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Digital Outsider

The Inside Line on
Digital Out-of-Home Media

DOOH Weathered 2009 Better Than Most

Erik Sass, Jan 15, 2010 04:45 PM

No one's likely to be breaking out the champagne just yet, but it's already clear that the digital out-of-home business fared better than virtually every other media sector, including both traditional and online. This bodes well for a strong recovery in 2010 (barring further economic woes).

The most recent good news comes from AdSpace, which operates a network of large, flat-screen digital displays in malls in big markets around the country, delivering editorial content including a "Today's Top Ten" featuring products from the mall, "Trend Alert" offering advice on fashionable apparel combinations, and paid advertising. After some retrenchment in the first part of 2009, AdSpace ended last year with overall revenues up 40%; in fact, it marked the first time the network became profitable -- no mean achievement in the midst of the worst economic downturn in living memory.

Over the past year AdSpace nearly doubled the number of advertisers on the network, which reached 86 in December, including clients in new categories like consumer packaged goods and telecommunications. AdSpace also released the results of custom research by Nielsen Media Research which found that 65% of mall traffic views its "Smart Screens," up from 47% two years before, with the number of impressions growing 30% over the same period.

Other DO networks have also fared relatively well in a remarkably difficult advertising environment. In the first three quarters of 2009, National CineMedia (one of two companies that dominate American cinema advertising, along with competitor Screenvision) said total ad revenues were up 2% to \$262 million. It is forecasting full-year revenues of around \$365 million -- basically flat compared to last year's performance -- a 1% decline from \$369 million.

Overall digital out-of-home is expected to grow 2% in 2009, according to a revised forecast released by PQ Media in November.

While a flat year would be a cause for embarrassment in 2005, now it looks enviable, especially considering the performance of other media: in the first nine months of 2009 newspaper ad revenues fell 28.4%, according to the Newspaper Association of America; radio fell 21%, according to the Radio Advertising Bureau; broadcast TV fell 15.7%, according to the Television Bureau of Advertising; and outdoor fell 18%, according to the Outdoor Advertising Association of America. For the full year magazines ad pages tumbled 27%, according to the Publishers Information Bureau. Significantly, DOOH even fared better than the Internet ad business, at least in the first nine months of 2009, when online ad revenues were down 5.2%.

These data suggest that, with any luck, DOOH should be able to return to something approaching the strong growth it enjoyed before the recession. PQ Media is forecasting 6.2% growth for 2010, to \$2.62 billion -- a happier scenario than forecasts from Magna Global that have newspapers ad revenues falling another 9.2% to \$23.4 billion, magazines ad revenues falling 6.2% (which would put them at \$18.3 billion, using PIB estimates) and radio falling 4.4% to under \$13 billion. Meanwhile broadcast TV revenues may grow 3.2% to \$16.1 billion, according to BIA/Kelsey.