to measure OOH viewing in realtime are facilitating more insightful analytics than ever before and driving targeted and contextual ads. Targeted ads increasingly are being bought and sold “programmatically”, i.e. in an automated way, without any manual human input.

The growth of DOOH to date has been spurred by the substantial returns it offers to OOH providers. The obvious advantages of these more vivid, entertaining and engaging ads are compounded by the even more lucrative gains produced by selling the same site many times over as ads rotate constantly. While old-style “scrollers” could achieve this to some degree, advertisers’ unwillingness to share space tended to depress prices. DOOH, however, not only offers higher quality, it also allows ad time to be divided far more effectively. Different ads can be shown to commuters, weekend shoppers and night-time revellers. In many cases, this has enabled providers to charge more than a static site for each of five or six ads on rotation, thereby generating exponential gains in revenue.

Although the increase in value of individual sites can be enormous as a result of upgrading to digital, this does not necessarily drive an increase in the amount of money available in advertising budgets for OOH as a whole. The end effect: an increasingly two-speed market in which the very high prices in DOOH have driven down prices in physical OOH, with overall OOH revenue creeping up only gradually. For DOOH to boost the value of the overall OOH market rather than just causing ad budgets to be shunted from physical directly to digital, it has to truly embrace its potential as a connected medium. OOH providers have a strong incentive to pursue that course, but the challenges are far greater than simply upgrading infrastructure.

## The impact of COVID-19

The OOH market will be severely affected in 2020 by the outbreak of COVID-19. As countries across the world enforced public lockdowns in early 2020 to prevent the spread of the virus, the value of advertising on public transportation vehicles and outside large venues such as sports stadiums and music venues fell significantly.

Many large OOH market players announced cost-cutting measures soon after lockdowns were introduced in multiple markets throughout the world. Major global player JCDecaux announced in March that it was cancelling its 2019 dividend to strengthen its finances in light of the disruption brought about by the pandemic, while German OOH firm Stroer Media retracted its initial 2020 revenue guidance.

Physical OOH will be affected more than the digital sector because the former requires people to put up and replace ads. However, digital will still be markedly lower in 2020 due to the lockdown-related postponement of sporting events and, once restrictions are lifted, a reduction in commuting and tourism in those countries most affected by the virus.

Many advertisers have been forced to delay or cancel campaigns as the outbreak has spawned a high degree of economic uncertainty. Sectors with large OOH advertising budgets, e.g. travel and fashion, will significantly reduce their spend as shops are closed and travel suspended, rendering some products less relevant to consumers. OOH will also suffer as advertisers look to other mediums such as audio or TV as a way of targeting consumers who are currently spending more time indoors. Large OOH adverts in prime locations will temporarily be unable to deliver mass reach.

## Switzerland

### Out-of-home in Switzerland

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019 - 2024 CAGR
<b>Out-of-home advertising in Switzerland (CHF mn)</b>	413	411	414	437	442	299	380	442	471	478	1.53%
Digital OOH advertising (CHF mn)	33	38	45	59	67	56	69	86	100	109	10.18%
Physical OOH advertising (CHF mn)	379	372	369	378	376	244	311	357	370	369	-0.35%

Notes: Numbers shown are rounded. Totals may not equal the sum of their parts due to rounding.

All advertising revenues are net spending excluding agency commissions, production costs & discounts Sources: PwC, Omdia, Zentralverband der Deutschen Werbewirtschaft (Germany)

Switzerland's out-of-home (OOH) advertising market is the fourth largest in Western Europe, with a value of USD 485mn in 2019, up 1.3% year-on-year. Despite Switzerland's relatively small population, the disproportionately high level of disposable personal income translates into generous advertising budgets that result in greater total OOH spending than in much-larger countries like Italy or Spain.

Although OOH revenue per capita is impressively high, the Swiss market is growing relatively sluggishly. This is due in part to saturation, which leaves little headroom for more growth in an already large OOH market. But underinvestment also plays a role. Moreover, the sector will face significant disruption in 2020 as a result of the COVID-19 pandemic.

Digital OOH (DOOH) is less prevalent in Switzerland than most regional markets. It accounts for just 15.1% of total sector revenue, roughly half the average for Western Europe. However, DOOH revenue is in fact growing substantially in Switzerland thanks to initiatives such as the tourist information and advertising kiosks run by Partteam & Oemkiosks. Nonetheless, the rate of adoption remains relatively slow. As a result, the total Swiss OOH market is projected to grow at a 1.5% CAGR over the next five years, reaching USD 524mn in 2024.

