Swiss Entertainment & Media Outlook 2020-2024

TV advertising

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

pwc

TV advertising

Segment definition

This segment comprises all TV advertising revenue, including broadcast and online. Broadcast television covers all advertising revenues generated by free-to-air networks (terrestrial) and pay-TV operators (multichannel).

Online TV advertising consists of in-stream adverts and reflects revenues from pre-roll, mid-roll and post-roll ads around TV content distributed by broadcaster-owned websites. This segment includes revenues only from TV viewed online, delivered by traditional broadcasters via their own websites, and excludes advertising around video content on Internet-based sites such as YouTube (whose revenues appear under video Internet advertising). Advertising revenue is net of agency commissions, production costs and discounts in all territories. This revenue is a combination of non-digital (TV) and digital (online). Broadcast television covers all advertising revenues generated by pay-TV operators (multichannel) and free-to-air networks (terrestrial). Multichannel includes non-core network advertising revenue generated via pay-TV networks (cable, digital terrestrial television (DTT), Internet Protocol Television (IPTV) or satellite) as well as revenue from free-to-air spin-off digital channels launched by the core terrestrial networks. The latter revenue is considered non-digital. Terrestrial covers advertising sold on traditional, core, over-the-air TV channels even if they are viewed via a subscription service or free digital TV. This revenue is also considered non-digital. For the US only, multichannel advertising is split between cable networks and multichannel systems, while terrestrial advertising is split between broadcast networks and televisions stations. Other territories do not make this distinction. Online TV advertising consists of in-stream adverts only and reflects combined revenues from pre-roll, mid-roll and post-roll. Overlays (where advertisers superimpose a video layer to deliver an ad unit) are not included within this definition. This revenue is considered digital.

Global Market drivers

The traditional TV market is adapting to the ongoing decline in viewing as audiences, particularly younger groups, increasingly turn to streaming services. Traditional broadcasters continue to make the case for TV advertising even as ever larger portions of global ad budgets are being funnelled towards digital giants such as Google and its subsidiary YouTube, as well as Facebook and its subsidiary Instagram. A global trend is emerging as traditional broadcasters and media companies invest heavily in their own streaming services that incorporate ad-funded models.

In a bid to enhance the attractiveness of TV advertising and its competitiveness in the digital age, broadcasters have invested large sums in the development of addressable, or targeted, TV ad products in order to better exploit viewer demographic data. This has been harder for terrestrial broadcasters, which don’t have the access to significant audience data that pay-TV players do thanks to their set-top boxes and subscription-based relationship with viewers. Nevertheless, significant progress is being made.

Broadcasters across the world have launched their own streaming services in an effort to compete effectively against well-funded rivals such as Netflix and Amazon. Competition for viewers, and therefore ad dollars, is becoming increasingly intense as new players and products crowd the market. WarnerMedia has launched the streaming service HBO Max; Comcast-owned NBCUniversal has established Peacock, which has advertising-funded and pay tiers; and Disney+ increased its international presence by rolling out in Western Europe in March 2020.

Connected and portable devices

The continuing rise in popularity of portable devices such as tablets and smartphones for watching TV and video content is also contributing to the projected growth in global advertising. Broadcasters are tapping into the notion of portability by providing consumers with a “TV anywhere” experience as opportunities beyond the television set continue to grow. This will be fuelled further by the global rollout of 5G mobile capability and gigabit-speed, as well as full-fibre broadband networks, which will enhance and drive the video experience.

More than 800mn new smartphones will come into use globally across the forecast period. Consumers owned an estimated 4.3bn smartphones in 2019 and the total amount should grow at a 3.5% CAGR to 5.1bn in 2024. The number of tablets is projected to increase at a 1.1% CAGR from 991mn to more than 1.0bn, while the number of broadband- connected homes will rise at a 1.7% CAGR from 992mn to 1.1bn.

The impact of COVID-19

The TV advertising sector will be severely affected by the outbreak of COVID-19 in 2020. Broadcast TV advertising revenue can be expected to contract sharply in 2020, with both the terrestrial and multichannel sub-sectors seeing double-digit declines. Online advertising will see slower, but positive growth.

Switzerland

TV advertising in Switzerland

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019 - 2024 CAGR
TV advertising in Switzerland (CHF mn)	733	719	722	741	731	633	665	674	667	669	-1.75%
Broadcast TV advertising (CHF mn)	723	709	711	727	713	616	646	653	644	642	-2.10%
Multichannel TV advertising (CHF mn)	143	159	167	171	173	154	167	173	173	173	0.00%
Terrestrial TV advertising (CHF mn)	580	550	543	556	541	461	479	480	471	469	-2.82%
Online TV advertising (CHF mn)	9	10	12	14	16	17	18	21	24	26	10.07%

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

Sources: PwC, Omdia

Switzerland's already mature TV market has experienced a shift in viewing patterns towards on-demand content across devices. This has had an impact on the TV advertising market as linear viewing minutes decline and advertisers increasingly shift towards online services or other media types. Swiss TV advertising revenue declined 1.5% in 2019 to US$801mn, and a -1.8% CAGR is expected over the next five years. Total revenue ease to US$733mn by 2024. The terrestrial sector in particular will struggle for growth, although it will still account for 70% of TV ad spend in 2024 versus a 26% share attributable to multichannel services and 4% to online TV advertising. TV advertising in Switzerland is limited to 12 minutes per hour and may not exceed 15% of broadcast time.

Public broadcaster SRG has led the terrestrial sector for many years. But in late-2018 it was announced that SRG would cease its DTT broadcasts as of June 2019 in a bid to cut costs. As pay-TV use is so pervasive in Switzerland, SRG estimated the move would only impact around 64,000 households, with the rest served by cable, satellite and IPTV. But ultimately, SRG began broadcasting with DTT again in November 2019, partly to allow for transmission in Austria.

SRG’s main channel is the ratings-leader in each language region of the country. Switzerland’s linguistic diversity provides opportunities for advertisers to target consumers based on local culture. In its FY 2019 report, SRG stated that 77% of its revenue came from the nationwide per-household licence fee, while 23% was from commercial activity and advertising. SRG disclosed that its channels were viewed by an average of 3.4mn people across the country each day in 2019, whereas that number dropped off to an average of 2.9mn during prime-time hours. In the German-speaking region, SRF1 leads the pack with a 25.9% share of prime-time viewership and 18.7% of all-day audiences. The broadcaster’s overall portfolio of channels garners 37.5% of prime-time and 31.5% of all-day viewers. There was a similar pattern in the French-speaking region with RTS Un attracting 26.5% of prime-time viewers and 20.5% of all-day audiences, making it the regional leader in both time periods. In the Italian-speaking part of Switzerland, RSI LA 1 drew 25.9% of prime-time and 18.2% of all-day audiences in the broadcaster’s 2018–2019 financial year.